

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2008

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No.000-31355

BEACON ENTERPRISE SOLUTIONS GROUP, INC.

(Name of registrant in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

81-0438093

(I.R.S. Employer Identification No.)

1961 Bishop Lane, Louisville, KY 40218

(Address of principal executive offices)

502-657-3500

(Issuer's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of February 12, 2009, Beacon Enterprise Solutions Group, Inc. had a total of 14,151,017 shares of common stock issued and outstanding.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Beacon Enterprise Solutions Group, Inc. and Subsidiaries
Condensed Consolidated Balance Sheet

	December 31, 2008	September 30, 2008
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 148,216	\$ 127,373
Accounts receivable, net	1,387,032	1,505,162
Inventory, net	575,078	597,794
Prepaid expenses and other current assets	28,671	44,745
Total current assets	2,138,997	2,275,074
Property and equipment, net	284,694	310,703
Goodwill	2,791,648	2,791,648
Other intangible assets, net	3,687,469	3,802,717
Inventory, less current portion	160,610	160,610
Security deposits	6,050	15,639
Total assets	\$ 9,069,468	\$ 9,356,391
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit obligation	\$ 320,000	\$ 200,000
Current portion of long-term debt	558,114	495,595
Current portion of capital lease obligations	8,070	11,928
Accounts payable	1,502,319	1,225,509
Accrued expenses	789,724	1,105,078
Accrued dividends	345,506	220,354
Customer deposits	249,646	95,767
Deferred tax liability	45,472	45,472
Total current liabilities	3,818,851	3,399,703
Long-term debt, less current portion	1,102,025	1,316,477
Bridge notes (net of \$104,910 and \$128,840 of discounts, respectively)	595,090	571,160
Total liabilities	5,515,966	5,287,340
Stockholders' equity		
Preferred Stock: \$0.01 par value, 5,000,000 shares authorized, 5,200 and 5,200 shares outstanding, respectively, in the following classes:		
Series A convertible preferred stock, \$1,000 stated value, 4,500 shares authorized, 4,000 and 2,433.9 shares issued and outstanding, respectively, (liquidation preference \$5,368,630 and \$5,243,630, respectively)	4,000,000	4,000,000
Series A-1 convertible preferred stock, \$1,000 stated value, 1,000 shares authorized, 800 and 0 shares issued and outstanding, respectively, (liquidation preference \$1,056,813 and \$1,031,813, respectively)	800,000	800,000
Series B convertible preferred stock, \$1,000 stated value, 4,000 shares authorized, 400 and 0 shares issued and outstanding, respectively, (liquidation preference \$506,440 and \$500,000, respectively)	400,000	400,000
Common stock, \$0.001 par value 70,000,000 shares authorized, 13,235,120 and 12,093,021 shares issued and issued and outstanding, respectively	13,235	12,093
Additional paid in capital	9,024,718	8,027,602
Accumulated deficit	(10,684,451)	(9,170,644)
Total stockholders' equity	3,553,502	4,069,051
Total liabilities and stockholders' equity	\$ 9,069,468	\$ 9,356,391

The accompanying notes are an integral part of these condensed consolidated financial statements.

	For the three months ended December 31, 2008	For the three months ended December 31, 2007
Net sales	\$ 1,801,208	\$ 137,088
Cost of goods sold	663,875	10,620
Cost of services	652,745	24,212
Gross profit	484,588	102,256
Operating expense		
Salaries and benefits	904,296	438,884
Selling, general and administrative	523,141	486,330
Depreciation Expense	37,041	-
Amorization of intangible assets	115,248	-
Total operating expense	1,579,726	925,214
Loss from operations	(1,095,138)	(822,958)
Other expenses		
Interest expense	(213,337)	(27,995)
Interest income	167	-
Total other expenses	(213,170)	(27,995)
Net loss	(1,308,308)	(850,953)
Preferred Stock:		
Contractual dividends	(125,152)	(7,335)
Deemed dividends related to beneficial conversion feature	(80,347)	(903,878)
Net loss available to common stockholders	\$ (1,513,807)	\$ (1,762,166)
Net loss per share to common stockholders - basic and diluted	\$ (0.12)	\$ (0.30)
Weighted average shares outstanding basic and diluted	12,556,459	5,818,999

The accompanying notes are an integral part of these condensed consolidated financial statements.

Beacon Enterprise Solutions Group, Inc. and Subsidiaries
Condensed Consolidated Statement of Stockholders' Equity
(Unaudited)

	Series A Convertible Preferred Stock		Series A-1 Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock	
	Shares	\$1,000 Stated Value	Shares	\$1,000 Stated Value	Shares	\$1,000 Stated Value	Shares	\$0.001 Par Value
Balance at September 30, 2008	4,000	\$ 4,000,000	800	\$ 800,000	400	\$ 400,000	12,093,021	\$ 12,093
Vested portion of share based payments to employee for services								
Common Stock issued in private placement							1,142,099	1,142
Private placement offering costs								
Beneficial conversion feature - deemed preferred stock dividend								
Vested contingent bridge warrants								
Warrants issued for equity financing agreement								
Series A Preferred Stock contractual dividends								
Series A-1 Preferred Stock contractual dividends								
Series B Preferred Stock contractual dividends								
Net loss								

Balance at December 31, 2008 (unaudited)	4,000	\$	4,000,000	800	\$	800,000	400	\$	400,000	13,235,120	\$	13,235
				Additional Paid-In Capital			Accumulated Deficit			Total		
Balance at September 30, 2008				\$ 8,027,602			\$ (9,170,644)			\$ 4,069,051		
Vested portion of share based payments granted to employee for services				52,088						52,088		
Common Stock issued in private placement				912,537						913,679		
Private placement offering costs				(186,862)						(186,862)		
Beneficial conversion feature - deemed preferred stock dividend				80,347			(80,347)			-		
Vested contingent bridge warrants				56,840						56,840		
Warrants issued for equity financing agreement				82,166						82,166		
Series A Preferred Stock contractual dividends							(100,000)			(100,000)		
Series A-1 Preferred Stock contractual dividends							(20,000)			(20,000)		
Series B Preferred Stock contractual dividends							(5,152)			(5,152)		
Net loss							(1,308,308)			(1,308,308)		
Balance at December 31, 2008 (unaudited)				\$ 9,024,718			\$ (10,684,451)			\$ 3,553,502		

The accompanying notes are an integral part of these condensed consolidated financial statements.

Beacon Enterprise Solutions Group, Inc. and Subsidiaries
Consolidated Statement of Cash Flows
(unaudited)

	For the Three Months Ended December 31, 2008	For the Three Months Ended December 31, 2007
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net loss	\$ (1,308,308)	\$ (850,953)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in reserve for obsolete inventory	15,711	
Change in reserve for doubtful accounts	37,551	
Depreciation and Amortization	152,289	21,924
Non-cash interest	162,936	6,839
Share based payments	52,088	132,372
Changes in operating assets and liabilities:		
Accounts receivable	80,579	(9,321)
Inventory	7,005	315
Prepaid expenses and other current assets	16,074	(73,398)
Accounts payable	276,810	26,227
Customer deposits	153,879	
Other assets	9,589	97,048
Accrued expenses	(315,354)	164,217
NET CASH USED IN OPERATING ACTIVITIES	(659,151)	(484,730)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Capital expenditures	(11,032)	(5,081)
Acquisition of businesses, net of acquired cash		(1,776,933)
NET CASH USED IN INVESTING ACTIVITIES	(11,032)	(1,782,014)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from issuances of bridge notes		422,000
Proceeds from sale of preferred stock, net of offering costs		2,433,900
Proceeds from sale of common stock, net of offering costs	726,817	
Net proceeds under lines of credit	120,000	
Payments of notes payable	(151,933)	

Payments of capital lease obligations	(3,858)	
NET CASH PROVIDED BY FINANCING ACTIVITIES	691,026	2,855,900
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,843	589,156
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</u>	<u>127,373</u>	<u>62,211</u>
<u>CASH AND CASH EQUIVALENTS - END OF PERIOD</u>	<u>\$ 148,216</u>	<u>\$ 651,367</u>
<u>Supplemental disclosures</u>		
Cash paid for:		
Interest	\$ 35,889	\$ 2,717
Income taxes	-	\$ -
Acquisition of businesses		
Accounts receivable		\$ 661,666
Inventory		689,695
Prepaid expenses and other current assets		52,824
Property and equipment		226,743
Goodwill		2,801,973
Customer relationships		3,704,074
Non-compete agreements		500,000
Tradenames		100,000
Security deposits		6,050
Line of credit		(250,000)
Accounts payable and accrued expenses		(872,868)
Customer deposits		(304,190)
Long-term debt assumed		(354,199)
Capital lease obligations		(25,490)
Less: common stock issued as purchase consideration		(2,741,250)
Less: acquisition notes issued to sellers of acquired businesses		(1,973,500)
Less: acquisition notes issued to sellers of acquired businesses		(444,595)
Cash used in acquisition of businesses (net of \$148,283 of cash acquired)		\$ 1,776,933
Accrued Offering Costs		\$ 481,407
Bridge note warrants		\$ 72,000

The accompanying notes are an integral part of these condensed consolidated financial statements.

BEACON ENTERPRISE SOLUTIONS GROUP, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The condensed consolidated financial statements presented are those of Beacon Enterprise Solutions Group, Inc. ("Beacon" or the "Company"), which was originally formed in the State of Indiana on June 6, 2007 and combined with Suncrest Global Energy Corp. ("Suncrest"), a Nevada corporation, on December 20, 2007 in a share exchange transaction accounted for as a reverse merger and recapitalization of Beacon..

The Company is a unified, single source information technology and telecommunications enterprise that provides professional services and sales of information technology and telecommunications products to commercial enterprises, state and local government agencies, and educational institutions.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements as of December 31, 2008 and 2007, and for the three months then ended have been prepared in accordance with the accounting principles generally accepted in the United States of America for interim financial information and pursuant to the instructions to Form 10-Q and Article 8 of Regulation S-X of the Securities and Exchange Commission ("SEC") and on the same basis as the annual audited consolidated financial statements. The unaudited condensed consolidated balance sheet as of December 31, 2008, condensed consolidated

statements of operations for the three months ended December 31, 2008 and 2007, and the condensed consolidated statement of stockholders' (deficit) equity and cash flows for the three months ended December 31, 2008 are unaudited, but include all adjustments, consisting only of normal recurring adjustments, which Beacon considers necessary for a fair presentation of the financial position, operating results and cash flows for the period presented. The results for the three months ended December 31, 2008 are not necessarily indicative of results to be expected for the year ending September 30, 2008 or for any future interim period. The accompanying condensed consolidated financial statements should be read in conjunction with Beacon's consolidated financial statements and notes thereto included in Beacon's Annual Report on Form 10-K, which was filed with the SEC on January 13, 2009.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Beacon Enterprise Solutions Group, Inc., a Nevada corporation (formerly Suncrest) and its wholly-owned subsidiaries the original Beacon formed in Indiana in June 2007 and BH Acquisition Corp. All significant inter-company accounts and transactions have been eliminated in consolidation.

Revenue and Cost Recognition

The Company applies the revenue recognition principles set forth under the Securities and Exchange Commission's Staff Accounting Bulletin ("SAB") 104 with respect to all of its revenue. Accordingly, the Company recognizes revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the vendor's fee is fixed or determinable, and (iv) collectability is probable.

Business Telephone System and Computer Hardware Product Revenues - The Company requires its hardware product sales to be supported by a written contract or other evidence of a sale transaction that clearly indicates the selling price to the customer, shipping terms, payment terms (generally 30 days) and refund policy, if any. Since the Company's hardware sales are supported by a contract or other document that clearly indicates the terms of the transaction, and the selling price is fixed at the time the sale is consummated, the Company records revenue on these sales at the time at which it receives a confirmation that the goods were tendered at their destination when shipped "FOB destination," or upon confirmation that shipment has occurred when shipped "FOB shipping point."

For product sales, the Company applies the factors discussed in Emerging Issues Task Force ("EITF") issue 99-19 "Reporting Revenue Gross as a Principal vs. Net as an Agent," ("99-19"), in determining whether to recognize product revenues on a gross or net basis. In a substantial majority of these transactions, the Company acts as principal because; (i) it has latitude in establishing selling prices; (ii) takes title to the products; and (iii) has the risks and rewards of ownership, including the risk of loss for collection, delivery or returns. For these transactions, the Company recognizes revenues based on the gross amounts billed to customers.

Professional Services Revenue – The Company generally bills its customers for professional telecommunications and data consulting services based on hours of time spent on any given assignment at its hourly billing rates. As it relates to delivery of these services, the Company recognizes revenue under these arrangements as the work is completed and the customer has indicated their acceptance of services by approving a work order milestone or completion order. For certain engagements, the Company enters into fixed bid contracts, and recognizes revenue as phases of the project are completed and accepted by the client. We generated approximately \$667,000 and \$0 of professional services revenue during the three months ended December 31, 2008 and 2007, respectively.

Time and Materials Contracts – Revenues from time and materials contracts, which generally include product sales and installation services, are billed when services are completed based on fixed labor rates plus materials. A substantial majority of the Company's services in this category are completed in short periods of time. The Company may, on occasion, enter into long-term contracts in which it would be appropriate to recognize revenue using long-term contract accounting such as the percentage of completion method. We generated revenues of approximately \$1,101,000 and \$138,000 from short-term time and materials contracts for the three months ended December 31, 2008 and 2007, respectively.

Maintenance Contracts – The Company, as a representative of various original equipment manufacturers, sells extended maintenance contracts on equipment it sells and also acts as an authorized servicing agent with respect to these contracts. These contracts, which

are sold as separate agreements from other products and services, are individually negotiated and are generally not bundled with other products and services. For maintenance contract sales, the Company applies the factors discussed in "EITF" 99-19 in determining whether to recognize product revenues on a gross or net basis. Maintenance contracts are typically manufacturer maintenance contracts that are sold to the customer on a reseller basis. Based on an analysis of the factors set forth in EITF 99-19, the Company has determined that it acts as an agent in these situations, and therefore recognizes revenues on a net basis. The Company's share of revenue that it earns from originating these contracts is deferred and recognized over the life of the contract. Material and labor is charged for any service calls under these maintenance contracts on a time and materials basis which is charged to either the customer or manufacturer. We recognized approximately \$33,000 and \$0 of net maintenance revenue during both the three months ended December 31, 2008 and 2007, respectively.

The Company accounts for sales taxes collected on behalf of government authorities using the net method. Pursuant to this method, sales taxes are included in the amounts receivable and a payable is recorded for the amounts due to the government

agencies.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. These estimates and assumptions include valuing equity securities and derivative financial instruments issued as purchase consideration in business combinations and/or in financing transactions and in share based payment arrangements, accounts receivable reserves, inventory reserves, deferred taxes and related valuation allowances, allocating the purchase price to the fair values of assets acquired and liabilities assumed in business combinations (including separately identifiable intangible assets and goodwill) and estimating the fair values of long lived assets to assess whether impairment charges may be necessary. As of December 31, 2008, our reserve for bad debt was approximately \$88,000 and our reserve for obsolete inventory was approximately \$51,000. As of December 31, 2008, management believes the reserve balances are sufficient. These reserves are included in accounts receivable, net and Inventory, net in the accompanying December 31, 2008 condensed consolidated balance sheet, respectively.

Goodwill and Intangible Assets

Beacon accounts for goodwill and intangible assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," ("SFAS 142). SFAS 142 requires that goodwill and other intangibles with indefinite lives should be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value.

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations. SFAS 142, requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an

annual basis and between annual tests when circumstances indicate that the recoverability of the carrying amount of goodwill may be in doubt. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value. We operate a single reporting unit. Significant judgments required to estimate the fair value of reporting units include estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment.

Our amortizable intangible assets include customer relationships and covenants not to compete. These costs are being amortized using the straight-line method over their estimated useful lives of 15 and 2 years, respectively.

In accordance with SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets," we review the carrying value of intangibles and other long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of long-lived assets is measured by comparison of its carrying amount to the undiscounted cash flows that the asset or asset group is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the property, if any, exceeds its fair market value.

Management has considered the loss for the three months ended December 31, 2008 along with our projected cash flows and has concluded that an impairment test is not necessary at this time.

Share-Based Payments

We account for stock-based compensation using Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Accounting for Stock-Based Compensation" ("SFAS 123(R)"), as amended, which results in the recognition of compensation expense for stock-based compensation. The Company adopted SFAS 123(R) using the modified prospective method, which requires measurement of compensation cost for all stock-based awards at fair value on the date of grant and recognition of compensation over the service period for awards expected to vest. The fair value of stock options is determined using the Black-Scholes valuation model. The recognized expense is net of expected forfeitures and restatement of prior periods is not required. The fair value of restricted stock is determined based on the number of shares granted and the fair value of the Company's common stock on date of grant.

Net Loss Per Share

Net loss per share is presented in accordance with SFAS No. 128 "Earnings Per Share." ("SFAS 128") Under SFAS 128, basic net loss per share is computed by dividing net loss per share available to common stockholders by the weighted average shares of common stock outstanding for the period and excludes any potentially dilutive securities. Diluted earnings per share reflects the potential dilution that would occur upon the exercise or conversion of all dilutive securities into common stock. The computation of loss per share for the three months ended December 31, 2008 and 2007 exclude potentially dilutive securities because their inclusion would be anti-dilutive.

Shares of common stock issuable upon conversion or exercise of potentially dilutive securities at December 31, 2008 are as follows:

	Stock Options and Warrants	Common Stock Equivalents	Total Common Stock Equivalents
Series A Convertible Preferred Stock	2,666,666	5,726,538	8,393,204
Series A-1 Convertible Preferred Stock	533,333	1,127,268	1,660,601
Series B Convertible Preferred Stock	200,000	451,313	651,313
Common Stock Offering Warrants	1,383,550		1,383,550
Placement Agent	1,663,066		1,663,066
Affiliate Warrants	600,000		600,000
Bridge Financings	1,211,000	1,166,666	2,377,666
Compensatory	300,000		300,000
Equity Financing Arrangements	399,998		399,998
Employee Stock Options	115,900		115,900
	<u>9,073,513</u>	<u>8,471,785</u>	<u>17,545,298</u>

Subsequent to December 31, 2008, we issued warrants to purchase an aggregate of 218,750 shares of our common stock referred to as Common Stock Offering Warrants, warrants to purchase an aggregate of 65,625 shares of our common stock referred to as Placement Agent Warrants, warrants to purchase 133,333 shares of our common stock as compensation for an Equity Financing Arrangement, warrants to purchase 50,000 shares of our common stock pursuant to a debt financing arrangement, warrants to purchase 150,000 shares of our common stock pursuant to the sale of our Series B Preferred Stock, and options to purchase an aggregate of 285,000 shares of common stock to select employees. The Series B Preferred Stock is convertible into an aggregate of 333,333 shares of our common stock.

Recently Adopted Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a market based framework for measuring fair value and expands disclosure of fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and accordingly, does not require any new fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of SFAS 157 did not have a material effect on the Company's consolidated financial statements.

On February 15, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). The guidance in SFAS 159 "allows" reporting entities to "choose" to measure many financial instruments and certain other items at fair value. The objective underlying the development of this literature is to improve financial reporting by providing reporting entities with the opportunity to reduce volatility in reported earnings that results from measuring related assets and liabilities differently without having to apply complex hedge accounting provisions, using the guidance in SFAS 133, as amended. The provisions of SFAS 159 are applicable to all reporting entities and are effective as of the beginning of the first fiscal year that begins subsequent to November 15, 2007. The adoption of SFAS 159 did not have a material effect on the Company's condensed consolidated financial statements.

In June 2007, the EITF reached a consensus on EITF Issue No. 06-11, "Accounting for Income Tax Benefits on Dividends on Share-Based Payment Awards" ("EITF 06-11"). EITF 06-11 addresses share-based payment arrangements with dividend protection features that entitle

employees to receive (a) dividends on equity-classified nonvested shares, (b) dividend equivalents on equity-classified nonvested share units, or (c) payments equal to the dividends paid on the underlying shares while an equity-classified share option is outstanding, when those dividends or dividend equivalents are charged to retained earnings under SFAS 123R and result in an income tax deduction for the employer. A realized income tax benefit from dividends or dividend equivalents that are charged to retained earnings are paid to employees for equity-classified nonvested shares, nonvested equity share units, and outstanding equity share options should be recognized as an increase in additional paid in capital. The amount recognized in additional paid-in capital for the realized income tax benefit from dividends on those awards should be included in the pool of excess tax benefits available to absorb potential future tax deficiencies on share-based payments for fiscal years beginning after December 15, 2007. The adoption of this pronouncement did not have a material impact on the condensed consolidated financial statements.

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141R, "Business Combinations" ("SFAS 141R"), which replaces SFAS No. 141, "Business Combinations." SFAS 141R establishes principles and requirements for determining how an enterprise recognizes and measures the fair value of certain assets and liabilities acquired in a business combination, including noncontrolling interests,

contingent consideration, and certain acquired contingencies. SFAS 141R also requires acquisition-related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. SFAS 141R will be applicable prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. SFAS 141R will have an impact on the accounting for any businesses acquired after the effective date of this pronouncement.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51" ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary (previously referred to as minority interests). SFAS 160 also requires that a retained noncontrolling interest upon the deconsolidation of a subsidiary be initially measured at its fair value. Upon adoption of SFAS 160, the Company would be required to report any noncontrolling interests as a separate component of stockholders' equity. The Company would also be required to present any net income allocable to noncontrolling interests and net income attributable to the stockholders of the Company separately in its consolidated statements of operations. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. SFAS 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of SFAS 160 shall be applied prospectively. SFAS 160 will have an impact on the presentation and disclosure of the noncontrolling interests of any non wholly-owned businesses after the effective date of this pronouncement.

Recent Accounting Pronouncements Requiring Adoption in Future Periods

In February 2008, SFAS 157 was amended by FSP 157-2, "Effective Date of FASB Statement No. 157: Fair Value Measurements" ("FSP 157-2"). As such, SFAS 157 (as amended) is partially effective for measurements and disclosures of financial assets and liabilities for fiscal years beginning after November 15, 2007 and is fully effective for measurement and disclosure provisions on all applicable assets and liabilities for fiscal years beginning after November 15, 2008. We are currently evaluating the impact that FSP 157-2 will have on our condensed consolidated financial statements.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 "Disclosure about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The guidance in SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The Company is evaluating the impact of this pronouncement on the Company's condensed consolidated financial position, results of operations and cash flows.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." This Statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statement of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. This Statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles," and is not anticipated to have any impact on the Company's condensed consolidated financial statements.

In December 2008, the FASB ratified EITF Issue No. 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock". This issue addresses the determination of whether an instrument (or an embedded feature) is indexed to an entity's own stock, which is the first part of the scope exception in paragraph 11(a) of Statement 133. This issue is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We are in the process of determining the impact EITF 07-5 will have on its consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's condensed consolidated financial statements upon adoption.

NOTE 2 - LIQUIDITY, FINANCIAL CONDITION AND MANAGEMENT'S PLANS

We incurred a net loss of approximately \$1,308,000 and used approximately \$659,000 of cash in our operating activities for the three months ended December 31, 2008. At December 31, 2008, our accumulated deficit amounted to approximately \$10,684,000. We had cash of \$148,216 and a working capital deficit of approximately \$1,680,000 at December 31, 2008.

Our loss for the three months ended December 31, 2008 includes the effect of a decrease in our overall gross profit margin to 27% during the three months ended December 31, 2008 from 45% for the year ended September 30, 2008. Our gross profit margins were negatively affected by a confluence of circumstances which principally include (i) a decrease of approximately \$161,000 or 9% related to changes in our mix of revenues from higher margin service revenues to lower margin product sales, (ii) a decrease of approximately \$97,000 or 5% related to a decrease in the utilization of our in-market professional services personnel and increase in the use of subcontractors, (iii) a decrease of approximately \$40,000 or 2% attributable to competing

for new business based on competitive pricing strategies and (v) the remainder attributable to general softness in the economy.

We believe that the conditions compressing our gross profit margins during the three months ended December 31, 2008 are temporary and that our revenues during the remainder of our fiscal year ending September 30, 2009 will likely include a more balanced mix of products and services. In addition, we expect professional services margins to improve as utilization of professional services employees increases with sales volume and we also do not intend to compete for new business based solely on price. Although we believe that our gross profit margins will improve, there can be no assurance that current economic conditions beyond our control will not persist and cause us to further modify our business strategy beyond certain actions we have taken that are intended to be temporary.

As widely reported, the financial markets have been experiencing extreme disruption in recent months, including, among other things, extreme volatility in securities prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. Among other risks we face, the current tightening of credit in financial markets may adversely affect our ability to obtain financing in the future, including, if necessary, to fund a strategic acquisition, and/or ability to refinance our debt as it comes due.

On October 29, November 17 and November 19, 2008, Beacon and Midian Properties, LLC ("Midian"), entered into short term credit facilities in the amounts of \$100,000, \$120,000 and \$70,000, respectively, the principal of which was due and payable to the holder within seven (7) days of issuance along with a 0.5% origination fee. Midian extended the due dates of the notes which we repaid through January 28, 2009.

On November 12, 2008, Beacon engaged a registered broker-dealer in a private placement of Common Stock and Warrants to raise \$3.0 million of equity financing. As of February 14, 2009 we have raised \$970,000 pursuant to this offering.

On January 7, 2009, we entered into a note payable with a principal amount of \$200,000 payable on or before December 31, 2009, bearing interest at 12% per annum with one of our directors. The director concurrently authorized us to issue 300 shares of preferred stock in exchange for this note and an additional \$100,000 note issued prior to December 31, 2008. We completed our administrative issuance of the Series B Preferred Stock on February 16, 2009, at which time we and the director agreed that we shall be permitted, but not required to redeem these shares at a 1% per month premium beginning 30 days from the date of their issuance at our discretion.

On January 9, 2009, we entered into an equity financing arrangement with one of our directors that provided up to \$2.2 million of additional funding, the terms of which provide for compensation of a one-time grant of warrants to purchase 100,000 shares of common stock at \$1.00 per share and ongoing grants of warrants to purchase 33,333 shares of common stock at \$1.00 per share each month that the financing arrangement is in effect. The warrants have a five year term. The commitment will be reduced on a dollar for dollar basis as we raise additional equity capital in private offerings, described above, and terminating upon completion of equity financing of \$2.2 million, upon mutual agreement or on January 1, 2010. As of February 14, 2009, \$1,850,000 was available under this financing arrangement.

On January 22, 2009, Beacon entered into convertible notes payable with a group of private investors (the "Notes") facilitated by a broker/dealer. Proceeds of the Notes were \$500,000 in the aggregate of which the broker/dealer received a cash commission of \$50,000 and a non-accountable expense reimbursement of \$25,000. The net proceeds were used to pay off certain short term debts with the balance used as working capital. The Notes have a maturity date of July 21, 2009 and bear interest at a fixed annual rate of 12.5% due monthly. The Notes can be extended by Beacon to January 21, 2010 and, upon extension, will bear interest at a fixed annual rate of 15% from the original maturity date to the extended maturity date due monthly along with principal payments of 16.67% of the principal due monthly from the original maturity date through the extended maturity date until paid in full. The Notes can be prepaid at any time on or after March 21, 2009 in whole or in part upon 30 days prior written notice to the holders without penalty. The holder may convert the Notes into shares of Beacon Common Stock, par value \$0.001, at the rate of \$0.75 per share in minimum increments of \$5,000. The

holder received a five-year warrant to purchase one share of Beacon Common Stock at a purchase price of \$1.00 per share per \$10 of Note balance. The Notes contain certain provisions in the event of default that could result in acceleration of payment of the entire balance including accrued and unpaid interest. Acceleration of the Note in the event of default would also result in the interest rate increasing by 0.4166% per event.

We believe that our currently available cash, the proceeds of our equity financing activities, the equity financing arrangement, further debt financing and refinancing, and funds we expect to generate from operations will enable us to effectively operate our business and pay our debt obligations as they become due within the next twelve months through January 1, 2010. However, we will require additional capital in order to execute our business plan. If we are unable to raise additional capital, we will be required to take various measures to conserve liquidity, which could include, but not necessarily be limited to, curtailing our business development activities, suspending the pursuit of our business plan, and controlling overhead expenses. We cannot provide any assurance that we will raise additional capital. We have not secured any commitments for new financing at this time, nor can we provide any assurance that new financing will be available to us on acceptable terms, if at all.

NOTE 3 – BUSINESS COMBINATIONS

Phase I Acquisitions

On December 20, 2007, Beacon acquired four operating companies (i) ADSnetcurve, (ii) Bell-Haun Systems, Inc.,

The aggregate purchase price paid by Beacon, inclusive of direct transaction expenses, in connection with the ADSnetcurve acquisition amounted to \$1,647,548, including 700,000 shares of common stock valued at \$.85 per share, \$666,079 of cash, a \$220,000 secured promissory note ("ADS Note"), and estimated direct transaction expenses of \$172,345 net of \$5,876 of cash acquired.

The aggregate purchase price paid by Beacon, inclusive of direct transaction expenses, in connection with the Bell-Haun acquisition amounted to \$794,100, including 500,000 shares of common stock valued at \$.85 per share, \$155,048 of cash, notes payable (the "Bell-Haun Notes") in the amount \$119,000, and future payments in the amount of \$50,000 related to non-compete agreements that are included in the direct transaction costs of \$95,052.

The aggregate purchase price paid by Beacon, inclusive of direct transaction expenses, in connection with the CETCON acquisition amounted to \$2,158,111, including 900,000 shares of common stock valued at \$.85 per share, \$700,000 of cash, a \$600,000 secured promissory note (the "CETCON Note") and direct transaction costs of \$235,519 net of cash acquired of \$142,407.

The aggregate purchase price paid by Beacon, inclusive of direct transaction expenses, in connection with the Strategic acquisition amounted to \$2,208,526, including 1,125,000 shares of common stock valued at \$.85 per share, \$220,500 of cash, a \$562,500 secured promissory note (the "Strategic Secured Note"), a \$342,000 promissory note (the "Strategic Escrow Note") and direct transaction expenses of \$127,276.

The following table provides a breakdown of the purchase prices of each of the acquired businesses including the fair value of purchase consideration issued to the sellers of the acquired business and direct transaction expenses incurred by the Company in connection with consummating these transactions:

	ADSnetcurve	Bell-Haun Systems	CETCON	Strategic Communications	Total Consideration
Cash paid	\$ 666,079	\$ 155,048	\$ 700,000	\$ 220,500	\$ 1,741,627
Direct acquisition costs	172,345	95,052	235,518	127,276	630,191
Net of cash acquired	(5,876)	-	(142,407)	-	(148,283)
Cash used in acquisitions	\$ 832,548	\$ 250,100	\$ 793,111	\$ 347,776	\$ 2,223,535
Notes payable	220,000	119,000	600,000	904,500	1,843,500
Common stock issued	595,000	425,000	765,000	956,250	2,741,250
	<u>\$ 1,647,548</u>	<u>\$ 794,100</u>	<u>\$ 2,158,111</u>	<u>\$ 2,208,526</u>	<u>\$ 6,808,285</u>

Under the purchase method of accounting, the total purchase price was allocated to each of the acquired entities, net tangible and identifiable intangible assets based on their estimated fair values as of December 20, 2007. The excess of the purchase price over the net tangible and identifiable intangible assets was recorded as goodwill.

	ADSnetcurve	Bell-Haun Systems	CETCON	Strategic Communications	Total Consideration
Accounts receivable	\$ 151,208	\$ 71,335	\$ 466,458	\$ -	\$ 689,001
Inventory	-	168,065	-	450,536	618,601
Prepaid expenses and other current assets	13,430	34,522	5,516	1,815	55,283
Property and equipment	47,500	19,243	20,000	140,000	226,743
Goodwill	524,396	451,252	994,007	821,994	2,791,649
Customer relationships	862,027	843,760	927,887	1,240,400	3,874,074
Covenants not to compete	100,000	30,000	200,000	100,000	430,000
Security deposits	21,541	-	-	6,050	27,591
Line of credit obligation	-	(250,000)	-	-	(250,000)
Accounts payable and accrued liabilities	(40,103)	(319,911)	(55,278)	(516,984)	(932,276)
Customer deposits	(32,451)	(44,914)	(205,532)	(9,795)	(292,692)
Capital lease obligations	-	-	-	(25,490)	(25,490)
Long-term debt	-	(159,252)	(194,947)	-	(354,199)
Other acquisition liability	-	(50,000)	-	-	(50,000)
	<u>\$ 1,647,548</u>	<u>\$ 794,100</u>	<u>\$ 2,158,111</u>	<u>\$ 2,208,526</u>	<u>\$ 6,808,285</u>
Net tangible asset acquired (liabilities assumed)	<u>\$ 161,125</u>	<u>\$ (530,912)</u>	<u>\$ 36,217</u>	<u>\$ 46,132</u>	<u>\$ (287,438)</u>

Beginning December 21, 2007, the day immediately following the effective date of the transaction, the financial results of Strategic were consolidated with those of our business. The acquisition was accounted for under the purchase method of accounting.

The unaudited financial information in the table below summarizes the combined results of operations of Beacon and ADSnetcurve, Bell-Haun, CETCON and Strategic, on a pro-forma basis, as if the companies had been combined as of the beginning of the period presented.

	Three Months Ended December 31, 2007
	(Unaudited)
Net sales	\$ 1,780,356
Loss from operations	(739,894)
Net loss available to common stockholders	(1,079,876)
Net loss per share - basic and diluted	\$ (0.16)
Pro-forma weighted average shares outstanding	10,468,121

The unaudited pro-forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions of these businesses had taken place at the beginning of the period presented.

NOTE 4 – CONDENSED CONSOLIDATED BALANCE SHEET

Accounts Receivable

Accounts receivable consisted of the following:

	As of December 31, 2008	As of September 30, 2008
Accounts receivable	\$ 1,474,583	\$ 1,555,162
Less: Allowance for doubtful accounts	(87,551)	(50,000)
Accounts receivable, net	\$ 1,387,032	\$ 1,505,162

Inventory

Inventory consisted of the following:

	As of December 31, 2008	As of September 30, 2008
Inventory (principally parts and system components)	\$ 786,456	\$ 793,462
Less: reserve for obsolete inventory	(50,768)	(35,058)
Less: current portion	(575,078)	(597,794)
Inventory, non-current	\$ 160,610	\$ 160,610

Inventory includes parts and system components for phone systems that we use to fulfill repair, maintenance services and/or upgrade requirements. A portion of these items, which are stated at their net realizable value, are likely to be used after the next

twelve months and are therefore presented as non-current inventory in the accompanying balance sheet. A portion of the inventory on hand at December 31, 2008 was acquired in the business combinations completed on December 20, 2007, which are stated at net realizable value using the purchase method of accounting.

Intangible Assets

The following table is a summary of the intangible assets acquired in business combinations as described in Note 3 as of December 31, 2008:

	ADSnetcurve	Bell-Haun Systems	CETCON	Strategic Communications	Total Consideration
Goodwill	\$ 524,396	\$ 451,252	\$ 994,007	\$ 821,994	\$ 2,791,649

	ADSnetcurve	Bell-Haun Systems	CETCON	Strategic Communications	Total Consideration
Customer relationships	862,027	843,760	927,887	1,240,400	3,874,074
Contracts not to compete	100,000	30,000	200,000	100,000	430,000
	962,027	873,760	1,127,887	1,340,400	4,304,074
Less: Accumulated amortization	(136,695)	(117,364)	(189,895)	(172,651)	(616,605)
Intangibles, net	825,332	756,396	937,992	1,167,749	3,687,469

Amortization expense for the three months ended December 31, 2008 and 2007 was approximately \$115,000 and \$21,000, respectively.

Debt

Below is a summary of the current and non-current debt outstanding:

	As of December 31, 2008	As of September 30, 2008
Lines of Credit and Short-Term Notes	\$ 320,000	\$ 200,000
Integra Bank	521,861	548,541
Acquisition notes (payable to the sellers of the acquired businesses)		
ADSnetcurve	136,444	156,617
Bell-Haun	119,000	119,000
CETCON	489,348	515,627
Strategic Secured Note	370,816	399,617
Strategic Escrow Note	22,670	72,670
	1,660,139	1,812,072
Less: current portion	(558,114)	(495,595)
Non-current portion	\$ 1,102,025	\$ 1,316,477
Bridge notes (non-current)	\$ 595,090	\$ 571,160

Lines of Credit and Short-Term Notes

On December 29, 2008, Beacon and First Savings Bank refinanced a short term line of credit that had matured and was converted into a demand note in the amount of \$100,000. The Note is due in two payments of \$50,000 each on January 15, 2009 and February 15, 2009 and bears interest at a rate of 5.00% per annum.

Interest expense on short term debt and lines of credit amounted to approximately \$4,000 and \$13,000 of which we paid approximately \$3,000 and \$12,000 for the three months ended December 31, 2008 and 2007, respectively.

Term Debt

During the three months ended December 31, 2008 and 2007, Beacon paid approximately \$152,000 and \$0 in principal payments on our term debt. We recorded interest expense of approximately \$37,500 and \$5,500 for our term loans and paid approximately \$30,000 and \$0 for the three months ended December 31, 2008 and 2007, respectively.

Bridge Notes

During the three months ended December 31, 2008, the Bridge noteholders agreed not to demand repayment of the notes prior to June 30, 2010. Accordingly, the notes are included in non-current liabilities in the accompanying balance sheet at December 31, 2008.

We recorded contractual interest expense of approximately \$6,900 and \$9,000 of which \$5,000 and \$0 was paid for the three months ended December 31, 2008 and 2007, respectively. Further, we recorded aggregate accretion of the discount on these notes which relates to warrants and the beneficial conversion feature of the notes of approximately \$7,900 and \$6,800 for the three months ended December 31, 2008 and 2007. The unamortized discount relating to the beneficial conversion feature amounts to \$104,910 as of December 31, 2008.

The Bridge Notes contained a provision to earn additional warrants to purchase Beacon common stock during the term the

noteholder refrained from demanding repayment until the maturity of the notes. As the noteholders have agreed unconditionally not to demand payment of the notes before June 30, 2010 and that date is after the original maturity of the Bridge Notes, these warrants are deemed to have been fully earned as of December 31, 2008. For the three months ended December 31, 2008 we recorded non-cash interest expense of \$56,840 for warrants earned in connection with the Bridge Notes as follows:

Vesting Date	Quantity Vested	Expected Life (days)	Strike Price	Fair Value of Common Stock	Volatility Rate	Dividend Yield	Risk-Free Interest Rate	Value per Warrant	Charge to Interest Expense
10/15/2008	14,000	1,582	\$1.00	\$1.20	66.34%	0%	2.90%	\$0.70	\$9,800.00
11/15/2008	14,000	1,551	\$1.00	\$0.85	66.34%	0%	2.33%	\$0.42	\$5,880.00
11/20/2008	196,000	1,546	\$1.00	\$0.55	66.34%	0%	1.94%	\$0.21	\$41,160.00

Under a marketing agreement with a company owned by the wife of Beacon's president, we provide procurement and installation services as a subcontractor. We earned revenue of approximately \$364,000 and \$0 for procurement and installation services provided under this marketing agreement for the three months ended December 31, 2008 and 2007, respectively.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Company has obtained insurance through an agency owned by one of its founding stockholders/directors. Insurance expense paid through the agency for the three months ended December 31, 2008 and 2007 was approximately \$49,000 and \$6,800, respectively, and is partly deferred and partly included in selling, general and administrative expense in the accompanying condensed consolidated statement of operations.

On May 15, 2008, subsequently amended on August 19, 2008, we entered into an equity financing arrangement with one of our directors that provided up to \$3,000,000 of additional funding, the terms of which provided for issuance of warrants to purchase 33,333 shares of common stock at \$1.00 per share per month for the period the financing arrangement is in effect. The warrants have a five-year term. The equity financing arrangement expired on December 31, 2008. Accordingly, we recognized \$82,166 of interest expense for the three months ended December 31, 2008 based on the fair value of the warrants as they were earned. The fair values were calculated using the Black-Scholes option pricing model with the following assumptions:

Date Earned	Quantity Earned	Expected Life (days)	Strike Price	Fair Value of Common Stock	Volatility Rate	Dividend Yield	Risk-Free Interest Rate	Value per Warrant	Charge to Interest Expense
10/15/2008	33,333	1,825	\$1.00	\$1.20	66.34%	0%	2.90%	\$0.74	\$24,666
11/15/2008	33,333	1,825	\$1.00	\$0.85	66.34%	0%	2.33%	\$0.45	\$15,000
12/15/2008	33,333	1,825	\$1.00	\$1.52	66.34%	0%	1.50%	\$0.99	\$33,000
12/31/2008	16,667	1,825	\$1.00	\$1.01	66.34%	0%	1.55%	\$0.57	\$9,500

Under a marketing agreement with a company owned by the wife of Beacon's president, we provide procurement and installation services as a subcontractor. We earned revenue of approximately \$364,000 and \$0 for procurement and installation services provided under this marketing agreement for the three months ended December 31, 2008 and 2007, respectively.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Employment Agreements

The Company has entered into employment agreements with three of its key executives with no specific expiration dates that provide for aggregate annual compensation of \$480,000 and up to \$120,000 of severance payments for termination without cause. In addition, the Company entered into employment agreements with five key employees of certain of the acquired businesses upon its completion of the business combinations described in Note 3, two of which were terminated in January of 2009. Aggregate compensation under the three remaining agreements amounts to \$380,000. The remaining agreements have no specified expiration date. These agreements also provide for aggregate severance payments of up to \$126,000 for termination without cause.

Operating Leases

The Company has entered into operating leases for office facilities in Louisville, KY, Columbus, OH and Cincinnati, OH. A summary of the minimum lease payments due on these operating leases exclusive of the Company's share of operating expenses and other costs:

2009	\$	128,042
2010		123,423
2011		19,400
	\$	270,865

Strategic Communications Tax Liability

The assets acquired from Strategic Communications are encumbered by \$313,000 of tax liens for delinquent sales and use, payroll and income taxes incurred by Strategic prior to the acquisition on December 20, 2007. As of December 31, 2008 the remaining outstanding balance of these liens amounted to approximately \$43,000.

Placement Agent Warrants

Pursuant to a consulting agreement with a placement agent, we committed to issue warrants to purchase 1.5 million shares of common stock at exercise prices ranging from \$1.00 to \$2.50 per share. As the business of the placement agent is in transition, we are uncertain as to the distribution of these warrants to the parties involved. No services have been provided to date by the placement agent. Accordingly, we have not issued the warrants as of December 31, 2008 and are uncertain whether any services will be provided to us under this agreement or as to the timing of the issuance of any warrants at this time.

NOTE 7– STOCKHOLDERS EQUITY

Authorized Capital

The Company is currently authorized to issue up to 70,000,000 shares of common stock, par value \$0.001 per share, and 5,000,000 shares of preferred stock, par value \$0.01 per share, of which three series have been designated: 4,500 shares of Series A Convertible Preferred Stock, 1,000 shares of Series A-1 Convertible Preferred Stock, and 4,000 shares of Series B Convertible Preferred Stock.

Preferred Stock

Each share of Series A, Series A-1 and Series B preferred has voting rights equal to an equivalent number of common shares into which it is convertible. The holders of the Series A and Series A-1 are entitled to receive contractual cumulative dividends in preference to any dividend on the common stock at the rate of 10% per annum on the initial investment amount commencing on the date of issue. The holders of the Series B are entitled to receive contractual cumulative dividends in preference to any dividend on the common stock (but subject to the rights of the Series A and Series A-1) at the rate of 6% per annum on the initial investment amount commencing on the date of issue. Such dividends are payable on January 1, April 1, July 1 and October 1 of each year. Dividends accrued but unpaid with respect to this feature amounted to \$294,904, \$45,450, and \$5,152 as of December 31, 2008 for the Series A, A-1, and B preferred, respectively, and are presented as an increase in net loss available to the common stockholders of \$125,152 for the three months ended December 31, 2008. The Company has the option of paying the dividend in either common stock or cash.

The Series A, A-1 and B Preferred Stock designation contains certain restrictive covenants including restrictions against: the declaration of dividend distributions to common stockholders; certain mergers, consolidations and business combinations; the issuance of preferred shares with rights or provisions senior to each of the Series A, A-1, and B Preferred Stock; and restrictions against incurring or assuming unsecured liabilities or indebtedness unless certain minimum performance objectives are satisfied. The Series A Preferred Stock is senior to the Series A-1 Preferred Stock, and the Series A and A-1 are senior to the Series B Preferred Stock.

The Series A, A-1 and B Preferred Stock also contains a right of redemption in the event of liquidation or a change in control. The redemption feature provides for payment of 125% of the face value and 125% of any accrued unpaid dividends in the event of bankruptcy, change of control, or any actions to take the Company private. The amount of the redemption preference was \$5,368,630, \$1,056,813, and \$506,440 for the Series A, A-1, and B preferred, respectively, as of December 31, 2008.

The Company, by resolution of the Board of Directors, may designate additional series of Preferred Stock ("blank check preferred stock") and to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon such blank check preferred stock, and the number of shares constituting any such series of such blank check preferred stock. The rights, privileges and preferences of any such blank check preferred stock shall be subordinate to the rights, privileges and preferences to the existing Series A and Series A-1 Preferred Stock. The Series B Preferred Stock was issued as "blank check preferred stock" and as such is subordinate to the rights, privileges and preferences of the Series A and Series A-1 Preferred Stock.

The Board of Directors may also increase or decrease the number of shares of any series (other than the Series A Preferred Stock or the Series A-1 Preferred Stock), prior or subsequent to the issue of that series, but not below the number of shares of such series then outstanding.

As described in Note 1, the Company applies the classification and measurement principles enumerated in EITF Topic D-98 with respect to accounting for its issuances of the Series A, A-1, and B preferred stock. The Company is required, under Nevada law, to obtain the approval of its board of directors in order to effectuate a merger, consolidation or similar event resulting in a more than 50% change in control or a sale of all or substantially all of its assets. The board of directors is then required to submit proposals to enter into these types of transactions to its stockholders for their approval by majority vote. The

preferred stockholders do not currently (i) control or have representation on the Company's Board of Directors and/or (ii) have sufficient voting rights to control a redemption of these shares by either of these events. In addition the effectuation of any transaction or series of transactions resulting in a more than 50% change in control can be made only by the Company in its sole discretion. Based on these provisions, we classified the Series A, A-1, and B preferred shares as permanent equity in the accompanying condensed consolidated balance sheet because the liquidation events are deemed to be within the Company's sole control in accordance with the provisions of EITF Topic D-98.

We evaluate the Series A-1 convertible preferred stock at each reporting date for appropriate balance sheet classification.

Preferred Stock Dividend

On October 7, 2008, the Company elected to pay the contractual dividends due the Series A, A-1, and B preferred stock holders in additional shares of the related preferred stock. The shares of preferred stock are convertible into 133,805 shares of common stock. The Company follows the guidelines of EITF 00-27 when accounting for pay-in-kind dividends that are settled in convertible securities with beneficial conversion features. Therefore, effective October 1, 2008, the Company recorded a \$80,347 deemed dividend related to the conversion feature based on the difference between the effective conversion price of the conversion option of \$0.75 per share and the fair value of the common stock of \$1.24 per share on the date of election which is considered the commitment date.

Completion of Common Stock and Warrant Offering

On July 25, 2008, we engaged a registered broker-dealer (the "Placement Agent") in a private placement (the "July Common Offering") of up to 3,750,000 units (the "Common Units"), for an aggregate purchase price of \$3,000,000, with each Common Unit comprised of (i) one share of Common Stock, and (ii) a five year warrant to purchase one-half share of Common Stock (each, a "Common Offering Warrant").

The July Common Offering expired on October 24, 2008. During the three months ended December 31, 2008, we sold 367,099 Common Units to accredited investors for net proceeds of \$246,670 (gross proceeds of \$293,679 less offering costs of \$47,099). Offering costs included fees paid to the placement agent of \$38,178, a fee for the successful completion of the placement of \$8,810 paid to a consultant and \$20 in legal and related fees in addition to warrants to purchase 238,615 shares of our common stock at \$1.00 per share with a 5 year term. We used the proceeds of the Common Offering to provide working capital.

Sale of Common Stock and Warrants

On November 12, 2008, we engaged the Placement Agent in a private placement (the "November Common Offering") of up to 3,750,000 Common Units for an aggregate purchase price of \$3,000,000, with each Common Unit comprised of (i) one share of Common Stock, and (ii) a five year warrant to purchase one-half share of Common Stock (each, an "Common Offering Warrant") at a purchase price of \$1.00 per share (collectively the "Common Offering"). In the event that the Common Offering is oversubscribed, we may sell and issue up to an additional 562,500 Common Units.

The Common Offering Warrants each have a five year exercise period and an exercise price of \$1.00 per share of Common Stock, payable in cash on the exercise date or cashless conversion if a registration statement or current prospectus covering the resale of the shares underlying the Common Offering Warrants is not effective or available at any time more than six months after the date of issuance of the Common Offering Warrants. The exercise price is subject to adjustment upon certain occurrences specified in the Common Offering Warrants.

During the three months ended December 31, 2008, we sold 775,000 Common Units to accredited investors for net proceeds of \$480,147 (gross proceeds of \$620,000 less offering costs of \$139,853). Offering costs included fees paid to the placement agent of \$80,730, a fee for the successful completion of the placement of \$18,600 paid to a consultant and \$40,523 in legal and related fees in addition to warrants to purchase 503,751 shares of our common stock at \$1.00 per share with a 5 year term. We used the proceeds of the Common Offering to provide working capital.

NOTE 8 – INCOME TAXES

As of September 30, 2008, we had incurred net operating losses since inception totaling \$3,504,977 which expire in 2023 through 2028. After considering all available evidence, we fully reserved for our deferred tax assets since it is more likely than not that the benefits of such deferred tax assets will not be realized in future periods. The acquired net operating losses are subject to internal revenue code section 382 and similar state income tax regulations, which could result in limitations on the amount of such losses that could be recognized during any taxable year.

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), which we adopted effective June 6, 2007 (date of inception). FIN 48 requires companies to recognize in their financial statements the impact of a tax position if that position is more likely than not of being sustained on audit based on the technical merits of the position. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 provides guidance on derecognition, classification, interest, and penalties, accounting in interim periods, and disclosure. For the three months ended December 30, 2008 we had no material uncertain tax positions. Significant tax jurisdictions that we file income tax returns in include the Commonwealth of Kentucky and the state of Ohio. We record penalties and interest if it is more likely than not of being sustained on audit based on the technical merits of the position. We record penalties in selling, general and administrative expenses and interest as interest expense.

NOTE 9 – EMPLOYEE BENEFIT PLANS**Stock Options and Other Equity Compensation Plans**

In March 2008, our Board of Directors adopted the 2008 Long Term Incentive Plan, subject to shareholder approval, referred to as the 2008 Incentive Plan. We reserved 1,000,000 shares of our common stock under the 2008 Incentive Plan and for other compensatory equity grants for the issuance of stock options, restricted stock awards, stock appreciation rights and performance awards, pursuant to which certain options will be granted. The terms and conditions of such awards are determined at the sole discretion of our board of directors or a committee designated by the Board to administer the plan. Previously unissued shares of our common stock are provided to a participant upon a participant's exercise of vested options. Of the 1,000,000 shares authorized, 1,000,000 are available for future grants as of December 31, 2008.

On October 7, 2008, our Board of Directors authorized Beacon to grant stock options to purchase 25,000 shares of common stock.

In accordance with SFAS 123(R), we recognized non-cash share-based compensation expenses as follows:

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007
Non-Cash Share-Based Compensation Expense		
Restricted Stock	\$ 45,101	\$ 132,372
Stock Options	6,987	-
Total Stock Compensation Expense	<u>\$ 52,088</u>	<u>\$ 132,372</u>

We value stock options using the Black-Scholes option-pricing model. In determining the expected term, we separate groups of employees that have historically exhibited similar behavior with regard to option exercises and post-vesting cancellations. The option-pricing model requires the input of subjective assumptions, such as those listed below. The volatility rates are based on historical stock prices of similarly situated companies and expectations of the future volatility of the Company's common stock. The expected life of options granted are based on historical data, which, as of December 31, 2008 is a partial option life cycle, adjusted for the remaining option life cycle by assuming ratable exercise of any unexercised vested options over the remaining term. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The total expense to be recorded in future periods will depend on several variables, including the number of share-based awards.

The fair values of options granted and outstanding were estimated on the date of grant using the following assumptions:

Date Earned	Quantity Issued	Expected Life (days)	Strike Price	Volatility	Dividend Yield	Risk-Free Interest Rate	Value per Option	Share Based Compensation Expense
3/26/2008	90,000	2,373	\$1.20	66.34%	0%	2.55%	\$0.72	\$64,980
5/8/2008	30,900	2,373	\$1.00	66.34%	0%	2.99%	\$0.64	\$19,776
10/7/2008	25,000	2,373	\$1.24	66.34%	0%	2.45%	\$0.79	\$19,750

Shares granted vest 33% annually as of the anniversary of the grant through 2011 and carry a ten year contractual term. As of December 31, 2008, there was approximately \$7,000 in non-cash share-based compensation cost related to non-vested awards not yet recognized in our consolidated statements of operations. This cost is expected to be recognized over the weighted average remaining vesting period of 2.3 years. None of the stock options were vested at December 31, 2008. For the three months ended December 31, 2008, no shares were forfeited and no options were exercised.

Restricted Stock

Prior to adoption of the 2008 Incentive Plan, on December 5, 2007, we issued 782,250 shares of restricted common stock with an aggregate fair value of \$666,873 to our president in exchange for \$156. Immediately upon the sale 150,000 shares vested with the remaining shares vesting in quantities of 210,750 shares on each of December 20, 2008, 2009 and 2010. We recognized \$45,101 and \$132,372 of share-based compensation expense during the three months ended December 31, 2008 and 2007, respectively, in connection with this grant. Unamortized compensation under this arrangement amounted to \$354,923 as of December 31, 2008 and will be amortized over the remaining vesting period through December 20, 2010. The shares vest immediately upon our termination without cause or the Executive's resignation if in response to certain defined actions taken by us adverse to Executive's employment which constitute good reason as defined in the Executive's employment agreement. In the event of termination for cause, or resignation without good reason, we have the right to repurchase any unvested shares for nominal consideration.

Beacon Solutions 401(k) Plan

During the three months ended December 31, 2007, we established a retirement benefits plan, referred to as the Beacon Solutions 401(k) Plan, intended to meet the requirements of section 401(k) of the Internal Revenue Code of 1986. Under the Beacon Solutions 401(k) Plan, employees may contribute up to the maximum allowable under federal law, and we will match up to 100% of the first 1% contributed by the employee and up to 50% of the next 5% contributed by the employee, in cash subject to a vesting schedule based on years of service. As of November 30, 2008, we adopted a profit sharing match and terminated the automatic matching contribution. Our board of directors or the compensation committee will determine the match based on previously defined operating targets. All employees are eligible to enroll on date of hire. Employees are automatically enrolled at 3% employer contribution but can change their election at any time.

Total contributions under the Beacon Solutions 401(k) Plan, recorded as salaries and benefits expense, totaled approximately \$36,900 for the three months ended December 31, 2008. There were no matching contributions during the three months ended December 31, 2007.

NOTE 10 – SUBSEQUENT EVENTS

Sale of Common Stock and Warrants

Subsequent to December 31, 2008, we sold and issued 437,500 Common Units to accredited investors for an aggregate purchase price of \$350,000. The Company has used the proceeds of the Common Offering to provide working capital. The Placement Agent has earned cumulative cash commissions of \$35,000 and warrants to purchase an aggregate of 65,625 shares of Common Stock.

Equity Financing Arrangement

As of February 12, 2009, subsequent to the sales of common stock, the remaining commitment open on the Equity Financing Agreement with one of our directors was \$1,850,000.

Contractual Dividends

On January 1, 2009, additional contractual dividends related to our Series A, A-1, and B Preferred Stock became due and payable in the aggregate amount of \$126,000.

Exchange of Notes for Series B Preferred Stock

On January 7, 2009, we entered into a note payable with a principal amount of \$200,000 payable on or before December 31, 2009, bearing interest at 12% per annum with one of our directors. The director concurrently authorized us to issue 300 shares of preferred stock in exchange for this note and an additional \$100,000 note issued prior to December 31, 2008. We completed our administrative issuance of the Series B Preferred Stock on February 16, 2009, at which time we and the director agreed that we shall be permitted, but not required to redeem these shares at a 1% per month premium beginning 30 days from the date of their issuance at our discretion.

Grant of Stock Options

On January 9, 2009, our Board granted options to purchase 285,000 shares of our common stock at \$0.80 per share, the closing price on the day of grant, with a fair value of \$0.50 on date of grant.

Notes Payable

On January 22, 2009, Beacon entered into convertible notes payable with a group of private investors (the "Notes") facilitated by a broker/dealer. Proceeds of the Notes were \$500,000 in the aggregate of which the broker/dealer received a cash commission of \$50,000 and a non-accountable expense reimbursement of \$25,000. The net proceeds were used to pay off certain short term debts with the balance used as working capital. The Notes have a maturity date of July 21, 2009 and bear interest at a fixed annual rate of 12.5% due monthly. The Notes can be extended by Beacon to January 21, 2010 and, upon extension, will bear interest at a fixed annual rate of 15% from the original maturity date to the extended maturity date due monthly along with principal payments of 16.67% of the principal due monthly from the original maturity date through the extended maturity date until paid in full. The Notes can be prepaid at any time on or after March 21, 2009 in whole or in part upon 30 days prior written notice to the holders without penalty. The holder may convert the Notes into shares of Beacon Common Stock, par value \$0.001, at the rate of \$0.75 per share in minimum increments of \$5,000. The holder received a five-year warrant to purchase one share of Beacon Common Stock at a purchase price of \$1.00 per share per \$10 of Note balance. The Notes contain certain provisions in the event of default that could result in acceleration of payment of the entire balance including accrued and unpaid interest. Acceleration of the Note in the event of default would also result in the interest rate increasing by 0.4166% per event. In addition, the noteholders were issued warrants to purchase an aggregate of 50,000 shares of our common stock in connection with the transaction.

Preferred Stock Conversion to Common Stock

Subsequent to December 31, 2008, holders of our Preferred Stock converted 343.8 shares of Series A and A-1 Preferred Stock into 458,397 shares of our common stock.

Engagement of Investor Relations Firm

On January 20, 2009, we engaged an investor relations firm to aid us in developing a marketing plan directed at informing the investing public as to our business and increasing our visibility to NASD registered broker/dealers, the investing public and other institutional and fund managers. In exchange for providing such services, the firm will receive \$10,000 per month for the duration of the agreement, 10,000 shares of our restricted common stock per month for the first six months and 15,000 shares of our restricted common stock per month for the remaining six months for an aggregate of 150,000 shares of restricted stock. Concurrent with executing the agreement, we paid \$20,000 and issued 20,000 shares of restricted common stock representing the installments for first two months of the contract. The contract has a 12 month term and can be terminated upon 30 days notice.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Beacon Enterprise Solutions Group, Inc. and subsidiaries (collectively the "Company") is a unified, single source information technology and telecommunications enterprise that provides professional services and sales of information technology and telecommunications products to mid-market commercial businesses, state and local government agencies, and educational institutions. In this report, the terms "Company," "Beacon," "we," "us" or "our" mean Beacon Enterprise Solutions Group, Inc. and all subsidiaries included in our consolidated financial statements.

Cautionary Statements - Forward Outlook and Risks

Certain statements contained in this quarterly report on Form 10-Q, including, without limitation, statements containing the words "believes," "anticipates," "intends," "expects," "assumes," "trends" and similar expressions, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based upon the Company's current plans, expectations and projections about future events. However, such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, among others, the following:

- general economic and business conditions;
- effects of competition in the markets in which the Company operates;
- liability and other claims asserted against the Company;
- ability to attract and retain qualified personnel;
- availability and terms of capital;
- loss of significant contracts or reduction in revenue associated with major customers;
- ability of customers to pay for services;
- business disruption due to natural disasters or terrorist acts;
- ability to successfully integrate the operations of acquired businesses and achieve expected synergies and operating efficiencies from the acquisitions, in each case within expected time-frames or at all;
- changes in, or failure to comply with, existing governmental regulations; and
- changes in estimates and judgments associated with critical accounting policies and estimates.

For a detailed discussion of these and other factors that could cause the Company's actual results to differ materially from the results contemplated by the forward-looking statements, please refer to Item 2.01 "Risk Factors" in the Company's Current Report on Form 8-K filed on December 28, 2007. The reader is encouraged to review the risk factors set forth therein. The reader should not place undue reliance on forward-looking statements, which speak only as of the date of this report. Except as required by law, the Company assumes no responsibility for updating forward-looking statements to reflect unforeseen or other events after the date of this report.

Overview

We were formed for the purpose of acquiring and consolidating regional telecom businesses and service platforms into an integrated, national provider of high quality voice, data and VOIP communications to small and medium-sized business enterprises (the "MBE Market"). Our business strategy is to acquire companies that will allow us to serve the MBE Market on an integrated, turn-key basis from system design, procurement and installation through all aspects of providing network service and designing and hosting network applications.

Beacon was a development stage enterprise with no operating history until the completion of the share exchange transaction in which the shareholders of Beacon become the majority owners of Suncrest ("Share Exchange Transaction") completed on December 20, 2007. Concurrent with the Share Exchange Transaction, we also completed the acquisition of four complementary information technology and telecommunications businesses (the "Phase I Acquisitions") described below.

Phase I Acquisitions

Since December 20, 2007, Beacon has focused on the consolidation of various operational elements of the Phase I Acquisitions into a single core infrastructure. For example, in the three months ended March 31, 2008, Beacon merged the four distinct payroll systems of the Phase I Acquisitions into one payroll system; launched a company-wide intranet and human resource information system; centralized the Company's marketing, advertising and promotional programs; and introduced a company-wide Customer Relationship Management (CRM) system. We have also hired eight new sales executives in our primary markets; launched a network circuit sales group; rebranded our customer facing sales and support material; and attempted to capitalize on cross-selling opportunities among our different product and service groups. During the three months ended June 30, 2008, Beacon merged five financial systems into one unified financial system.

Acquisition Growth Strategy

We will continue to integrate these operations into a single integrated organization and to develop the internal infrastructure to scale the business. Consistent with our operating plan, upon our successful integration of the Phase I Acquisitions and the development of organic growth described below, we expect to pursue our phase II acquisition strategy, financed by additional debt or equity financings, by exploring acquisition targets to build around our three state operating hub to grow Beacon into a large regional telecommunications provider with a strong Southeast/Midwest concentration and focus.

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Organic Growth Strategy

With respect to our plans to increase revenue organically, we have identified, and are currently pursuing, several significant customer opportunities including an international design/service contract with an existing Fortune 100 client, a domestic service contract with an existing Fortune 500 client and a hardware/services contract with the United States military. We believe these opportunities resulted, in part, from our ability to provide fully integrated voice and data communication services. In addition, subject to securing additional capital, we intend to consolidate our Louisville, Kentucky based operating facilities and implement a Cisco-centric expansion strategy for a portion of our business. We have assessed the current market environment for the growth of our Cisco-centric business and believe that we can expand our Cisco business more efficiently and economically through organic growth rather than through acquisitions. Collectively, these opportunities could increase the Company's annual revenue to over \$25 million.

Our Cisco-centric initiative would have three elements:

- The first goal of our Cisco-expansion strategy will be to hire additional, highly skilled staff with the appropriate Cisco certifications and background. We would deploy these additional certified Cisco staff throughout all our facilities.
- The second goal is to achieve the Cisco "Silver" and then "Gold" certifications. The primary benefit of these additional certifications is that we achieve "trusted partner" status, which we believe would increase our access to the Cisco sales channel. In addition, we anticipate that a "Gold" certification would lower our cost of goods purchased from Cisco.
- The third goal is to incorporate a fully operational Cisco technology lab into our headquarters and operating facility in Louisville, Kentucky. Our goal is to create a lab superior to any Cisco demonstration facility within our region and to provide Cisco and Beacon sales executives the opportunity to bring large client accounts into the Beacon facility and demonstrate the high-definition video conferencing capabilities otherwise known as "Telepresence" technology.

Following the creation of a Cisco technology lab, we would intend to offer similar Microsoft demonstration capabilities centered on Office Communications Server 2007 and Sharepoint. We believe the need for the Microsoft lab is driven by the future of "voice" within the Microsoft roadmap. Ultimately, we expect that voice will become an application that rides atop the exchange environment and will not be a separate technology deployed as with a separate phone system.

By developing and housing these two "showcase" labs, we hope to establish a distinct competitive advantage within our primary markets and be at the forefront of Cisco's and Microsoft's efforts to reshape business communications.

Although our focus in the Cisco and Microsoft areas of our business will be on organic growth, we may explore Cisco-centric Microsoft-centric acquisition candidates in the future.

I³MAC Services

I³MAC Services stands for Innovative, Intelligent, Installation, Moves, Adds, and Changes. It is an internally developed system that supports our network infrastructure management service

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offering which includes: Physical layer assessment; Network design and engineering; Bid specification; Materials, labor and logistics; Documentation, implementation and ongoing management of the physical network including all moves, adds, and changes. Today companies are asked to achieve more with fewer resources than ever before. We believe our infrastructure management service offering can result in annual enterprise savings of 30% or more.

We have signed a contract to provide our I³MAC Services to one of the world's premier pharmaceutical and consumer health products companies with over 250 operating businesses and headquarters in New Jersey. Under the terms of the contract, we expect to provide, as requested, all moves, adds and changes for low voltage infrastructure, including cabling, at the manufacturer's companies across North America, Canada and Puerto Rico.

As we ramp up our operations to provide our services to this client, we will establish a national presence that we hope to leverage with other national customers who will be able to take advantage of the savings we can provide with this value added service.

Results of Operations

For the three months ended December 31, 2008 and 2007

Revenue for the three months ended December 31, 2008 was approximately \$1,801,000, consisting of approximately \$440,000 of engineering and design services, \$228,000 of software development services, and \$1,101,000 of business telephone system installations, and time and materials services for system maintenance. This compares to revenue of approximately \$138,000 for the period December 21, 2007 through December 31, 2007 subsequent to the acquisition of the four target companies on December 20, 2007.

Cost of goods sold for the three months ended December 31, 2008 amounted to approximately \$1,317,000, and consisted of approximately \$644,000 of equipment and materials used in business telephone systems installations and parts used in services, \$467,000 of direct labor, \$95,000 of direct project related costs, and \$91,000 of subcontractor fees incurred in providing all of our services. This compares to cost of goods sold of approximately \$35,000 for the period December 21, 2007 through December 31, 2007 subsequent to the acquisition of the four target companies on December 20, 2007.

Our loss for the three months ended December 31, 2008 includes the effect of a decrease in our overall gross profit margin to 27% during the three months ended December 31, 2008 from 45% for the year ended September 30, 2008. Our gross profit margins were negatively affected by a confluence of circumstances which principally include (i) a decrease of approximately \$161,000 or 9% related to changes in our mix of revenues from higher margin service revenues to lower margin product sales, (ii) a decrease of approximately \$97,000 or 5% related to a decrease in the utilization of our in-market professional services personnel and increase in the use of subcontractors, (iii) a decrease of approximately \$40,000 or 2% attributable to competing for new business based on competitive pricing strategies and (v) the remainder attributable to general softness in the economy.

We believe that the conditions compressing our gross profit margins during the three months ended December 31, 2008 are temporary and that our revenues during the remainder of our fiscal year ending September 30, 2009 will likely include a more balanced mix of products and services. In addition, we expect professional services margins to improve as utilization of professional services employees increases with sales volume and do not intend to compete for new business based solely on price. Although we believe that our gross profit margins will improve, there can be no assurance that current economic conditions beyond our control will not persist and cause us to further modify our business strategy beyond certain actions intended to be temporary.

Salaries and benefits of approximately \$904,000 for the three months ended December 31, 2008 consisted of salaries and wages of approximately \$643,000, commissions of \$59,000, benefits of \$90,000, payroll taxes of \$75,000 and the company match of employee contributions to the 401k plan of \$37,000. Non-cash share-based compensation of \$52,000 related primarily to restricted stock that vested during the period is included in salaries and wages. Salaries and benefits of approximately \$439,000 consisted of salaries expended in developing and executing the acquisition strategy of approximately \$116,000, an accrual of \$32,000 for the successful execution of the acquisitions, accrued paid time-off of \$17,000, non-cash share based compensation expense of \$132,000 and \$142,000 of salaries and benefits of acquired company employees for the period December 21, 2007 through December 31, 2007. The non-cash share

based compensation expense of \$132,000 relates to the compensation earned related to a restricted stock award granted on the day of the Phase I Acquisitions and represents the vested portion of the restricted stock award based on the fair market value on the date of grant.

Selling, general and administrative expense for the three months ended December 31, 2008 of approximately \$523,000 consists primarily of fixed operating costs including approximately \$96,000 of accounting and professional fees associated with our September 30, 2008 year-end audit, a \$38,000 charge for bad debt expense related to significant increases in our receivables, approximately \$72,000 of expense related to investor relations, \$51,000 of rent expense, \$53,000 of telecommunications related expenses, \$45,000 of travel related expenses, and approximately \$42,000 of expenses related to business insurance. Selling, general and administrative expense of approximately \$486,000 consists primarily of \$309,000 of expenses incurred in connection with the recapitalization, and approximately \$85,000 of accounting and professional fees associated with our September 30, 2007 year-end audit, \$21,000 of amortization of intangible assets acquired in the business combinations and \$50,000 of administrative costs associated with the acquisitions for the period December 21, 2007 to December 31, 2007 and \$21,000 of other administrative expenses.

Interest expense of approximately \$213,000 for the three months ended December 31, 2008, includes interest related to our Bridge Notes in addition to the notes payable issued in connection with our Phase I Acquisitions. Non-cash interest expense related to the accretion of the Bridge Notes to face value, warrants issued in exchange for certain financing arrangements, and the vesting of contingent bridge warrants was approximately \$163,000 for the three months ended December 31, 2008. Interest expense for the three months ended December 31, 2007 of approximately \$28,000 includes

interest related to our Bridge Notes in addition to the notes payable issued in connection with our Phase I Acquisitions. Interest expense related to the accretion of the Bridge Notes to face value was approximately \$7,000.

Contractual dividends on our Series A, A-1, and B Preferred Stock amounted to approximately \$125,000 for the three months ended December 31, 2008. These amounts are included in accrued expenses as of December 31, 2008. Deemed dividends related to the beneficial conversion feature embedded in our Series A, A-1, and B Preferred Stock of approximately \$80,000 was recognized during the three months ended December 31, 2008. For the three months ended December 31, 2007, we accrued contractual dividends on our Series A Preferred Stock of approximately \$7,000 and a deemed dividend related to the beneficial conversion feature embedded in our Series A Preferred Stock of \$903,878 was recognized.

Liquidity and Capital Resources

Net cash used in operating activities of approximately (\$659,000) consisted primarily of a net loss of approximately (\$1,308,000) and a net decrease in cash of approximately (\$39,000) due to payments of accrued liabilities and accounts payable. These amounts were offset by increases in cash due to an increase in customer deposits of approximately \$154,000 and a decrease in accounts receivable of approximately \$81,000. Finally, cash used in operations was impacted by non-cash share based payments of approximately \$215,000.

Cash used in investing activities of approximately \$11,000 consisted of purchases of fixed assets.

Cash provided by financing activities of approximately \$691,000 was derived primarily from approximately \$727,000 of net proceeds from the sale of common stock (gross proceeds of approximately \$914,000 less placement costs of approximately \$187,000) raised in our common stock offerings and \$290,000 of proceeds from the issuance of short-term notes payable offset by repayments of short-term notes payable of (\$170,000) and repayments of other long term debt of approximately (\$152,000).

We incurred a net loss of approximately (\$1,308,000) for the three months ended December 31, 2008. At December 31, 2008, our accumulated deficit amounted to approximately (\$10,684,000). We had cash of \$148,000 and a working capital deficit of approximately \$1,680,000 at December 31, 2008.

On October 29, November 17 and November 19, 2008, Beacon and Midian Properties, LLC, entered into short term credit facilities in the amounts of \$100,000, \$120,000 and \$70,000, respectively, the principal of which was due and payable to the holder within seven (7) days of issuance along with a 0.5% origination fee. Should the holder declare the notes in default, the notes shall bear interest at the rate of 18% per annum from the date of default until paid in full. The notes were not declared in default at any time and the principal has been paid back from time to time from November 20, 2008 through January 28, 2009 when the amounts were paid back in full.

On November 12, 2008, Beacon engaged a registered broker-dealer in a private placement of Common Stock and Warrants to raise \$3.0 million of equity financing. As of February 14, 2009 we have raised \$970,000 pursuant to this offering.

On January 7, 2009, we entered into a note payable with a principal amount of \$200,000 payable on or before December 31, 2009, bearing interest at 12% per annum with one of our directors. The director concurrently authorized us to issue 300 shares of preferred stock in exchange for this note and an additional \$100,000 note issued prior to December 31, 2008. We completed our administrative issuance of the Series B Preferred Stock on February 16, 2009, at which time we and the director agreed that we shall be permitted, but not required to redeem these shares at a 1% per month premium beginning 30 days from the date of their issuance at our discretion.

On January 9, 2009, we entered into an equity financing arrangement with one of our directors that provided up to \$2.2 million of additional funding, the terms of which provide for compensation of a one-time grant of warrants to purchase 100,000 shares of common stock at \$1.00 per share and ongoing grants of warrants to purchase 33,333 shares of common stock at \$1.00 per share each month that the financing arrangement is in effect. The warrants have a five year term. The commitment will be reduced on a dollar for dollar basis as we raise additional equity capital in private offerings, described above, and terminating upon completion of equity financing of \$2.2 million, upon mutual agreement or on January 1, 2010. As of February 14, 2009, \$1,850,000 was available under this financing arrangement.

On January 22, 2009, Beacon entered into convertible notes payable with a group of private investors (the "Notes") facilitated by a broker/dealer. Proceeds of the Notes were \$500,000 in the aggregate of which the broker/dealer received a cash commission of \$50,000 and a non-accountable expense reimbursement of \$25,000. The net proceeds were used to pay off certain short term debts with the balance used as working capital. The Notes have a

maturity date of July 21, 2009 and bear interest at a fixed annual rate of 12.5% due monthly. The Notes can be extended by Beacon to January 21, 2010 and, upon extension, will bear interest at a fixed annual rate of 15% from the original maturity date to the extended maturity date due monthly along with principal payments of 16.67% of the principal due monthly from the original maturity date through the extended maturity date until paid in full. The Notes can be prepaid at any time on or after March 21, 2009 in whole or in part upon 30 days prior written notice to the holders without penalty. The holder may convert the Notes into shares of Beacon Common Stock, par value \$0.001, at the rate of \$0.75 per share in minimum increments of \$5,000. The holder received a five-year warrant to purchase one share of Beacon Common Stock at a purchase price of \$1.00 per share per \$10 of Note balance. The Notes contain certain provisions in the event of default that could result in acceleration

of payment of the entire balance including accrued and unpaid interest. Acceleration of the Note in the event of default would also result in the interest rate increasing by 0.4166% per event.

As widely reported, the financial markets have been experiencing extreme disruption in recent months, including, among other things, extreme volatility in securities prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. Among other risks we face, the current tightening of credit in financial markets may adversely affect our ability to obtain financing in the future, including, if necessary, to fund a strategic acquisition, and/or ability to refinance our debt as it comes due.

We believe that our currently available cash, the proceeds of our equity financing activities, the equity financing arrangement, further debt financing and refinancing, and funds we expect to generate from operations will enable us to effectively operate our business and pay our debt obligations as they become due within the next twelve months through January 1, 2010. We require additional capital in order to execute our current business plan. If we are unable to raise additional capital, we will be required to take various measures to conserve liquidity, which could include, but not necessarily be limited to, curtailing our business development activities, suspending the pursuit of our business plan, and controlling overhead expenses. We cannot provide any assurance that we will raise additional capital. We have not secured any commitments for new financing at this time, nor can we provide any assurance that new financing will be available to us on acceptable terms, if at all.

Off-Balance Sheet Arrangements

We have four operating lease commitments for real estate used for office space and production facilities.

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Contractual Obligations as of December 31, 2008

The following is a summary of our contractual obligations as of December 31, 2008:

Contractual Obligations	Total	Payment Due by Period			
		Year 1	Years 2-3	Years 4-5	Thereafter
Long-term debt obligations	\$ 1,660,139	\$ 558,114	\$ 797,728	\$ 304,297	
Interest obligations (1)	213,638	99,030	102,311	12,297	
Operating lease obligations (2)	270,865	128,042	142,823		
	<u>\$ 2,144,642</u>	<u>\$ 785,186</u>	<u>\$ 1,042,862</u>	<u>\$ 316,594</u>	<u>\$ -</u>

- (1) Interest obligations assume Prime Rate of 3.25% at December 31, 2008. Interest rate obligations are presented through the maturity dates of each component of long-term debt.
- (2) Operating lease obligations represent payment obligations under non-cancelable lease agreements classified as operating leases and disclosed pursuant to Statement of Financial Accounting Standards No. 13 "Accounting for Leases," as may be modified or supplemented. These amounts are not recorded as liabilities of the current balance sheet date.

Dividends on Series A and A-1 Preferred Stock are payable quarterly at an annual rate of 10% and Series B Preferred Stock is payable quarterly at an annual rate of 6%, in cash or the issuance of additional shares of Series A, A-1, and B Preferred Stock, at our option. If we were to fund dividends accruing during the twelve months ended December 31, 2009 in cash, the total obligation would be \$504,000 based on the number of shares of Series A, A-1 and B Preferred Stock outstanding as of December 31, 2008.

We currently anticipate the cash requirements for capital expenditures, operating lease commitments and working capital will likely be funded with our existing fund sources and cash provided from operating activities. In the aggregate, total capital expenditures are not expected to exceed \$750,000 for the twelve months ended December 31, 2009 and can be curtailed based on actual results of operations.

Working Capital

As of December 31, 2008, our current liabilities exceed current assets by approximately \$1,680,000. Certain vendors have agreed to defer payment or agreed to payment plans or to accept common stock in exchange for settlement of their outstanding balance. Our working capital deficit has increased by approximately \$700,000 during the three months ended December 31, 2008. We can give no assurance that we will continue to be successful in our efforts to negotiate favorable terms with our vendors.

Client Base

Through the Phase I Acquisitions, Beacon acquired a client base that consisted of approximately 4,000 customers, which were predominantly MBEs with 25-2,500 end users each,

as well as approximately 50 larger customers. We expect that most of our revenue will be derived from our I³MAC Services offering.

Competitors

Beacon has numerous competitors in each one of its four service areas, many of which are substantially better capitalized, have more employees, have a longer operating history and are better known in the industry. However, management is not aware of any direct competitor in the middle-market service space that can provide all of these services without significant outsourcing or reselling, although IBM Global and others do present these services by relying upon outside consultants. Beacon believes that its integration of these services, particularly of its systems and software design and engineering capabilities, provides a distinct competitive advantage.

Technology & equipment procurement competitors include: AT&T, Qwest, Level 3, Broadwing, and Covad. Application development/support competitors include: Trigent, Inventa Technologies, and AAlpha. Competitors specific to the interconnect services include: BellSouth, Vonage, and Packet8. Competitors with respect to data/systems integration services include: Cisco, Datacomm Solutions, Dell, and Sun Microsystems.

Employees

Beacon currently employs approximately 80 people in the Columbus, OH, Louisville, KY, and Cincinnati, OH markets. None of Beacon's employees is subject to a collective bargaining agreement.

Facilities

Beacon currently maintains its offices at 1961 Bishop Lane, Louisville, KY 40218 and our telephone number is (502) 657-3500.

Beacon leases office space in Louisville, Kentucky, Cincinnati, Ohio, and Columbus, Ohio for amounts that are not deemed to be material.

Certain Relationships and Related Party Transactions

The Company has obtained insurance through an agency owned by one of its founding stockholders. Insurance expense paid through the agency for the three months ended December 31, 2008 was approximately \$49,000 and is partly deferred and partly included in selling, general and administrative expense in the accompanying condensed consolidated statement of operations.

On May 15, 2008, subsequently amended on August 19, 2008, we entered into an equity financing arrangement with one of our directors that provided up to \$3,000,000 of additional funding, the terms of which provided for issuance of warrants to purchase 33,333 shares of common stock at \$1.00 per share per month for the period the financing arrangement is in effect. The warrants have a five-year term. The equity financing arrangement expired on December 31, 2008. Accordingly, we recognized \$82,166 of interest expense for the three months ended December 31, 2008 based on the fair value of the warrants as they were earned.

The fair values were calculated using the Black-Scholes option pricing model with the following assumptions:

Date Earned	Quantity Earned	Expected Life (days)	Strike Price	Fair Value of Common Stock	Volatility Rate	Dividend Yield	Risk-Free Interest Rate	Value per Warrant	Charge to Interest Expense
10/15/2008	33,333	1,825	\$1.00	\$1.20	66.34%	0%	2.90%	\$0.74	\$24,666
11/15/2008	33,333	1,825	\$1.00	\$0.85	66.34%	0%	2.33%	\$0.45	\$15,000
12/15/2008	33,333	1,825	\$1.00	\$1.52	66.34%	0%	1.50%	\$0.99	\$33,000
12/31/2008	16,667	1,825	\$1.00	\$1.01	66.34%	0%	1.55%	\$0.57	\$9,500

Filing Status

Beacon Enterprise Solutions Group, Inc., a Nevada corporation has in the past filed reports with the SEC and will continue to do so as Beacon. You can read and copy any materials we file with the SEC at its Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission, including us.

ITEM 4(T). CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported within the periods specified in the rules and forms of the SEC. This information is accumulated and communicated to our executive officers to allow timely decisions regarding required disclosure. As of December 31, 2008, our Chief Executive Officer, who acts in the capacity of principal executive officer and our Chief Accounting Officer who acts in the capacity of principal financial officer, have evaluated the

effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of December 31, 2008, based on their evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

Disclosure controls are designed with the objective of ensuring that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure. Internal controls are procedures which are designed with the objective of providing reasonable assurance that our transactions are properly authorized, recorded and reported and our assets are safeguarded against unauthorized or improper use, to permit the preparation of our financial statements in conformity with generally accepted accounting principles, including all applicable SEC regulations.

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As of September 30, 2008, we had identified certain matters that constituted material weaknesses in our internal controls over financial reporting. Although we have strengthened and unified our internal controls, we continue to improve our controls and eliminate material weaknesses including inadequate internal accounting information systems and limited qualified accounting staff. Accordingly our systems and personnel were insufficient to support the complexity of our financial reporting requirements. Since September 30, 2008, we have taken certain steps to correct these material weaknesses that include undertaking a review of our systems and engaging a consultant to assist in the upgrade of our accounting systems and implementation of additional controls. We have hired an additional accounting resource to assist in completion of our internal control matrix and further strengthen our controls. Although we believe that these steps will result in significant improvements to our internal controls and expect to correct our material weaknesses, additional time is still required to fully document our systems, implement control procedures and test their operating effectiveness.

Specifically, we have engaged a firm to assist us with migrating from our current unified accounting system to Microsoft Dynamics GP including the modules that assist with Sarbanes-Oxley compliance. Additionally, we have implemented a control matrix and software to identify our critical internal accounting controls and measure compliance on a month to month basis to ensure our controls are effective. In addition, we have implemented further controls to aid and improve our inventory systems to ensure they are operating effectively and added controls over revenue recognition to ensure appropriate compliance with current accounting standards. Finally, we have hired temporary accounting personnel and are engaged in a search for an additional accounting resource to assist in the day to day accounting functions. We believe that our internal controls risks are partially mitigated by the fact that our Chief Executive Officer and Chief Accounting Officer review and approve substantially all of our major transactions and we have, when needed, hired outside experts to assist us with implementing complex accounting principles. We believe that our weaknesses in internal control over financial reporting and our disclosure controls relate primarily to the fact that we are an emerging business with limited personnel. Our Chief Accounting Officer was our only employee with SEC reporting experience as of the date of this Quarterly Report on Form 10-Q.

Changes in Internal Control Over Financial Reporting

Except as discussed above, there were no changes in our internal control over financial reporting during our last fiscal quarter that materially affected or is likely to materially affect our internal control over financial reporting.

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PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 6. EXHIBITS

Part I Exhibits

- 4.1 Form of the Convertible Promissory Notes, dated January 22, 2009, made and issued by the Company to various investors, in the aggregate principal amount of \$500,000.
- 4.2 Form of the Warrants, dated January 22, 2009, made and issued by the Company to various investors.
- 10.1 Letter Agreement dated January 9, 2009, by and between the Company and John Rhodes, relating to an equity financing agreement.
- 10.2 Form of the Note Purchase Agreement, dated January 22, 2009, by and between the Company and various investors.
- 10.3 Work Order dated December 19, 2008, by and between the Company and Johnson & Johnson Services, Inc.*

- 10.4 Promissory Note, dated January 7, 2009, made and issued by the Company to John Rhodes.
- 31.1 Certification of Principal Executive Officer, pursuant to Rules 13a-14(a) of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Principal Financial Officer, pursuant to Rules 13a-14(a) of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Principal Executive Officer, pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
- 32.2 Certification of Principal Financial Officer, pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

** - Confidential treatment has been requested for the redacted portions of this agreement. A complete copy of the agreement, including the redacted portions, has been filed separately with the Securities and Exchange Commission.*

*** - This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.*

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Beacon Enterprise Solutions Group, Inc.

Date: February 23, 2009

By: /s/ Bruce Widener

Bruce Widener
Chief Executive Officer and
Chairman of the Board of Directors

and

Date: February 23, 2009

By: /s/ Robert Mohr

Robert Mohr
Principal Financial Officer

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THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") NOR UNDER ANY STATE SECURITIES LAW AND THIS NOTE MAY NOT BE PLEDGED, SOLD, ASSIGNED OR OTHERWISE TRANSFERRED UNTIL (1) A REGISTRATION STATEMENT UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAW HAS BECOME EFFECTIVE WITH RESPECT THERETO OR (2) RECEIPT BY THE MAKER OF AN OPINION OF COUNSEL ACCEPTABLE TO THE MAKER (IF SO REQUESTED) TO THE EFFECT THAT REGISTRATION UNDER THE ACT OR APPLICABLE STATE SECURITIES LAW IS NOT REQUIRED IN CONNECTION WITH THE PROPOSED TRANSFER.

CONVERTIBLE PROMISSORY NOTE

\$ _____

January __, 2009

FOR VALUE RECEIVED, the undersigned BEACON ENTERPRISE SOLUTIONS GROUP, INC., a Nevada corporation (the "Maker"), promises to pay to _____ (the "Holder"), the principal sum of _____ DOLLARS (\$ _____), plus interest from the date hereof at a rate equal to twelve and one-half percent (12.5%) per annum (the "Base Interest Rate") on the unpaid principal amount outstanding hereunder from time to time. The principal amount of this Promissory Note shall be due and payable on July 19, 2009 (the "Maturity Date"), provided that the Maturity Date may be extended by the Maker to January 19, 2010 (the "Extended Maturity Date") by notice to Holder on or prior to the Maturity Date; provided that, if the Maturity Date shall be extended, the Maker shall pay interest from the Maturity Date through the Extended Maturity Date at a rate equal to fifteen percent (15%) per annum (the "Extension Period Interest Rate"). Payments of principal and interest shall be made in lawful money of the United States of America, to the address of record of the Holder as set forth herein, or at such place as the Holder may designate in writing. This Promissory Note (this "Note") is issued in connection with that certain Note Purchase Agreement (as modified and amended from time to time, the "Purchase Agreement"), of even date herewith, by and among the Maker and the Holder.

1. The principal and interest on this Note shall be due and payable as follows:

(a) Interest shall be payable monthly in arrears at the Base Interest Rate or the Extension Period Interest Rate, as applicable; and

(b) In the event that the Maturity Date is extended to the Extended Maturity Date as provided above, then the Maker shall make payments of not less than sixteen and two-thirds percent (16.67%) of the principal amount of this Note outstanding (i.e., the principal amount less any amounts converted by the Holder or prepaid by the Maker), each month beginning on August 19, 2009 until December 19, 2009; and

(c) The entire unpaid balance of the principal and any accrued interest thereon shall be due and payable on the Maturity Date or the Extended Maturity Date, as applicable; and

(d) At any time on or after March 19, 2009, the Maker may prepay this Note in whole or in part upon thirty (30) days prior written notice (the "Prepayment Notice"), without premium or penalty, such prepayment to be applied first to principal and then to accrued interest. The Prepayment Notice shall, among other things (i) expressly state that, if the Holder does not elect to convert the Note, in whole or in part, within said ten (10) day time period, such Holder will lose the right to convert the Note in accordance with Section 2 hereof; and (ii) provide a copy of the most recent financial statement available at the time of the issuance of the Prepayment Notice.

2. The Holder has the option to convert the outstanding principal amount of this Note, in whole or in increments of \$5,000, into shares of Common Stock ("Stock"), \$0.001 par value per share, of the Maker at any time prior to the Maturity Date or Extended Maturity Date, as applicable, in accordance with the following terms and conditions:

(a) The Holder shall have the right to convert the outstanding principal amount of the Note by written notice given to the Maker of Holder's determination to so convert the outstanding principal amount of the Note, in whole or in part (as specified in Holder's notice), into shares of Stock on the third business day following Maker's receipt of Holder's notice; provided, however, that the Holder must convert at least \$5,000 of outstanding principal.

(b) The number of shares of Stock to be issued to Holder upon conversion shall be equal to the quotient obtained by dividing (x) the principal amount that the Holder specifies in its notice to convert by (y) Seventy-Five Cents (\$0.75) (the "Conversion Price").

(c) In connection with the conversion of this Note, in whole or in part, the Holder shall surrender to the Maker this Note for cancellation in exchange for the shares of Stock. In connection with a partial conversion, upon the surrender to the Maker of this Note the Maker shall issue to the Holder a new Note with a principal amount adjusted to reflect such partial conversion. Upon delivery to the Maker of such Note for cancellation, the Holder shall be deemed to be the holder of the respective number of shares of Stock issuable upon conversion of such Note, as specified in Holder's notice. The Maker shall pay any accrued and unpaid interest at the time of such conversion.

3. Security Interest, Subordination and Additional Debt The Holder hereby agrees for itself and for its successors and assigns that

(a) this Note and the obligations represented thereby are expressly subordinate to the Maker's existing secured debt obligations. Subject to the security interests of the existing secured creditors, which the Holder acknowledges to be senior to the security interest created hereby, the obligations of the Maker under Note shall be secured by the accounts receivable and

other assets of the Company. The Holder further acknowledges that the security interest created hereby shall be pari passu with the security interests of the holders of the Other Notes (as defined in the Note Purchase Agreement).

(b) unless and until the Note is repaid in full, the Maker shall not issue new debt ranking senior to or pari passu with the Note.

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4. Default. In the case of the occurrence of one or more of the following events (each, a Default): (i) the Maker fails to make when due any payment of principal or interest hereunder and such default is not cured within twenty (20) business days; (ii) the Maker becomes insolvent or generally is unable to pay, or admits in writing its inability to pay, any of its debts as they become due; (iii) the Maker applies for a trustee, receiver or other custodian for it or substantially all of its property; (iv) a trustee, receiver or other custodian is appointed for the Maker for substantially all of its property; or (v) any bankruptcy, reorganization, debt arrangement, or other case or proceeding is commenced in respect of the Maker; then, upon the occurrence of any such event, all unpaid principal, accrued interest and other amounts owing hereunder shall automatically be immediately due, payable and collectible by Holder pursuant to applicable law.

5. Missed Payments. If the Maker fails to make any monthly interest payment when due hereunder, the outstanding principal shall accrue interest at a rate per annum equal to the Base Interest Rate or the Extension Period Rate, as applicable, plus an additional 0.4166% for each such failure to make a monthly interest payment.

6. Waiver. Maker hereby waives, to the fullest extent permitted by applicable law, notice, demands, notice of nonpayment, presentment, protest and notice of dishonor.

7. Enforcement. Upon the occurrence of a Default, the Holder may employ an attorney to enforce the Holder's rights and remedies and the Maker hereby agrees to reimburse the Holder for its reasonable attorneys' fees, plus all other reasonable expenses incurred by the Holder in exercising any of the Holder's rights and remedies upon default. The rights and remedies of the Holder as provided in this Note shall be cumulative and may be pursued singly, successively or together. The failure to exercise any such right or remedy shall not be a waiver or release of such rights or remedies or the right to exercise any of them at another time.

8. Maximum Rate. To the extent it may lawfully do so, the Maker hereby agrees not to insist upon or plead or in any manner whatsoever claim, and will resist any and all efforts to be compelled to take the benefit or advantage of, usury laws wherever enacted, now or at any time hereafter in force, in connection with any claim, action or proceeding that may be brought by Holder in order to enforce any right or remedy under this Note. Notwithstanding any provision to the contrary contained in this Note, it is expressly agreed and provided that the total liability of the Maker hereunder for payments in the nature of interest shall not exceed the maximum lawful rate authorized under applicable law (the "Maximum Rate") and, without limiting the foregoing, in no event shall any rate of interest or default interest, or both of them, when aggregated with any other sums in the nature of interest that the Maker may be obligated to pay under the Transaction Documents (as defined in the Purchase Agreement) exceed such Maximum Rate. If under any circumstances whatsoever, interest in excess of the Maximum Rate is paid by the Maker to the Holder with respect to indebtedness evidenced by the Transaction Documents, such excess shall be applied by the Holder to the unpaid principal balance of any such indebtedness or be refunded to the Maker, the manner of handling such excess to be at the Holder's election.

9. Miscellaneous. The following general provisions apply:

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(a) This Note, and the obligations and rights of the parties hereunder, shall be binding upon and inure to the benefit of the Maker, the Holder and their respective heirs, personal representatives, successors and assigns.

(b) Changes in or amendments or additions to this Note may be made, or compliance with any term, covenant, agreement, condition or provision set forth herein may be omitted or waived (either generally or in a particular instance and either retroactively or prospectively), only upon written consent of the Maker and the Holder.

(c) THE UNDERSIGNED AND ANY HOLDER HEREOF WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THE UNDERSIGNED AND ANY SUCH HOLDER MAY BE PARTIES ARISING OUT OF OR IN CONNECTION WITH THIS NOTE.

(d) All notices, requests and other communications to any party hereunder shall be in writing and sufficient if delivered personally or sent by telecopy (with confirmation of receipt) or by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Maker, to:

BEACON ENTERPRISE SOLUTIONS GROUP, INC.
1961 Bishop Lane
Louisville, Kentucky 40218
Attention: Bruce Widener, Chief Executive Officer

If to the Holder, to Holder's address specified in the Purchase Agreement,

or to such other address or telecopy number as the party to whom notice is to be given may have furnished to the other party

in writing in accordance herewith. Each such notice, request or communication shall be effective when received or, if given by mail, when delivered on a business day at the address specified in this Section or on the fifth business day following the date on which such communication is posted, whichever occurs first.

(e) This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law provisions thereof. Any action, proceeding or claim against it arising out of, or relating in any way to, this Note may be brought and enforced in the courts of the State of New York or of the United States of America located in the County of New York, State of New York, and Maker and Holder irrevocably submit to such jurisdiction for such purpose. Maker and Holder hereby irrevocably waive any objection to such exclusive jurisdiction or inconvenient forum.

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IN WITNESS WHEREOF, the Maker has caused this Note to be executed in its corporate name by a duly authorized officer, by order of its Board of Directors as of the day and year first above written.

BEACON ENTERPRISE SOLUTIONS GROUP, INC.

By: _____
Name: Bruce Widener
Title: Chief Executive Officer

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THE WARRANTS REPRESENTED BY THIS CERTIFICATE AND THE SECURITIES THAT MAY BE ISSUED UPON EXERCISE OF THE WARRANTS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

BEACON ENTERPRISE SOLUTIONS GROUP, INC.

Warrant No. N- _

Dated: January __, 2009

Beacon Enterprise Solutions Group, Inc., a Nevada corporation (the "**Company**"), hereby certifies that, for value received, _____ or his registered assigns (the "**Holder**"), is entitled to purchase from the Company up to a total of _____ shares of common stock, \$0.001 par value per share (the "**Common Stock**"), of the Company (each such share, a "**Warrant Share**" and all such shares issuable under the warrants, the "**Warrant Shares**") at an exercise price equal to the \$1.00 per share (as adjusted from time to time as provided in Section 9, the "**Exercise Price**"), at any time and from the date hereof and through and including the date that is five (5) years from the date of issuance hereof (the "**Expiration Date**"), and subject to the following terms and conditions. This Warrant ("**Warrant**") is one of a series of similar warrants issued pursuant to various Note Purchase Agreements, dated as of, by and among the Company and the Lenders identified therein, January __, 2009 (the "**Note Purchase Agreements**") for the purchase of an aggregate principal amount of Five Hundred Thousand Dollars (\$500,000). All such warrants are referred to herein, collectively, as the "**Warrants**" and the holders thereof along with the Holder named herein, the "**Holders**."

1. Definitions. In addition to the terms defined elsewhere in this Warrant, capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Note Purchase Agreement.

2. Registration of Warrant. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "**Warrant Register**"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

3. Registration of Transfers. The Company shall register the transfer of any portion of this Warrant in the Warrant Register, upon surrender of this Warrant, with the Form of Assignment attached hereto duly completed and signed, to the Company's transfer agent or to the Company at its address specified herein. Upon any such registration or transfer, a new warrant to purchase Common Stock, in substantially the form of this Warrant (any such new warrant, a "**New Warrant**"), evidencing the portion of this Warrant so transferred shall be issued to the transferee and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Holder. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance by such transferee of all of the rights and obligations of a holder of a Warrant.

4. Exercise and Duration of Warrants

(a) This Warrant shall be exercisable by the registered Holder at any time and from time to time on or after the date hereof to and including the Expiration Date. At 6:30 P.M., New York City time on the Expiration Date, the portion of this Warrant not exercised prior thereto shall be and become void and of no value.

(b) A Holder may exercise this Warrant by delivering to the Company (i) an exercise notice, in the form attached hereto (the "**Exercise Notice**"), appropriately completed and duly signed, and (ii) payment of the Exercise Price for the number of Warrant Shares as to which this Warrant is being exercised (which may take the form of a "cashless exercise" if so indicated in the Exercise Notice only if a "cashless exercise" may occur at such time pursuant to Section 10 below), and the date such items are delivered to the Company (as determined in accordance with the notice provisions hereof) is an "**Exercise Date**." The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. Execution and delivery of the Exercise Notice shall have the same effect as cancellation of the original Warrant and issuance of a New Warrant evidencing the right to purchase the remaining number of Warrant Shares.

(c) Exercise Disputes. In the case of any dispute with respect to the number of shares to be issued upon exercise of this Warrant, the Company shall promptly issue such number of shares of Common Stock that is not disputed and shall submit the disputed determinations or arithmetic calculations to the Holder via fax (or, if the Holder has not provided the Company with a fax number, by overnight courier) within two (2) Business Days of receipt of the Holder's election to purchase Warrant Shares. If the Holder and the Company are unable to agree as to the determination of the Purchase Price within two (2) Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall in accordance with this Section, submit via facsimile the disputed determination to an independent reputable accounting firm of national standing, selected jointly by the Company and the Holder. The Company shall cause such accounting firm to perform the determinations or calculations and notify the Company and the Holder of the results as promptly as possible from the time it receives the disputed determinations of calculations. Such accounting firm's determination shall be binding upon all parties absent manifest error. The Company shall then on the next Business Day issue certificate(s) representing the appropriate number of Warrant Shares of Common Stock in accordance with such accounting firm's

determination and this Section. The prevailing party shall be entitled to reimbursement of all fees and expenses of such determination and calculation.

5. Delivery of Warrant Shares.

(a) Upon exercise of this Warrant, the Company shall promptly (but in no event later than five Trading Days after the Exercise Date) issue or cause to be issued and cause to be delivered to or upon the written order of the Holder and in such name or names as the Holder may designate, a certificate for the Warrant Shares to which the Holder is entitled upon such exercise, free of restrictive legends unless a registration statement covering the resale of the Warrant Shares and naming the Holder as a selling stockholder thereunder is not then effective and the Warrant Shares are not freely transferable pursuant to Rule 144 under the Securities Act of 1933, as amended. The Company shall, upon request of the Holder, use its best efforts to deliver Warrant Shares hereunder electronically through the Depository Trust Corporation or another established clearing corporation performing similar functions. For the purposes hereof, the term "Trading Day" means (a) any day on which the Common Stock is listed or quoted and traded on its primary trading market, (b) if the Common Stock is not then listed or quoted and traded on any trading market, then a day on which trading occurs on the Nasdaq Global Market (or any successor thereto), or (c) if trading ceases to occur on the Nasdaq Global Market (or any successor thereto), any Business Day.

(b) This Warrant is exercisable, either in its entirety or, from time to time, for a portion of the number of Warrant Shares. Upon surrender of this Warrant following one or more partial exercises, the Company shall issue or cause to be issued, at its expense, a New Warrant evidencing the right to purchase the remaining number of Warrant Shares.

(c) The Company's obligations to issue and deliver Warrant Shares in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of Warrant Shares. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

6. Charges, Taxes and Expenses. Issuance and delivery of certificates for shares of Common Stock upon exercise of this Warrant shall be made without charge to the Holder for any issue or transfer tax, withholding tax, transfer agent fee or other incidental tax or expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company; provided, however, that the Company shall not be required to pay any tax which may

be payable in respect of any transfer involved in the registration of any certificates for Warrant Shares or Warrants in a name other than that of the Holder. The Holder shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise hereof.

7. Replacement of Warrant. If this Warrant is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation hereof, or in lieu of and substitution for this Warrant, a New Warrant, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction and customary and reasonable bond or indemnity, if requested. Applicants for a New Warrant under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Company may prescribe.

8. Reservation of Warrant Shares. The Company covenants that it will at all times reserve and keep available out of the aggregate of its authorized but unissued and otherwise unreserved Common Stock, solely for the purpose of enabling it to issue Warrant Shares upon exercise of this Warrant as herein provided, 100% of the number of Warrant Shares which are then issuable and deliverable upon the exercise of this entire Warrant, free from preemptive rights or any other contingent purchase rights of persons other than the Holder (after giving effect to the adjustments and restrictions of Section 9, if any). The Company covenants that all Warrant Shares so issuable and deliverable shall, upon issuance and the payment of the applicable Exercise Price in accordance with the terms hereof, be duly and validly authorized, issued and fully paid and nonassessable. The Company will take all such action as may be necessary to assure that such shares of Common Stock may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any securities exchange or automated quotation system upon which the Common Stock may be listed.

9. Certain Adjustments. The Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 9.

(a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding, (i) pays a stock dividend on its Common Stock or otherwise makes a distribution on any class of capital stock that is payable in shares of Common Stock, (ii) subdivides outstanding shares of Common Stock into a larger number of shares, or (iii) combines outstanding shares of Common Stock into a smaller number of shares, then in each such case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any

adjustment made pursuant to clause (i) of this paragraph shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution, and any adjustment pursuant to clause (ii) or (iii) of this paragraph shall become effective immediately after the effective date of such subdivision or combination.

(b) Distributions Made Prior to Exercise. If the Company, at any time while this Warrant is outstanding, distributes to all of the holders of Common Stock (i) evidences of its indebtedness, (ii) any security (other than a distribution of Common Stock covered by Section

9(a)), (iii) rights or warrants to subscribe for or purchase any security, or (iv) any other asset (in each case, a **"Distribution"**), then in each such case any Exercise Price in effect immediately prior to the close of business on the record date fixed for the determination of holders of Common Stock entitled to receive the Distribution shall be reduced, effective as of the close of business on such record date, to a price determined by multiplying such Exercise Price by a fraction of which (i) the numerator shall be the Weighted Average Price¹ of the Common Stock on the Trading Day immediately preceding such record date minus the value of the Distribution (as determined in good faith by the Company's Board of Directors) applicable to one share of Common Stock, and (ii) the denominator shall be the Weighted Average Price of the Common Stock on the Trading Day immediately preceding such record date.

(c) Notwithstanding the provisions set forth in Section 9(b) above, if the Company, at any time while this Warrant is outstanding, makes a Distribution to the holders of Common Stock, then in each such case the Holder shall have the option to receive such Distribution which would have been made to the Holder had such Holder been the holder of such Warrant Shares on the record date for the determination of stockholders entitled to such Distribution; provided, however, if the Holder elects to receive such Distribution, it will not be entitled to receive the adjustment to the Exercise Price specified in clause (b) above.

(d) Fundamental Transactions. If, at any time during the term of this Warrant, (i) the Company effects any merger or consolidation of the Company with or into (whether or not the Company is the surviving corporation) another Person, (ii) the Company effects any sale, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions; provided, however, that for avoidance of doubt, the granting of a lien on all or substantially all of the Company's assets as collateral shall not be deemed a Fundamental Transaction hereunder, (iii) allow another Person to make a purchase, tender or exchange offer that is accepted by the holders of more than the 50% of either the outstanding shares of Common Stock (not including any shares of Common Stock held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than the 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock purchase agreement or other business

¹ "Weighted Average Price" means, for any security as of any date, the dollar volume-weighted average price for such security on NASDAQ during the period beginning at 9:30:01 a.m., New York Time (or such other time as NASDAQ publicly announces is the official open of trading), and ending at 4:00:00 p.m., New York Time (or such other time as NASDAQ publicly announces is the official close of trading) as reported by Bloomberg (means Bloomberg Financial Markets) through its "Volume at Price" functions, or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York Time (or such other time as such Principal Market publicly announces is the official open of trading), and ending at 4:00:00 p.m., New York Time (or such other time as such market publicly announces is the official close of trading) as reported by Bloomberg, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the "pink sheets" by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.). If the Weighted Average Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Weighted Average Price of such security on such date shall be the fair market value as mutually determined by the Company in good faith. All such determinations shall be appropriately adjusted for any share dividend, share split, share combination or other similar transaction during the applicable calculation period.

combination), or (v) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (other than as a result of a subdivision or combination of shares of Common Stock covered by Section 9(a) above) (in any such case, a **"Fundamental Transaction"**), then the Holder shall have the right thereafter to receive, upon exercise of this Warrant, the same amount and kind of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of the number of Warrant Shares then issuable upon exercise in full of this Warrant (the **"Alternate Consideration"**). The aggregate Exercise Price for this Warrant will not be affected by any such Fundamental Transaction, but the Company shall apportion such aggregate Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. At the Holder's request, any successor to the Company or surviving entity in such Fundamental Transaction shall issue to the Holder a new warrant consistent with the foregoing provisions and evidencing the Holder's right to purchase the Alternate Consideration for the aggregate Exercise Price upon exercise thereof. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this paragraph (d) and insuring that the Warrant (or any such replacement security) will be similarly adjusted upon any subsequent

transaction analogous to a Fundamental Transaction.

(e) Number of Warrant Shares. Simultaneously with any adjustment to the Exercise Price pursuant to paragraph (a) of this Section, the number of Warrant Shares that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately, as applicable, so that after such adjustment the aggregate Exercise Price payable hereunder for the increased or decreased, as applicable, number of Warrant Shares shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment.

(f) Calculations. All calculations under this Section 9 shall be made to the nearest cent or the nearest 1/100th of a share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

(g) Notice of Adjustments. Upon the occurrence of each adjustment pursuant to this Section 9, the Company at its expense will promptly compute such adjustment in accordance with the terms of this Warrant and prepare a certificate setting forth such adjustment, including a statement of the adjusted Exercise Price and adjusted number or type of Warrant Shares or other securities issuable upon exercise of this Warrant (as applicable), describing the transactions giving rise to such adjustments and showing in detail the facts upon which such adjustment is based. Upon written request, the Company will promptly deliver a copy of each such certificate to the Holder and to the Company's Transfer Agent.

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(h) Notice of Corporate Events. If the Company (i) declares a dividend or any other distribution of cash, securities or other property in respect of its Common Stock, including without limitation any granting of rights or warrants to subscribe for or purchase any capital stock of the Company or any Subsidiary, (ii) authorizes or approves, enters into any agreement contemplating or solicits stockholder approval for any Fundamental Transaction or (iii) authorizes the voluntary dissolution, liquidation or winding up of the affairs of the Company, then the Company shall deliver to the Holder a notice describing the material terms and conditions of such transaction, at least ten calendar days prior to the applicable record or effective date on which a Person would need to hold Common Stock in order to participate in or vote with respect to such transaction, and the Company will take all steps reasonably necessary in order to insure that the Holder is given the practical opportunity to exercise this Warrant prior to such time so as to participate in or vote with respect to such transaction; provided, however, that the failure to deliver such notice or any defect therein shall not affect the validity of the corporate action required to be described in such notice.

10. Payment of Exercise Price. The Holder shall pay the Exercise Price in immediately available funds (a "cash exercise"); provided, however, that if at any time after the date that is six (6) months after the date of this Warrant (the "**Required Effective Date**") a Registration Statement covering the resale of the Warrant Shares is not effective on the Exercise Date, or no current prospectus under such Registration Statement is available, the Holder may satisfy its obligation to pay the Exercise Price through a "cashless exercise," in which event the Company shall issue to the Holder the number of Warrant Shares determined as follows:

$$X = Y [(A-B)/A]$$

where:

X = the number of Warrant Shares to be issued to the Holder.

Y = the number of Warrant Shares with respect to which this Warrant is being exercised (prior to cashless exercise).

A = the average of the Closing Prices for the five Trading Days immediately prior to (but not including) the Exercise Date.

B = the Exercise Price.

For purposes of this Section 10, "Closing Prices" for any date, shall mean the closing price per share of the Common Stock for such date (or the nearest preceding date) on the primary trading market on which the Common Stock is then listed or quoted.

For purposes of Rule 144 promulgated under the Securities Act, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued pursuant to the Note Purchase Agreement.

11. Fractional Shares. The Company shall not be required to issue or cause to be issued fractional Warrant Shares on the exercise of this Warrant. If any fraction of a Warrant

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Share would, except for the provisions of this Section, be issuable upon exercise of this Warrant, the number of Warrant Shares to be issued will be rounded up to the nearest whole share.

12. Notices. Any and all notices or other communications or deliveries hereunder (including without limitation any Exercise

Notice) shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in the Note Purchase Agreement prior to 6:30 p.m. (New York City time) on a Trading Day, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in the Note Purchase Agreement on a day that is not a Trading Day or later than 6:30 p.m. (New York City time) on any Trading Day, (iii) the Trading Day following the date of mailing, if sent by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given. The address for such notices or communications shall be as set forth in the Note Purchase Agreement.

13. Warrant Agent. The Company shall serve as warrant agent under this Warrant. Upon 30 days' notice to the Holder, the Company may appoint a new warrant agent. Any corporation into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent shall be a party shall be a successor warrant agent under this Warrant without any further act. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

14. Miscellaneous.

(a) Subject to the restrictions on transfer set forth on the first page hereof, this Warrant may be assigned by the Holder. This Warrant may not be assigned by the Company, except to a successor in the event of a Fundamental Transaction. This Warrant shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns. Subject to the preceding sentence, nothing in this Warrant shall be construed to give to any Person other than the Company and the Holder any legal or equitable right, remedy or cause of action under this Warrant.

(b) The Company will not, by amendment of its governing documents or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, seek to call or redeem this Warrant or avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder against dilution or other impairment. Without limiting the generality of the foregoing, the Company (i) will not increase the par value of any Warrant Shares above the amount payable therefor on such exercise, (ii) will take all such action as may be reasonably necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares, free from all taxes, liens, security interests, encumbrances, preemptive or similar rights and charges of stockholders (other than those imposed by the Holders), on the exercise of the Warrant, and (iii) will not close

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its stockholder books or records in any manner which interferes with the timely exercise of this Warrant.

(c) Remedies; Specific Performance. The Company acknowledges and agrees that there would be no adequate remedy at law to the Holder of this Warrant in the event of any default or threatened default by the Company in the performance of or compliance with any of the terms of this Warrant and accordingly, the Company agrees that, in addition to any other remedy to which the Holder may be entitled at law or in equity, the Holder shall be entitled to seek to compel specific performance of the obligations of the Company under this Warrant, without the posting of any bond, in accordance with the terms and conditions of this Warrant in any court of the United States or any State thereof having jurisdiction, and if any action should be brought in equity to enforce any of the provisions of this Warrant, the Company shall not raise the defense that there is an adequate remedy at law. Except as otherwise provided by law, a delay or omission by the Holder hereof in exercising any right or remedy accruing upon any such breach shall not impair the right or remedy or constitute a waiver of or acquiescence in any such breach. No remedy shall be exclusive of any other remedy. All available remedies shall be cumulative.

(d) Amendments and Waivers. The Company may, without the consent of the Holders, by supplemental agreement or otherwise, (i) make any changes or corrections in this Agreement that are required to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein or (ii) add to the covenants and agreements of the Company for the benefit of the Holders (including, without limitation, reduce the Exercise Price or extend the Expiration Date), or surrender any rights or power reserved to or conferred upon the Company in this Agreement; provided that, in the case of (i) or (ii), such changes or corrections shall not adversely affect the interests of Holders of then outstanding Warrants in any material respect. This Warrant may also be amended or waived with the consent of the Company and the Holder. Further, the Company may, with the consent, in writing or at a meeting, of the Holders (the "**Required Holders**") of the then outstanding Warrants exercisable for a majority or greater of the Common Stock eligible under such Warrants, amend in any way, by supplemental agreement or otherwise, this Warrant and/or all of the outstanding Warrants; provided, however, that (i) no such amendment by its express terms shall adversely affect any Holder differently than it affects all other Holders, unless such Holder consents thereto, and (ii) no such amendment concerning the number of Warrant Shares or Exercise Price shall be made unless any Holder who will be affected by such amendment consents thereto. If a new warrant agent is appointed by the Company, it shall at the request of the Company, and without need of independent inquiry as to whether such supplemental agreement is permitted by the terms of this Section 16(d), join with the Company in the execution and delivery of any such supplemental agreements, but shall not be required to join in such execution and delivery for such supplemental agreement to become effective.

(e) GOVERNING LAW; VENUE; WAIVER OF JURY TRIAL. THE CORPORATE LAWS OF THE STATE OF NEW YORK SHALL GOVERN ALL ISSUES CONCERNING THE RELATIVE RIGHTS OF THE COMPANY AND ITS STOCKHOLDERS. ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, ENFORCEMENT AND INTERPRETATION OF THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE

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STATE OF NEW YORK. THE COMPANY AND HOLDERS HEREBY IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE CITY OF NEW YORK, BOROUGH OF MANHATTAN FOR THE ADJUDICATION OF ANY DISPUTE BROUGHT BY THE COMPANY OR ANY HOLDER HEREUNDER, IN CONNECTION HERewith OR WITH ANY TRANSACTION CONTEMPLATED HEREBY OR DISCUSSED HEREIN, AND HEREBY IRREVOCABLY WAIVE, AND AGREE NOT TO ASSERT IN ANY SUIT, ACTION OR PROCEEDING BROUGHT BY THE COMPANY OR ANY HOLDER, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF ANY SUCH COURT, OR THAT SUCH SUIT, ACTION OR PROCEEDING IS IMPROPER. EACH PARTY HEREBY IRREVOCABLY WAIVES PERSONAL SERVICE OF PROCESS AND CONSENTS TO PROCESS BEING SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING BY MAILING A COPY THEREOF VIA REGISTERED OR CERTIFIED MAIL OR OVERNIGHT DELIVERY (WITH EVIDENCE OF DELIVERY) TO SUCH PARTY AT THE ADDRESS IN EFFECT FOR NOTICES TO IT UNDER THIS WARRANT AND AGREES THAT SUCH SERVICE SHALL CONSTITUTE GOOD AND SUFFICIENT SERVICE OF PROCESS AND NOTICE THEREOF. NOTHING CONTAINED HEREIN SHALL BE DEEMED TO LIMIT IN ANY WAY ANY RIGHT TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW. THE COMPANY AND HOLDERS HEREBY WAIVE ALL RIGHTS TO A TRIAL BY JURY.

(f) The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

(g) In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

BEACON ENTERPRISE SOLUTIONS GROUP, INC.

By: _____
Name: Bruce Widener
Title: Chief Executive Officer

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FORM OF EXERCISE NOTICE

(To be executed by the Holder to exercise the right to purchase shares of Common Stock under the foregoing Warrant)

To: BEACON ENTERPRISE SOLUTIONS GROUP, INC.

The undersigned is the Holder of Warrant No. _____ (the "Warrant") issued by Beacon Enterprise Solutions Group, Inc., a Nevada corporation (the "Company"). Capitalized terms used herein and not otherwise defined have the respective meanings set forth in the Warrant.

- (a) The Warrant is currently exercisable to purchase a total of Warrant Shares.
- (b) The undersigned Holder hereby exercises its right to purchase Warrant Shares pursuant to the Warrant.
- (c) The Holder shall make Payment of the Exercise Price as follows (check one):
 - _____ "Cash Exercise" under Section 10
 - _____ "Cashless Exercise" under Section 10
- (d) If the holder is making a Cash Exercise, the holder shall pay the sum of \$ _____ to the Company in accordance with the terms of the Warrant.
- (e) Pursuant to this exercise, the Company shall deliver to the holder Warrant Shares in accordance with the terms of the Warrant.
- (f) Following this exercise, the Warrant shall be exercisable to purchase a total of Warrant Shares.
- (g) Notwithstanding anything to the contrary contained herein, this Exercise Notice shall constitute a representation by the Holder that, after giving effect to the exercise provided for in this Exercise Notice, the Holder (together with its affiliates) will not have beneficial ownership (together with the beneficial ownership of such Person's affiliates) of a number of shares of Common Stock which exceeds the Maximum Percentage of the total outstanding shares of Common Stock as determined pursuant to the provisions of Section 11(a) of the Warrant.

Dated: _____,

Name of Holder:

(Print)

By: _____
Name: _____
Title: _____
(Signature must conform in all respects to name of
holder as specified on the face of the Warrant)

FORM OF ASSIGNMENT

[To be completed and signed only upon transfer of Warrant]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto
_____ the right represented by the within Warrant to purchase _____ shares of
Common Stock of Beacon Enterprise Solutions Group, Inc. to which the within Warrant relates and appoints
_____ attorney to transfer said right on the books of Beacon Enterprise Solutions Group, Inc. with full power of
substitution in the premises.

Dated: _____, _____

(Signature must conform in all respects to name of holder
as specified on the face of the Warrant)

Address of Transferee

In the presence of:

January 9, 2009

Dear John:

By executing this binding letter of understanding as indicated below, you acknowledge and agree to the following provisions with respect to a put right (the "Put Right") on common shares in Beacon Enterprise Solutions Group, Inc. (the "Company").

Upon written request by the Company, which request shall first be authorized by unanimous consent of the Board of Directors of the Company, upon a finding by the Board of Directors that the Company has no other financing options available to it, you agree to purchase shares of Common Stock of the Company, at the purchase price per share and upon the same other terms as the most recent sale of shares of Common Stock of the Company to third party in a transaction intended to raise capital; provided, however, the aggregate purchase price of all shares purchased pursuant to the Put Right shall not exceed \$2,200,000.00 (the "Put Amount").

The Put Amount shall decrease by \$1.00 for each \$1.00 of gross proceeds received by the Company from and after the date hereof from the sale of equity securities.

In consideration of your agreement to the terms hereof, the Company will issue a five-year warrant to purchase 100,000 shares of Common Stock at an exercise price of \$1.00 per share as soon as practicable after your execution hereof.

In addition, for each month that this Put Right remains outstanding, you will receive warrants to purchase 33,333 shares of Common Stock at an exercise price of \$1.00 per share.

The Put Right shall immediately terminate upon January 1, 2010, upon reduction of the outstanding Put Amount to zero, or upon certain events of default, including acceleration of other indebtedness in an amount greater than \$25,000, judgments against the Company in net amount greater than \$25,000, and insolvency or bankruptcy or similar proceedings. Additionally, this Put Right may be terminated by the mutual consent of the Company and you. After an event of default or other termination of the Put Right, you will have no further obligations to purchase shares of Common Stock under the Put Right.

Finally, in consideration of the value being conferred to the Company by the extension of the Put Right, which will benefit Bruce Widener and Brook Street Enterprises LLC as stockholders of the Company, each of Bruce Widener and Brook Street Enterprises, LLC, agrees that, upon the exercise of the Put Right in whole or in part by the Company, you shall have the right to purchase up to 1,285,000 shares of Common Stock from Bruce Widener and up to 370,425 shares of Common Stock from Brook Street Enterprises, LLC for a purchase price of \$0.01 per share.

If these terms are acceptable to you, please indicate your consent by signing below.

Sincerely,

/s/ Bruce Widener

Bruce Widener, Chief Executive Officer
Beacon Enterprise Solutions Group, Inc.

/s/ Bruce Widener
Bruce Widener

/s/ Richard Hughes

Richard Hughes, Manager
Brook Street Enterprises, LLC

ACKNOWLEDGED AND AGREED:

/s/ John D. Rhodes III
John D. Rhodes, III

NOTE PURCHASE AGREEMENT

This Note Purchase Agreement, dated January __, 2009, is between _____ (the "Lender"), and BEACON ENTERPRISE SOLUTIONS GROUP, INC., a Nevada corporation (the "Borrower").

1. Authorization and Issuance of the Notes

1.1 Authorization of the Note. In order to (i) refinance \$200,000 in existing senior notes and (ii) finance its working capital needs (collectively, the "Use of Net Proceeds"), the Borrower has authorized the issuance of Convertible Promissory Notes in the aggregate principal amount of up to \$500,000 (the "Aggregate Financing Amount"), in connection with which the Lender will provide \$_____ (the "Lender Loan Amount"), which Lender Loan Amount will be (i) on those terms as are evidenced in the form of Exhibit A (the "Note") and (ii) dated the Closing Date (as defined below).

1.2 Issuance of the Note. The Borrower will issue the Note to the Lender at the Closing provided for in Section 2. At the Closing, the Lender will loan to the Borrower, on the terms and subject to the conditions hereof, an amount equal to the Lender Loan Amount. The aggregate amount of this Note and the other convertible promissory notes (the "Other Notes") issued to Lenders will not exceed the Aggregate Financing Amount.

1.3 Covenants.

(A) Contribution to Borrower. The Lender and the Borrower agree that the net proceeds from the issuance of Notes shall be deposited in an interest earning account of the Borrower and shall be available to make payments in accordance with the stated Use of Net Proceeds.

(B) Negative Covenants. The Borrower covenants and agrees that, at any time that the Note is outstanding, it shall not (i) grant a new security interest in or pledge any of its assets or (ii) issue any new debt for borrowed money that ranks senior to or *pari passu* with the debt represented by the Note.

(C) Subordination. The Lender acknowledges and agrees that its rights in the Note and any security interest associated thereby shall be subordinated to the rights of the Borrower's existing secured creditors and shall be *pari passu* with the rights and security interests of the holders of the Other Notes. The Lender agrees to execute such documents and instruments as the Borrower may reasonably request from time to time in order to evidence such subordination.

1.4 Representations and Warranties.

The Borrower represents and warrants as follows:

(A) Capitalization. The authorized capital stock of the Borrower consists of 70,000,000 shares of Common Stock, par value \$0.001, and 5,000,000 shares of Preferred Stock.

Additional information about the capital structure of the Borrower may be found in the Annual Report on Form 10-K and the other Public Information (as defined below). The Borrower has reserved for issuance and/or delivery upon conversion of the Note and the Other Notes such number of shares of Common Stock as shall be required for issuance and delivery upon conversion.

(B) Good Standing of the Borrower; Authorization. The Borrower is in good standing as a corporation in the state of Nevada; (ii) is duly qualified as a foreign corporation to do business in all other jurisdictions wherein the nature of its business or property makes such qualifications necessary; and (iii) has full corporate power and authority to own its properties and to carry on its business as presently conducted and to enter into and perform this Agreement and the Note (collectively, the "Transaction Documents"). The execution, delivery and performance of the Transaction Documents have been duly authorized by all necessary proceedings on the part of the Borrower. The Transaction Documents have been duly executed and delivered by the Borrower and constitute legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms.

(C) Compliance with Other Instruments. The execution, delivery and performance of the Transaction Documents will not result in any breach of, or constitute a material default under the charter or by-laws of the Borrower, or any material agreement, instrument, judgment, decree, order, statute, rule or regulation applicable to the Borrower. The Borrower is not in material violation of any term of its charter or by-laws, or any term of any agreement, instrument, judgment, decree, order, statute, rule or regulation applicable to it, the violation of which is reasonably likely to materially adversely affect its business, operations, properties or financial condition.

(D) Material Adverse Changes. The Borrower is not aware of any fact which will materially adversely affect or, so far as it can now reasonably foresee, will materially adversely affect its business, operations, properties or financial condition, or, in the case of the Borrower, its performance of its obligations under the Transaction Documents.

(E) Pending Litigation. There are no actions, suits, proceedings or investigations pending, or, to the knowledge of the Borrower, threatened, against or affecting the Borrower before any court, arbitrator or administrative or governmental body.

(F) Consents and Permits. No consent, approval or authorization of, or declaration or filing with, any governmental authority or any other person on the part of the Borrower is required for the valid execution and delivery of any of the Transaction Documents or the consummation of the transactions contemplated hereby or thereby, except as described in this Section 1.4. The Borrower has all material permits, licenses, franchises or other governmental authorizations necessary or appropriate to

operate its business.

(G) Disclosure. No statement contained in this Agreement, as supplemented by the Borrower's Annual Report on Form 10-K and other information (the "Public Information") filed with the Securities and Exchange Commission (the "SEC"), which are incorporated by reference herein, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make such statement, in the light of the circumstances under which it was made, not

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misleading. In furtherance thereof, the Lender should be aware that there are various risks associated with the purchase of the Note, including, but not limited to, those described in the "Risk Factors" sections of the periodic reports filed with the SEC by the Borrower.

(H) Commissions and Reimbursements. At the Closing, the Borrower shall pay Laidlaw & Co. (UK), Ltd (i) a commission of ten percent (10%) of the principal amount of the Note and (ii) a non-accountable expense reimbursement of \$25,000.

The Lender represents as follows: the Lender understands that the Note, and the shares of common stock into which the Note is convertible (collectively, the "Securities"), have not been registered under the Securities Act of 1933, as amended (the "Securities Act"); the Lender understands that the Securities are being offered and issued pursuant to an exemption from registration contained in the Securities Act based in part upon the Lender's representations contained in this Agreement; the Lender has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to the Borrower so that it is capable of evaluating the merits and risks of its investment in the Securities and has the capacity to protect its own interests; the Lender must bear the economic risk of this investment indefinitely unless the Securities are registered pursuant to the Securities Act, or an exemption from registration is available; the Lender understands that the Borrower has no present intention of registering the Securities; the Lender understands that there is no assurance that any exemption from registration under the Securities Act will be available and that, even if available, such exemption may not allow the Lender to transfer all or any portion of the Securities under the circumstances, in the amounts or at the times the Lender might desire; the Lender is acquiring the Securities for the Lender's own account for investment only, and not with a view towards their distribution; by reason of its business or financial experience, the Lender has the capacity to protect its own interests in connection with the transactions contemplated by the Transaction Documents; the Lender is aware of no publication of any advertisement in connection with the transactions contemplated by the Transaction Documents; and it is an accredited investor (or is an entity directly or indirectly wholly owned by one or more accredited investors) within the meaning of Regulation D under the Securities Act.

2. Closing. The closing of the issuance of the Note to the Lender (the "Closing") will take place at such date (the "Closing Date") and location as the parties may mutually agree, but not later than February 15, 2009. At the Closing, the Borrower will execute and deliver to the Lender the Note, and the Lender will lend to the Borrower the Lender Loan Amount.

3. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if personally delivered by courier, or if mailed, when mailed by United States first-class, certified or registered mail, postage prepaid, to the other party at the following addresses or by telecopy, receipt confirmed (or at such other address as shall be given in writing by any party to the other):

If to Borrower, to:

BEACON ENTERPRISE SOLUTIONS GROUP, INC.
1961 Bishop Avenue

- - 3 -

Louisville, Kentucky 40218
Attention: Bruce Widener

If to the Lender, to the address set forth on the signature page hereto.

4. Successors and Assigns. This Agreement, and all rights and powers granted hereby, will bind and inure to the benefit of the parties hereto and their respective successors and assigns.

5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law provisions thereof.

6. Consent to Jurisdiction. The parties hereby agree that any action, proceeding or claim arising out of, or relating in any way to, this Agreement may be brought and enforced in the courts of the State of New York or of the United States of America located in the County of New York, State of New York, and irrevocably submits to such jurisdiction for such purpose. The parties hereby irrevocably waive any objection to such exclusive jurisdiction or inconvenient forum.

7. Headings. The headings preceding the text of the sections and subsections hereof are inserted solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

8. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument. Facsimile copies of original signatures shall be effective as original signatures.

9. Entire Agreement. This Agreement sets forth all of the promises, covenants, agreements, conditions and undertakings between the parties hereto with respect to the subject matter hereof and supersede all prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written. This Agreement may not be amended except by an instrument in writing signed by the party sought to be charged with effect of such amendment.

- - 4 -

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

BEACON ENTERPRISE SOLUTIONS GROUP, INC.

By: _____

Name: Bruce Widener

Title: Chief Executive Officer

LENDER:

Name: _____

Company Name (if applicable): _____

Title (if applicable): _____

Address: _____

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Exhibit A

Promissory Note

- - 6 -

[*] designates portions of this document that have been omitted pursuant to a request for confidential treatment filed separately with the Securities and Exchange Commission

Work Order
Structured Cable Plant IMAC Services

This work order (this "Work Order") is dated as of December 19, 2008 (the "Work Order Effective Date") by and between Information Technology Services, a Division of Johnson & Johnson Services, Inc., a New Jersey corporation with offices at 1003 US Route 202, Raritan, New Jersey 08869 ("JJSI"), and Beacon Enterprise Solutions Group, Inc., an Indiana corporation with offices at 124 North First Street, Louisville, Kentucky 40202 ("Supplier"). Any capitalized terms used in this Work Order but not defined herein have the definitions ascribed thereto in the Master Services Agreement between Supplier and JJSI dated June 1, 2007 (the "Agreement").

WHEREAS, JJSI issued and Supplier responded to a Request For Proposal entitled *Structured Cable Plant (IMAC) Services RFP*, dated March 1, 2008 (the "RFP"), incorporated by reference herein, to which Supplier affirmatively responded and stated that it is fully capable and willing to provide such services and indicated its intent to be bound to the warranties and representations contained therein and any modifications to such responses as agreed upon in writing by the parties; and

WHEREAS, both JJSI and Supplier wish to enter into this Work Order in connection with the Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises, covenants and agreements set forth below, and for other good and valuable consideration, the receipt and sufficiency of which the parties hereby acknowledge, the parties agree as follows:

1. Supplier shall provide to JJSI and its affiliates (individually and collectively, "Client") the Services set forth below on an as requested basis for a period of three (3) years from the Work Order Effective Date.

A. Scope of Services

Supplier shall maintain the data and voice communications cabling systems (the "Systems") for Client (the "Services") at the sites identified under the header, *Participating Sites And Associated Unit Pricing Group*, in Appendix A (each site, a "Participating Site"), attached hereto (the "Project"). From time to time, additional Client sites may be added to Appendix A at JJSI's sole discretion.

Supplier shall provide network hardware related Services on a time and materials basis unless requested otherwise by JJSI. Supplier shall provide the structured cable plant related Services on a fixed-price basis as set forth in Appendix E, attached hereto, unless stated or requested otherwise by JJSI. In addition to the Drop Pricing set forth in Appendix E, Supplier may be required to purchase additional materials such as racks, patch panels, wire management, patch cables, etc., and provide additional associated Services, in order to ensure that new cable plant installations comply with the JNJ Cable Plant Standards (defined below). In such cases, Supplier shall purchase required materials and provide the required Services in accordance with this Work Order. Supplier shall ensure the qualification of the Systems as a *Siemon-certified* installation, using The Siemon Company ("Siemon") and CommScope, Inc. ("CommScope") recommended materials and services covered under a Siemon twenty-five (25) year parts and labor warranty. [*] The Services will be performed in accordance with the pricing identified in Appendix E and the Service Level Agreement requirements ("SLA") set forth in Appendix B, attached hereto.

[*] designates portions of this document that have been omitted pursuant to a request for confidential treatment filed separately with the Securities and Exchange Commission

Supplier shall perform the Services as directed by the SRM Work Order System or as otherwise directed by Client or its designated agent ("Client Agent"). The SRM Work Order System will generate an email that describes the work to be completed. Supplier will receive the SRM Work Order ticket via email and complete the work in accordance with the SLA set forth in Appendix B. In addition, Supplier may be contacted via email by the Client project manager ("Client Project Manager") or Client Agent to provide work instructions for requests outside of (1) to (10) Drop cable installations and patching. The Client Project Manager or Client Agent will instruct the Technicians as to which Services are authorized by Client and will set priorities for the timing of the requested Services. The Technicians shall perform only those Services authorized by the designated Client Project Manager or the SRM Work Order System. Supplier shall monitor fulfilling the Service Request (defined below) documentation requirements and provide documentation of all work performed on a per SRM Work Order System ticket basis including but not limited to, red-line AutoCAD drawings, test results, the Siemon warranty ("Siemon Warranty"), patching cable record and the SRM Work Order System tracking spreadsheet (collectively, the "Documentation") as the Services are completed, in accordance with this Work Order. The Documentation shall be submitted to Client Project Manager. Supplier shall provide to Client Project Manager all Documentation within the associated SLA timeframe as described in Appendix B.

When required by Client, Supplier shall activate at least one (1) data connection per installed work area outlet as a standard part of the installation process, unless otherwise directed by Client. In order to avoid delays, any additional activations that are requested in the original SRM Work Order System ticket or project description shall also be completed as an integral part of the installation. Supplier shall document all activations in a patching database, as directed by Client Project Manager, and provide to Client Project Manager.

Unless instructed otherwise by Client, all materials required for Supplier to perform the requested Services (the "Materials")

will be purchased by Supplier through Anixter International, Inc. ("Anixter"), provided said Materials are available under JJSI's existing agreement with Anixter. If Anixter is unable to provide any required Materials, or otherwise unable to provide said required Materials in a timely manner, Supplier and JJSI will enter into good faith negotiations to mutually agree upon an alternative supplier for said Materials. Supplier hereby agrees to remain in good credit standing with Anixter during the term of this Work Order. Furthermore, Supplier agrees that its markup on any material purchases in connection with the Services provided hereunder shall not exceed **[*]** before tax.

Client may provide to the Technicians, if available, an office and/or desk and phone at some Participating Sites. Supplier must manage purchased Materials at Supplier locations and/or mobile fleets. Client may provide a storage area, if available, for Materials at its various Participating Site facilities provided that Supplier shall be responsible for managing Materials for all Participating Sites.

Supplier will not be reimbursed for travel costs to any Participating Site unless stated otherwise herein.

B. Technician Qualifications / Job Responsibilities

The qualifications and job responsibilities of the Technicians are described in Appendices B, C and D, attached hereto.

C. Documentation Requirements and Associated Services Level Agreements (each, an "SLA")

- i. Supplier shall provide all patching record information no later than five (5) business days following completion of the final, Siemon-certified standard testing in connection with new Drop installations and IMACs. Such patching database information is contained in a Microsoft Excel spreadsheet or Microsoft Access. Supplier shall store all patching record information associated with an SRM Work Order ticket at Supplier's location in Louisville, KY, and ensure that a daily backup copy is stored on a JJSI designated computer server located in Raritan, NJ.

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- ii. Supplier must complete all AutoCAD diagrams, rack layouts and other associated drawing and technical specifications for all Project related work in a given month by the end of the succeeding month (JJSI will provide to Supplier an electronic CAD drawing for each facility for which Supplier shall provide the Services).
- iii. Supplier must complete the Documentation for all Drop installations and IMACs in a given month by the end of the month (JJSI will provide to Supplier an electronic excel spreadsheet for each facility for which Supplier shall provide the Services). Supplier shall send the Documentation to the Client Project Manager on a monthly basis as described in Appendix D.

All invoices must indicate the SRM Work Order System ticket numbers that were completed during the invoice period.

- iv. Supplier must verify the completeness of the work by completing the IMAC Services Checklist described in Appendix C.

D. Measurements

Technicians must arrive at the applicable work area located within the Participating Site facility on or before the defined response times set forth in Appendix B. The SLA is **[*]** on time for the tasks identified in Appendix B. JJSI will determine whether Supplier has achieved the specified SLAs based on the timeliness, accuracy and completeness of the completed work orders in the SRM Work Order System. Supplier's SLA will begin upon Supplier verified completeness and acceptance of an SRM Work Order System ticket. In cases where the Client or Client Agent limits Supplier's ability to perform the requested Services in a timely manner, the applicable Client or Client Agent will be notified of such within four (4) business hours of generation of the corresponding SRM Work Order System ticket. Upon such notification, the SLA for the corresponding SRM Work Order System ticket shall be considered satisfied.

E. Liquidated Damages

Supplier shall perform all Services under this Work Order in strict accordance with the schedules and SLAs relating thereto, or as otherwise established by JJSI. TIME IS OF THE ESSENCE WITH RESPECT TO SUPPLIER'S PERFORMANCE UNDER THIS WORK ORDER. Supplier recognizes that its failure to meet the SLAs stated herein will have an adverse impact on the business and operations of the Participating Sites. Accordingly, if Supplier fails to meet any SLAs for any Services for reasons other than the actions of Client or Client Agent, then, in addition to any other rights or remedies which Client may have, under the Agreement or otherwise, as a result of such failure, Supplier shall pay to Client, as liquidated damages and not as a penalty, the fees stated below for the failures identified.

- i) Failure to meet the **[*]** percent **[*]** SLA associated with drawings and technical data, provided that Supplier will not be held responsible for any pre-existing errors not caused by Supplier: **[*]**, per incident.
- ii) Failure to meet the **[*]** percent **[*]** SLA associated with all other Services:
[*] percent **[*]** of the labor fee charged to Client for the applicable Service, per incident.

Following the initiation process for the applicable Participating Site as set forth in the Client Site Rollout Schedule in Appendix F, should Supplier fail to meet its monthly SLAs with **[*]** percent **[*]** or greater accuracy during any period of **[*]**

consecutive months, or fails to meet its SLAs with a minimum of [*/] percent [*/] accuracy in any [*/], Client may terminate this Work Order and JJSI may terminate the Agreement without any liability to Client.

F. Supplier Responsibilities

Supplier's additional responsibilities are set forth below:

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- Hands-on completion of all delegated and assigned SRM Service Requests (as defined in Appendix B hereto and subject to the pricing set forth in Appendix E) System tickets, ad-hoc Service and Small Project requests within the communicated timelines.
- Attend safety orientation, standard operating procedure training, computer system validation ("CSV") training, JJSI's Remedy SRM (project tracking software) training and any other training requested by Client that relates directly to the Services provided by Supplier.
- Display professional appearance.
- Maintain an open line of communication with the Client Project Manager to ensure customer satisfaction. These communications may relate to such matters as job status, recommendations for improvements, and general concerns/issues.
- Manage paperwork efficiently and effectively. Maximize the benefits of computer technology to generate reports and forms.
- Keep up to date on technical skills, current practices, and pursue certifications as pertinent to the delivery of the Services.

G. Project Managers:

Supplier Account Manager: |
[*/], Tel.: [*/], Email: [*/]

Supplier Project Manager
[*/], Tel.: [*/], Email: [*/]

Client Project Manager:
[*/], Tel.: [*/], Email: [*/]

H. Reporting of Service Delivery Provider

Supplier shall provide to JJSI every three (3) months from the Work Order Effective Date, a Microsoft Excel report identifying each Participating Site and whether Supplier or Supplier's subcontractor is primarily delivering the Services. For purposes of this Work Order, consultants or temporary help hired by Supplier shall be considered Supplier personnel rather than Supplier subcontractors.

I. Termination Assistance Services

- (1) If this Work Order (or portion thereof) terminates (or expires) for any reason (including termination by Supplier due to breach by Client) Supplier shall, during the Termination Assistance Period (as defined below) after the effective date of termination (or expiration): (a) continue to perform the terminated (or expired) Services (or portion thereof); (b) cooperate with Client or another supplier designated by Client in the transfer of the Services to Client or such other supplier in order to facilitate the transfer of the Services to Client or such other supplier; and (c) perform any other services requested by Client to transition the provision of the terminated (or expired) Services to Client or another supplier (the services in clauses (a) through (c), the "Termination Assistance Services"). The Termination Assistance Services shall be considered "Services" and shall be in accordance with this Work Order and the Agreement.
- (2) The rates for the Services described in clause (c) of the immediately preceding paragraph shall be at the applicable labor rate set forth herein. There shall be no additional fees for providing the cooperation described in clause (b) of the immediately preceding paragraph; provided, however, that the Termination Assistance Services are provided utilizing, as practicable, the same personnel and

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resources used to provide the Services. Any additional personnel or resources used to provide such cooperation shall be provided pursuant to a Change Order.

- (3) Client may at any time notify Supplier of the Termination Assistance Services to be provided and the time period during which such Services shall be provided, such period not to exceed 6 months after the termination (or expiration) of this Work Order (the "Termination Assistance Period"). Client may modify a Termination Assistance Period one time upon 60 days' notice; provided,

however, that the total duration of the Termination Assistance Period shall not exceed 6 months.

- (4) During a Termination Assistance Period, the Services shall be of the same quality, level of performance and scope as provided prior to termination, but not less than as required under this Work Order (including, for clarity, the SLAs), except to the extent the ownership or control of any assets or resources required therefore have been transferred to JJSI or its designee.

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J. Cooperation with Third Parties

Supplier shall cooperate in good faith with any Client designated third party ("Third Party") engaged to perform Services for client, to the extent reasonably required by Client, including by providing: (1) applicable requirements, standards and policies for the Services to enable said Third Party to provide services to Client; and (2) assistance and support services to such Third Party.

2. PAYMENT

Supplier shall invoice JJSI in the amount of [*/] for the Services set forth in Appendix F herein ("Appendix F Services") and such invoices shall be payable in accordance with the Agreement. Supplier's invoices for the Appendix F Services shall be issued to JJSI as set forth below:

[*/] upon execution of this Work Order

[*/] upon 50% completion of the Client Site Rollout Schedule set forth in Appendix E

[*/] upon 100% completion and JJSI acceptance of the Client Site Rollout Schedule set forth in Appendix E

Supplier shall invoice Client monthly in arrears for all other Services hereunder, including any reimbursable expenses, in accordance with the Agreement and the pricing schedule set forth in Appendix E. Notwithstanding the foregoing, [*/] set forth in Appendix E.

Client shall pay all undisputed invoices within [*/] days after Client's receipt of such invoices. Supplier shall not send any invoices, and no claim from Supplier for payment, including any amount for fees or expenses, will be allowed for any work done by Supplier, prior to both parties executing this Work Order and Client issuing a purchase order(s) to Supplier.

3. Notices must be sent to the following addresses:

If to Supplier:

Beacon Enterprise Solutions Group, Inc. Attn: Paige Reh 1961 Bishop Lane Louisville, KY 40218

If to JJSI:

Information Technology Services a Division of Johnson & Johnson Services, Inc. Attn: Category Manager, IT Strategic Sourcing 1003 US Route 202 Raritan, NJ 08869

4. All of the terms and conditions of the Agreement, to the extent not expressly modified herein, are hereby incorporated into the terms and conditions of this Work Order by this reference as if set out in full herein.

IN WITNESS WHEREOF, the parties hereto have caused this Work Order to be duly executed as of the Work Order Effective Date.

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**INFORMATION TECHNOLOGY SERVICES
A DIVISION OF JOHNSON & JOHNSON SERVICES, INC.**

By: /s/ [*/]
Name: [*/]
Title: Authorized Representative
Date: 12/18/08

BEACON ENTERPRISE SOLUTIONS GROUP, INC.

By: /s/ Richard Mills
Name: Richard Mills
Title: Authorized Representative

[illegible][illegible]

ITS	Route 202	Raritan	NJ				
ITS	1003 Route 202	Raritan	NJ				
ITS	1003 Route 202	Raritan	NJ				
						Total Cost	0

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APPENDIX E **Drop Pricing and Labor Rates**

This Appendix E contains Drop pricing for the Service descriptions set forth below and hourly labor rates for other requested Services.

Notes:

- a) All references to “Customer” below shall mean Client Project Manager. All references to “J&J” below shall mean “JJSI”.
- b) Pathway supports shall be limited to J-hooks.
- c) The material pricing may vary based on Anixter’s pricing agreement with JJSI.

Group 1 – Structured Cabling Installation

[*]

Definitions

Regular Hours – Normal business days, Monday thru Friday, 7:00AM to 5:00PM

Overtime Hours – After normal business hours, Monday thru Friday, 5:00PM to 7:00AM and weekends

TRADE	HOURLY RATE REGULAR	HOURLY RATE OVERTIME	HOURLY RATE WEEKENDS AND HOLIDAYS
Project Manager	\$/[*]	\$/[*]	\$/[*]
Lead/Senior Technician	\$/[*]	\$/[*]	\$/[*]
Technician	\$/[*]	\$/[*]	\$/[*]
Apprentices	\$/[*]	\$/[*]	\$/[*]
CAD Operator	\$/[*]	\$/[*]	\$/[*]

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Group 2 – Structured Cabling Installation

[*]

Definitions

Regular Hours – Normal business days, Monday thru Friday, 7:00AM to 5:00PM

Overtime Hours – After normal business hours, Monday thru Friday, 5:00PM to 7:00AM and weekends

TRADE	HOURLY RATE REGULAR	HOURLY RATE OVERTIME	HOURLY RATE WEEKENDS AND HOLIDAYS
Project Manager	\$/[*]	\$/[*]	\$/[*]
Lead/Senior Technician	\$/[*]	\$/[*]	\$/[*]
Technician	\$/[*]	\$/[*]	\$/[*]
Apprentices	\$/[*]	\$/[*]	\$/[*]
CAD Operator	\$/[*]	\$/[*]	\$/[*]

Unless expressly stated otherwise, prices quoted in this proposal are all inclusive; that is, all functions and services proposed shall be delivered for the prices and costs proposed.

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Group 3 – Structured Cabling Installation

[*]

Definitions

Regular Hours – Normal business days, Monday thru Friday, 7:00AM to 5:00PM

Overtime Hours – After normal business hours, Monday thru Friday, 5:00PM to 7:00AM and weekends

TRADE	HOURLY RATE REGULAR	HOURLY RATE OVERTIME	HOURLY RATE WEEKENDS AND HOLIDAYS
Project Manager	\$/[*]	\$/[*]	\$/[*]
Lead/Senior Technician	\$/[*]	\$/[*]	\$/[*]
Technician	\$/[*]	\$/[*]	\$/[*]
Apprentices	\$/[*]	\$/[*]	\$/[*]
CAD Operator	\$/[*]	\$/[*]	\$/[*]

Unless expressly stated otherwise, prices quoted in this proposal are all inclusive; that is, all functions and services proposed shall be delivered for the prices and costs proposed.

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Group 4 (Canada) – Structured Cabling Installation

[*]

Definitions

Regular Hours – Normal business days, Monday thru Friday, 7:00AM to 5:00PM

Overtime Hours – After normal business hours, Monday thru Friday, 5:00PM to 7:00AM and weekends

TRADE	HOURLY RATE REGULAR	HOURLY RATE OVERTIME	HOURLY RATE WEEKENDS AND HOLIDAYS
Project Manager	\$/[*]	\$/[*]	\$/[*]
Lead/Senior Technician	\$/[*]	\$/[*]	\$/[*]
Technician	\$/[*]	\$/[*]	\$/[*]
Apprentices	\$/[*]	\$/[*]	\$/[*]
CAD Operator	\$/[*]	\$/[*]	\$/[*]

Unless expressly stated otherwise, prices quoted in this proposal are all inclusive; that is, all functions and services proposed shall be delivered for the prices and costs proposed.

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Non-Billable Items Included in Drop Pricing Set Forth Above

Red-line drawing for all new cabling work in the format provided by Client Project Manager	Included in the Per Drop Price
Invoicing for work completed	Included in the Per Drop Price
Completing the IMAC SRM Work Order Tracking form	Included in the Per Drop Price
Material management (storage, inventory, ordering)	Included in the Per Drop Price
Small Project on-site scoping for developing a Work Order and bills of material	Included in the Per Drop Price
[/*]	Included in the Per Drop Price
Testing newly installed cable plant	Included in the Per Drop Price
Completing Siemon warrant for new installations	Included in the Per Drop Price
Troubleshooting related to work performed by Supplier and Supplier partners	Included in the Per Drop Price
Clean up after work completed by Supplier and Supplier partners	Included in the Per Drop Price

Completion of IMAC Services Checklist (see Appendix C) every month for each site where work was completed by Supplier and Supplier partners	Included in the Per Drop Price
General related site observations will be reported as part of this Work Order	Included in the Per Drop Price
Cable records for newly installed cable plant provided to ClientProject Manager	Included in the Per Drop Price

Additional Pricing:

Site initiation - one-time fee for Supplier to complete the rollout of Service delivery to the sites set forth in Appendix F herein	[/*]
Additional site initiations if site visit requested by Client and [*/] faceplates	[/*]
Site initiations without site visits and initiations of sites [*/] faceplates with site visits	[/*]
JJSI Compliance Wire, and field technician site training, drug screening, and background check, if required by Client	[/*] per person, if applicable, up to a limit of [*/] annually under this Work Order
Cable records, labeling and existing AutoCAD floor plan synchronization with all non-documented existing cabling with facilities drawings	[/*] per cable

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Hourly Rates by Unit Pricing Group (see Appendix A)	Unit Pricing Group 1 & 3	Unit Pricing Group 2 & 4	Professional Designation
[/*]			

* Based on scope

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APPENDIX F
Project Initiation Plan and Participating Site Rollout Schedule

[/*]

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PROMISSORY NOTE

U.S. \$200,000.00

January 7, 2009

FOR VALUE RECEIVED, the undersigned Beacon Enterprise Solutions Group, Inc. ("Borrower") hereby promises to pay to John Rhodes ("Holder"), the principal sum of TWO HUNDRED THOUSAND DOLLARS (\$200,000.00), which shall be payable on or before December 31, 2009 ("Due Date") along with interest at the rate of 12% pre annum.

In the event of default, the Holder may declare the full amount due and payable immediately and any unpaid balance of this Note shall bear interest at the rate of 15% pre annum from the date of default until paid in full.

The undersigned:

- (a) Agrees to remain and continue bound for the payment of the principal of and interest on this Note notwithstanding any extension or extensions of the time of payment of said principal or any changes in the amount or amounts to be paid under and by virtue of the obligation to pay provided for in this Note, or any change or changes by way of release or surrender of any collateral, real or personal, held as security for the payment of this Note, and waives all and every kind of notice of such extension or extensions, change or changes.
- (b) Waives presentment, notice of dishonor, protest, notice of protest and diligence in collection, and all exemptions, whether homestead or otherwise, to which it may or thereafter be entitled under the laws of Kentucky or any other state; and
- (c) Agrees, in the event of default, to pay all costs of collecting, securing or attempting to collect or secure this Note, including reasonable attorney's fees, whether same be collected or secured by suit or otherwise.

This Note shall be governed by the laws of the Commonwealth of Kentucky, excluding its conflicts of laws and the Borrower consents to venue in the Jefferson County Circuit Court in Louisville, Kentucky.

Borrower:

Beacon Enterprise Solutions Group, Inc.

By: /s/ Bruce Widener

Bruce Widener

Name

CEO

Title

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION

I, Bruce Widener, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Beacon Enterprise Solutions Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Bruce Widener

Date: February 23, 2009

Bruce Widener
Principal Executive Officer

PRINCIPAL FINANCIAL OFFICER CERTIFICATION

I, Robert R. Mohr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Beacon Enterprise Solutions Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2009

/s/ Robert R. Mohr

Robert R. Mohr
Principal Financial Officer

Beacon Enterprise Solutions Group, Inc.

CERTIFICATION OF PERIODIC REPORT

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
18 U.S.C. Section 1350

The undersigned executive officer of Beacon Enterprise Solutions Group, Inc. (the "Company") certifies pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- the quarterly report on Form 10-Q of the Company for the quarter ended December 31, 2008, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2009

/s/ Bruce Widener

Bruce Widener
Principal Executive Officer

Beacon Enterprise Solutions Group, Inc.

CERTIFICATION OF PERIODIC REPORT

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
18 U.S.C. Section 1350

The undersigned executive officer of Beacon Enterprise Solutions Group, Inc. (the "Company") certifies pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- the quarterly report on Form 10-Q of the Company for the quarter ended December 31, 2008, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2009

/s/ Robert R. Mohr

Robert R. Mohr
Principal Financial Officer
