

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 June 30, 2009

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

81-0438093

(State or other jurisdiction of
incorporation or organization)

(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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)

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 August 12, 2009, Beacon Enterprise Solutions Group, Inc. had a total of 19,924,323 shares of common stock issued and outstanding.

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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2009	September 30, 2008
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 548,205	\$ 127,373
Accounts receivable, net	2,458,075	1,505,162
Inventory, net	522,109	597,794
Prepaid expenses and other current assets	598,583	44,745
	4,126,972	2,275,074
Property and equipment, net	320,189	310,703
Goodwill	2,791,648	2,791,648
Other intangible assets, net	3,456,972	3,802,717
Inventory, less current portion	160,610	160,610
Security deposits	6,050	15,639
Other Non-Current assets	5,197	
	\$ 10,867,638	\$ 9,356,391
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short term credit obligations	\$ 50,000	\$ 200,000
Convertible Note Payable (net of \$8,625 discount)	491,375	
Current portion of long-term debt	491,829	495,595
Current portion of capital lease obligations	-	11,928
Bridge notes (net of \$57,051 discount)	642,949	-
Accounts payable	1,598,422	1,225,509
Accrued expenses	1,477,441	1,105,078
Accrued dividends	56,592	220,354
Customer deposits	39,737	95,767
Deferred tax liability	45,472	45,472
	4,893,817	3,399,703
Long-term debt, less current portion	922,449	1,316,477
Bridge notes (net \$128,840 discount)	-	571,160
	5,816,266	5,287,340
Stockholders' equity		
Preferred Stock: \$0.01 par value, 5,000,000 shares authorized, 5,706 and 5,200 shares outstanding, respectively, in the following classes:		
Series A convertible preferred stock, \$1,000 stated value, 4,500 shares authorized, 4,145 and 4,000 shares issued and outstanding, respectively, (liquidation preference \$5,221,646 and \$5,243,630, respectively)	4,145,613	4,000,000
Series A-1 convertible preferred stock, \$1,000 stated value, 1,000 shares authorized, 885 and 800 shares issued and outstanding, respectively, (liquidation preference \$1,111,248 and \$1,031,813, respectively)	885,465	800,000
Series B convertible preferred stock, \$1,000 stated value, 4,000 shares authorized, 700 and 400 shares issued and outstanding, respectively, (liquidation preference \$902,068 and \$500,000, respectively)	700,000	400,000
Common stock, \$0.001 par value 70,000,000 shares authorized, 19,196,907 and 12,093,021 shares issued and issued and outstanding, respectively	19,196	12,093
Additional paid in capital	13,120,564	8,027,602
Accumulated deficit	(13,819,466)	(9,170,644)
	5,051,372	4,069,051
Total liabilities and stockholders' equity	\$ 10,867,638	\$ 9,356,391

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

Beacon Enterprise Solutions Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	<u>For the three months ended June 30, 2009</u>	<u>For the three months ended June 30, 2008</u>	<u>For the nine months ended June 30, 2009</u>	<u>For the nine months ended June 30, 2008</u>
Net sales	\$ 3,038,999	\$ 2,364,605	\$ 7,118,084	\$ 4,073,435
Cost of goods sold	1,280,622	1,444,807	2,892,075	2,318,564
Cost of services	836,981	–	1,934,372	–
	<u>2,117,603</u>	<u>1,444,807</u>	<u>4,826,447</u>	<u>2,318,564</u>
Gross profit	921,396	919,798	2,291,637	1,754,871
Operating expense				
Salaries and benefits	1,185,951	1,116,705	3,108,538	2,623,239
Selling, general and administrative	894,530	531,562	2,117,260	1,589,322
Depreciation Expense	37,693	23,571	109,132	44,749
Amortization of intangible assets	115,248	160,101	345,745	341,256
	<u>2,233,422</u>	<u>1,831,939</u>	<u>5,680,675</u>	<u>4,598,566</u>
Loss from operations	(1,312,026)	(912,141)	(3,389,038)	(2,843,695)
Other expenses				
Interest expense	(221,849)	(120,068)	(661,818)	(321,921)
Interest income	227	3,222	589	5,911
	<u>(221,622)</u>	<u>(116,846)</u>	<u>(661,229)</u>	<u>(316,010)</u>
Net loss	(1,533,648)	(1,028,987)	(4,050,267)	(3,159,705)
Preferred Stock:				
Contractual dividends	(160,264)	(93,019)	(411,416)	(100,354)
Deemed dividends related to beneficial conversion feature	–	(60,212)	(187,139)	(3,955,809)
Net loss available to common stockholders	<u>\$ (1,693,912)</u>	<u>\$ (1,182,218)</u>	<u>\$ (4,648,822)</u>	<u>\$ (7,215,868)</u>
Net loss per share to common stockholders - basic and diluted	<u>\$ (0.11)</u>	<u>\$ (0.11)</u>	<u>\$ (0.32)</u>	<u>\$ (0.81)</u>
Weighted average shares outstanding basic and diluted	<u>16,066,243</u>	<u>10,468,021</u>	<u>14,581,935</u>	<u>8,926,307</u>

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		Additional Paid-In Capital	Accumulated Deficit	Total
	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	\$ 8,027,602	\$ (9,170,644)	\$ 4,069,051
Vested portion of share based payments to employee for services									318,028		318,028
Conversion of debt to Preferred shares					300	300,000					300,000
Conversion of Preferred shares to common	(344)	(343,800)					458,397	458	343,342		—
Common Stock issued in private placement							5,960,350	5,960	4,763,778		4,769,738
Private placement offering costs									(996,783)		(996,783)
Shares committed to Anti-dilution adjustment							285,139	285	(285)		0
Common Stock issued for investor relations agreements							250,000	250	123,550		123,800
Common Stock issued for investor relations agreements subject to conditions							150,000	150	(150)		—
Vested portion of share based payments to non-employee for services									13,700		13,700
Beneficial conversion feature - deemed preferred stock dividend									175,274	(175,274)	—
Discount on Convertible Notes Payable									74,334		74,334
Vested contingent bridge warrants									56,840		56,840
Warrants issued for equity financing agreement									209,469		209,469
Series A Preferred Stock contractual dividends										(326,214)	(326,214)
Series A Preferred Stock contractual dividends paid in kind	489	489,413									489,413
Series A-1 Preferred Stock contractual dividends										(63,549)	(63,549)
Series A-1 Preferred Stock contractual dividends paid in kind			85	85,465							85,465
Series B Preferred Stock contractual dividends										(21,653)	(21,653)
Beneficial conversion feature - deemed Investor Warrant dividend									11,865	(11,865)	—
Net loss										(4,050,267)	(4,050,267)
Balance at June 30, 2009 (unaudited)	4,145	\$ 4,145,613	885	\$ 885,465	700	\$ 700,000	19,196,907	\$ 19,196	\$ 13,120,564	\$ (13,819,466)	\$ 5,051,372

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

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

	For the nine Months Ended June 30, 2009	For the nine Months Ended June 30, 2008
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net loss	\$ (4,050,267)	\$ (3,159,750)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in reserve for obsolete inventory	98,536	20,000
Change in reserve for doubtful accounts	79,729	50,000
Depreciation and Amortization	454,815	386,005
Non-cash interest	428,508	170,904
Share based payments	455,528	447,255
Changes in operating assets and liabilities:		
Accounts receivable	(1,032,642)	(759,259)
Inventory	(22,851)	(98,004)
Prepaid expenses and other current assets	(503,838)	22,238
Accounts payable	372,913	570,351
Customer deposits	(56,030)	(193,408)
Other assets	4,392	110,015
Accrued expenses	372,362	589,136
NET CASH USED IN OPERATING ACTIVITIES	(3,398,845)	(1,844,517)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Capital expenditures	(118,556)	(69,244)
Acquisition of businesses, net of acquired cash		(2,186,611)
NET CASH USED IN INVESTING ACTIVITIES	(118,556)	(2,255,855)
<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	343,000	3,876,460
Proceeds from sale of common stock, net of offering costs	3,772,955	
Proceeds from issuance of convertible notes	500,000	
Payment of referral finance costs	(75,000)	
Payments under lines of credit		(250,000)
Net proceeds under lines of credit	150,000	200,000
Proceeds from note payable		600,000
Payments of notes payable	(740,794)	(675,205)
Payments of capital lease obligations	(11,928)	(8,312)
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,938,233	4,164,943
NET INCREASE IN CASH AND CASH EQUIVALENTS	420,832	64,571
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</u>	127,373	62,211
<u>CASH AND CASH EQUIVALENTS - END OF PERIOD</u>	\$ 548,205	\$ 126,782
<u>Supplemental disclosures</u>		
Cash paid for:		
Interest	\$ 141,953	\$ 85,368
Income taxes	-	\$ -
Acquisition of businesses		
Accounts receivable		\$ 689,001
Inventory		639,410
Prepaid expenses and other current assets		55,283
Property and equipment		226,743
Goodwill		2,750,696
Customer relationships		3,704,074
Non-compete agreements		500,000
Tradenames		100,000
Security deposits		27,591
Line of credit		(250,000)

Accounts payable and accrued expenses	(832,132)
Customer deposits	(292,692)
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: accrued acquisition costs	(36,924)
	<hr/>
Cash used in acquisition of businesses (net of \$148,283 of cash acquired)	\$ 2,186,611
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Accrued Offering Costs	\$ 481,407
	<hr/>
Bridge note warrants	\$ 72,000
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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 June 30, 2009 and 2008, and for the three and nine month periods 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 June 30, 2009, condensed consolidated statements of operations for the three and nine months ended June 30, 2009 and 2008, and the condensed consolidated statements of stockholders’ equity and cash flows for the nine months ended June 30, 2009 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 periods presented. The results for the three and nine months ended June 30, 2009 are not necessarily indicative of results to be expected for the year ending September 30, 2009 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 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 revenue on a gross or net basis. In a substantial majority of these transactions, the Company acts as principal because the Company: (i) 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 revenue 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 \$909,000 and \$1,042,000 of professional services revenue during the three months ended June 30, 2009 and 2008, respectively. We generated approximately \$2,644,000 and \$2,075,000 of professional services revenue during the nine months ended June 30, 2009 and 2008, respectively.

Time and Materials Contracts - 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 or based on the terms and conditions of the contract. 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 revenue of approximately \$2,101,000 and \$1,314,000 from short-term time and materials contracts for the three months ended June 30, 2009 and 2008, respectively. We generated revenue of approximately \$4,378,000 and \$1,964,000 from short-term time and materials contracts for the nine months ended June 30, 2009 and 2008, 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 revenue 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 revenue 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 \$29,000 and \$9,000 of net maintenance revenue during both the three months ended June 30, 2009 and 2008, respectively. We recognized approximately \$95,000 and \$35,000 of net maintenance revenue during both the nine months ended June 30, 2009 and 2008, respectively.

For the nine months ended June 30, 2009 and 2008, revenue of approximately \$0 and \$166,000 was recorded related to certain contracts for which the customer requested the Company bill and hold materials to secure the price of the materials from further price increases related to inflation in commodities underlying the materials.

Sales Tax - 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 revenue 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 June 30, 2009, our reserve for bad debt was approximately \$130,000 and our reserve for obsolete inventory was approximately \$97,000. As of June 30, 2009, management believes the reserve balances are sufficient. These reserves are included in accounts receivable, net and Inventory, net in the accompanying June 30, 2009 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.

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.

Management considered the Company's loss for the three months ended June 30, 2009 as part of an evaluation of the carrying amounts of the Company's intangible assets as of June 30, 2009 and has determined that no impairment charges are 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)"). SFAS 123(R) requires measurement of compensation cost for all share based payment awards based on their fair values 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 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 and nine months ended June 30, 2009 and 2008 excludes potentially dilutive securities because their inclusion would be anti-dilutive.

Shares of common stock issuable upon conversion or exercise of potentially dilutive securities at June 30, 2009 are as follows:

	Stock Options and Warrants	Common Stock Equivalents	Total Common Stock Equivalents
Series A Convertible Preferred Stock	2,666,666	5,527,484	8,194,150
Series A-1 Convertible Preferred Stock	533,333	1,180,620	1,713,953
Series B Convertible Preferred Stock	350,000	875,000	1,155,274
Common Stock Offering Warrants	3,790,577		3,790,577
Placement Agent	2,385,176		2,385,176
Affiliate Warrants	600,000		600,000
Bridge Financings	1,211,000	1,166,666	2,377,666
Convertible Notes Payable	50,000	666,666	716,667
Compensatory	300,000		300,000
Equity Financing Arrangements	666,663		666,663
Employee Stock Options	2,980,900		2,980,900
	<u>15,534,315</u>	<u>9,416,436</u>	<u>24,881,025</u>

Subsequent to June 30, 2009, we issued warrants to purchase an aggregate of 163,708 shares of our common stock referred to as Common Stock Offering Warrants, warrants to purchase an aggregate of 35,050 shares of our common stock referred to as Placement Agent Warrants, warrants to purchase 66,666 shares of our common stock as compensation for an Equity Financing Arrangement and issued options to purchase 350,000 shares of common stock. Additionally 25,000 warrants were issued in conjunction with the August 2009 Bridge Note.

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 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

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. 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. The adoption of this pronouncement did not have a material impact on the condensed consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles.” SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. SFAS No. 162 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.” The effective date for SFAS No. 162 is November 15, 2008. The adoption of SFAS No. 162 did not have a material impact on our financial position or results of operations.

In May 2009, the FASB issued FASB Statement No. 165, *Subsequent Events*, which establishes general standards of and accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This FASB was effective for interim and annual periods ending after June 15, 2009. The Company has complied with the requirements of FASB 165.

Recent Accounting Pronouncements Requiring Adoption in Future Periods

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

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets” (FSP 132(R)-1). FSP 132(R)-1 provides guidance on a plan sponsor’s disclosures about plan assets of defined benefit pension and postretirement plans. Required disclosures include information about categories of plan assets, fair value measurements of plan assets, and significant concentrations of risk, as well as investment policies and strategies. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009. Except for additional disclosures, we do not expect the adoption of FSP132(R)-1 to have an impact on our financial statements

In April 2009, the FASB issued FASB Staff Position No. FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments” (FSP 115-2 and 124-2). FSP 115-2 and 124-2 amends the guidance on other-than-temporary impairment for debt securities and modifies the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP is effective for interim and annual periods ending after June 15, 2009. We are evaluating the impact of FSP 115-2 and 124-2 on our financial statements.

In April 2009, the FASB issued FASB Staff Position No. FAS 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly” (FSP 157-4). FSP 157-4 provides additional guidance for estimating fair value under Statement of Financial Accounting Standard No. 157, “Fair Value Measurements”, when there is an inactive market

or the market is not orderly. This FSP is effective for interim and annual periods ending after June 15, 2009. We are evaluating the impact of FSP 157-4 on our financial statements.

In April 2009, the FASB issued FASB Staff Position No. FAS 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments” (FSP 107-1 and 28-1). This FSP requires disclosure about fair value of financial instruments in interim periods, as well as annual financial statements. FSP 107-1 and 28-1 is effective for interim periods ending after June 15, 2009. We are evaluating the impact of this FSP on our financial statements.

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 of FSP 157-2 on our 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 currently evaluating the impact of EITF 07-5 on our condensed consolidated financial statements.

In June 2009, the FASB issued FASB Statement No. 166, *Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140* to improve the reporting for the transfer of financial assets resulting from 1) practices that have developed since the issuance of FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, that are not consistent with the original intent and key requirements of that Statement and (2) concerns of financial statement users that many of the financial assets (and related obligations) that have been derecognized should continue to be reported in the financial statements of transferors. This Statement must be applied as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company will review the requirements of FASB No. 166 and comply with its requirements. The Company does not expect that the adoption of this Statement will have a material impact on the Company’s consolidated financial statements.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46(R)* to amend certain requirements of FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities* to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. The Statement is effective as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company will review the requirements of FASB No. 167 and comply with its requirements. The Company does not expect that the adoption of this Statement will have a material impact on the Company’s consolidated financial statements.

In June 2009, the FASB issued Statement No. 168, *The FASB Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162*. Under the Statement, The FASB Accounting Standards Codification (Codification) will become the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of this Statement, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. In the FASB’s view, the issuance of this Statement and the Codification will not change GAAP, except for those nonpublic nongovernmental entities that must now apply the American Institute of Certified Public Accountants Technical Inquiry Service Section 5100, “Revenue Recognition,” paragraphs 38–76. The Company does not expect that the adoption of this Statement will have a material impact on the Company’s 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 (\$4,050,000) and used approximately (\$3,400,000) of cash in our operating activities for the nine months ended June 30, 2009. At June 30, 2009, our accumulated deficit amounted to approximately (\$13,819,000). We had cash of \$548,205 and a working capital deficit of approximately \$767,000 at June 30, 2009.

We experienced certain conditions that compressed our gross profit margins during the three and nine month periods ended June 30, 2009 principally related to competition and price pressure due to external market conditions and our efforts to expand the business.

As widely reported, the financial markets have been experiencing significant disruption in recent months, including, among other things, volatility in securities prices, diminished liquidity and credit availability and declining valuations. 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 strategic acquisitions, and/or refinance our debt as it comes due.

Our financing transactions to date include:

On July 25, 2008, we engaged a registered broker-dealer (the “Placement Agent”) in a private placement (\$.80 per unit) (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”). During the nine months ended June 30, 2009 we sold 367,099 units for net proceeds of \$239,290 (gross proceeds of \$293,679 less offering costs of \$54,389).

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 that the Company repaid as of March 31, 2009. On March 27, 2009, Beacon and Midian, entered into a short term credit facility in the amount of \$53,000, the principal of which was due and payable to the holder within seven (7) days of issuance along with a 1% origination fee. The credit facility has been fully repaid.

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 with an option to raise an additional \$450,000 if the offering is oversubscribed. At May 27, 2009 we closed the private placement at \$3.4 million in gross proceeds.

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. On May 13, 2009, the director agreed to increase the equity financing arrangement to \$1.8 million available in exchange for a continuation of the ongoing grants of warrants to purchase 33,333 shares of common stock at \$1.00 per share each month which is all available on August 11, 2009. Subsequently on August 10, 2009 an agreement was made to increase to \$3.0 million.

On January 22, 2009, Beacon entered into \$500,000 of convertible notes payable with a group of private investors (the “Notes”) facilitated by a broker/dealer. On July 15, 2009 \$53,000 was repaid to a holder of the convertible notes payable upon their request.

On March 31, 2009, we executed an extension of our demand note with First Savings Bank, the terms of which are substantially the same as the original agreement, with payments due May 15 and June 15, 2009 in the amount of \$50,000 each plus accrued interest. On July 24, 2009 an addition extension was executed through August 31, 2009.

On June 5, 2009, Beacon engaged a registered broker-dealer in a private placement of Common Stock and Warrants to raise \$600,000 of equity financing with an option to raise an additional \$400,000 if the offering is oversubscribed. As of June 30, 2009 we sold 1,316,201 units for net proceeds of \$891,200 (gross proceeds of \$1,054,419 less offering costs of \$163,219).

On July 9, 2009 we opted to increase the offering to \$2.5 million. On July 17, 2009 we issued an additional 327,416 units under the offering for net proceeds of \$235,740 (gross proceeds of \$261,933 less offering costs of \$26,193).

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 through April 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., (iii) CETCON, Inc., and (iv) Strategic Communications, 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:

	<u>ADSnetcurve</u>	<u>Bell-Haun Systems</u>	<u>CETCON</u>	<u>Strategic Communications</u>	<u>Total Consideration</u>
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)	\$ 161,125	\$ (530,912)	\$ 36,217	\$ 46,132	\$ (287,438)

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.

NOTE 4 – CONDENSED CONSOLIDATED BALANCE SHEET

Accounts Receivable

Accounts receivable consisted of the following:

	As of June 30, 2009	As of September 30, 2008
	<u>(unaudited)</u>	
Accounts receivable	\$ 2,587,804	\$ 1,555,162
Less: Allowance for doubtful accounts	(129,729)	(50,000)
Accounts receivable, net	<u>\$ 2,458,075</u>	<u>\$ 1,505,162</u>

Inventory

Inventory consisted of the following:

	As of June 30, 2009	As of September 30, 2008
	<u>(unaudited)</u>	
Inventory (principally parts and system components)	\$ 816,313	\$ 793,462
Less: reserve for obsolete inventory	(133,594)	(35,058)
Less: current portion	(522,109)	(597,794)
Inventory, non-current	<u>\$ 160,610</u>	<u>\$ 160,610</u>

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 June 30, 2009 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 June 30, 2009:

	ADSnetcurve	Bell-Haun Systems	CETCON	Strategic Communications	Total Consideration
Goodwill	\$ 524,396	\$ 451,252	\$ 994,007	\$ 821,993	\$ 2,791,648
	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	(188,994)	(152,648)	(267,839)	(237,621)	(847,102)
Intangibles, net	773,033	721,112	860,048	1,102,779	3,456,972

Amortization expense for the three months ended June 30, 2009 and 2008 was approximately \$115,000 and \$160,000 respectively. Amortization expense for the nine months ended June 30, 2009 and 2008 was approximately \$346,000 and \$341,000, respectively.

Debt

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

	As of June, 30 2009	As of September 30, 2008
	(unaudited)	
Lines of Credit and Short-Term Notes	\$ 50,000	\$ 200,000
Integra Bank	467,199	548,541
Acquisition notes (payable to the sellers of the acquired businesses)		
ADSnetcurve	102,008	156,617
Bell-Haun	65,541	119,000
CETCON	444,125	515,627
Strategic Secured Note	335,405	399,617
Strategic Escrow Note	-	72,670
	1,414,278	1,812,072
Less: current portion	(491,829)	(495,595)
Non-current portion	\$ 922,449	\$ 1,316,477
Bridge notes - Current	\$ 642,949	\$ 571,160
Convertible Notes - Current	\$ 491,375	\$ -

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 was originally 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. On March 31, 2009, we executed an extension of this note due in two payments of \$50,000 each on May 15, 2009 and June 15, 2009. On July 24, 2009 the remaining \$50,000 balance of this note was extended until August 31, 2009.

Interest expense on short term debt and lines of credit amounted to approximately \$1,700 and \$0 of which we paid approximately \$2,000 and \$0 for the three months ended June 30, 2009 and 2008, respectively. Interest expense on short term debt and lines of credit amounted to approximately \$17,500 and \$0 of which we paid approximately \$6,000 and \$0 for the nine months ended June 30, 2009 and 2008, respectively.

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. These amounts were paid back in full. On March 27, 2009, Beacon and Midian, entered into a short term credit facility in the amount of \$53,000, the principal of which was due and payable to the holder within seven (7) days of issuance along with a 1% origination fee. This credit facility has been fully repaid.

Term Debt

During the nine months ended June 30, 2009 and 2008, Beacon paid approximately \$398,000 and \$495,000 in principal payments on our term debt. We recorded interest expense of approximately \$85,000 and \$7,600 for our term loans and paid approximately \$19,000 and \$0 for the nine months ended June 30, 2009 and 2008, respectively.

Bridge Notes

During the nine months ended June 30, 2009, the Bridge note holders agreed not to demand repayment of these Bridges Notes prior to June 30, 2010. The aggregate principal balance of these notes amounts to \$700,000 as of June 30, 2009. Accordingly, the Bridge Notes are presented as current liabilities in the accompanying balance sheet at June 30, 2009.

We recorded contractual interest expense of approximately \$5,700 and \$6,240 for the three months ended June 30, 2009 and 2008, respectively. We recorded contractual interest expense of approximately \$18,400 and 21,000 for the nine months ended June 30, 2009 and 2008, respectively. Further, we recorded aggregate accretion of the discount on these Bridge Notes which relates to warrants and the beneficial conversion feature of the notes of approximately \$23,930 and \$15,999 for the three months ended June 30, 2009 and 2008. We recorded aggregate accretion of the discount on these notes which relates to warrants and the beneficial conversion feature of the notes of approximately \$71,790 and \$24,533 for the nine months ended June 30, 2009 and 2008. The unamortized discount relating to the beneficial conversion feature amounts to \$57,051 as of June 30, 2009.

The Bridge Notes contained a provision to earn additional warrants to purchase Beacon common stock during the term the note holder refrained from demanding repayment until the maturity of the notes. As the note holders 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 June 30, 2009. For the three and nine months ended June 30, 2009 we recorded non-cash interest expense of \$56,840 for warrants earned in connection with the Bridge Notes as follows:

<u>Vesting Date</u>	<u>Quantity Vested</u>	<u>Expected Life (days)</u>	<u>Strike Price</u>	<u>Fair Value of Common Stock</u>	<u>Volatility Rate</u>	<u>Dividend Yield</u>	<u>Risk-Free Interest Rate</u>	<u>Value per Warrant</u>	<u>Charge to Interest Expense</u>
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

Convertible 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 proceeds were used to repay certain other short term credit obligations and for working capital purposes. 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 have been extended by Beacon to January 21, 2010 and as such 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. Each of note holders also received a five-year warrant to purchase one share of Beacon Common Stock (the "Note Warrants") at a purchase price of \$1.00 per share per \$10 of note principal (50,000 shares in the aggregate). 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. On July 15, 2009 \$53,000 of the outstanding Convertible Notes was repaid.

The fair value of the Note Warrants which amounted to approximately \$20,500, was calculated using the Black-Scholes option pricing model. Assumptions relating to the estimated fair value of the Note Warrants are as follows: fair value of common stock of \$.80 on the commitment date of January 22, 2009; risk-free interest rate of 1.61%; expected dividend yield of zero percent; expected life of 1,825 days through January 30, 2014; and current volatility of 66.34%. Accordingly, we recorded aggregate discounts of \$74,334 to the face value of the Notes which includes the relative fair value of the warrants in accordance with Accounting Principle Board Opinion No. 14 "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants," ("APB 14") and the effects of a beneficial conversion feature. The effective conversion price is \$.72 per share calculated in accordance with the guidelines of EITF 00-27. The discount is being accreted over the estimated life of the Notes of 6 months from the date of issuance on January 22, 2009. Accretion amounted to \$65,710 through June 30, 2009 and is included as a component of interest expense in the accompanying Statement of Operations.

We evaluated the conversion options embedded in the Notes to determine (in accordance with SFAS 133 and EITF 00-19) whether they should be bifurcated from their host instruments and accounted for as separate derivative financial instruments. We determined that the debt is conventional debt as that term is defined in EITF 05-2. Accordingly the conversion feature is being accounted for as an embedded conversion option in accordance with EITF 98-5 and EITF 00-27.

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 June 30, 2009 and 2008 was approximately \$22,500 and \$6,000 respectively, and \$88,000 and \$44,000 for the nine months ended June 30, 2009 and 2008, 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, 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 and nine months ended June 30, 2009 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

On January 9, 2009, we entered into an equity financing arrangement with one of our directors that provided a commitment up to \$2.2 million of additional funding. This arrangement superseded the existing equity financing arrangement between the same director and the Company that had been entered into on May 15, 2008 and amended August 19, 2008. Under the terms of this equity financing arrangement, under certain circumstances the Company may sell shares of its common stock to this director at the same price per share and other terms as the most recent sale of shares of its Common Stock to a third party in a transaction intended to raise capital. On May 13, 2009, the director agreed to increase the equity financing arrangement to \$1.8 million available in exchange for a continuation of the ongoing grants of warrants to purchase 33,333 shares of common stock at \$1.00 per share each month during the term of the agreement. The financing available under this agreement will be reduced on a dollar for dollar basis by the amount of the proceeds of the ongoing private placements of the Company's securities or any additional placements of equity financing.

This arrangement will terminate upon the earliest of: April 1, 2010; the date on which an aggregate of \$1.8 million of proceeds from the ongoing private placements of the Company's securities has been raised; acceleration of indebtedness of, or a judgment against, the Company in an amount greater than \$25,000; the bankruptcy or insolvency of the Company; or the mutual consent of the Company and the director.

In addition, in the event that the equity financing arrangement is drawn upon by the Company, then the director will have the right to purchase shares of common stock from two of the founding stockholders at a purchase price of \$0.001 per share.

We recognized \$64,969 and \$127,303 of interest expense for the three and nine months ended June 30, 2009 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
1/9/2009	100,000	1,825	\$1.00	\$0.80	66.34%	0 %	1.51%	\$0.41	\$41,000
2/9/2009	33,333	1,825	\$1.00	\$0.80	66.34%	0 %	1.99%	\$0.41	\$13,667
3/9/2009	33,333	1,825	\$1.00	\$0.54	66.34%	0 %	1.90%	\$0.23	\$7,667
4/9/2009	33,333	1,825	\$1.00	\$0.75	66.34%	0 %	1.90%	\$0.37	\$12,333
5/9/2009	33,333	1,825	\$1.00	\$1.19	66.34%	0 %	2.09%	\$0.72	\$23,970
6/9/2009	33,333	1,825	\$1.00	\$1.35	66.34%	0 %	2.73%	\$0.86	\$28,666

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 \$424,000 and \$0 for procurement and installation services provided under this marketing agreement for the three months ended June 30, 2009 and 2008, respectively. For the nine months ended June 30, 2009 and 2008, we earned approximately \$818,000 and \$0 under this agreement.

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 \$540,000 and up to \$300,000 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	\$	52,602
2010		49,068
		<hr/>
	\$	101,670
		<hr/>

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. Accordingly, we have not issued these warrants as of June 30, 2009 and are uncertain as to whether any services will be provided to us under this agreement or the timing of the issuance of any warrants at this time.

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 FINRA 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. Through June 30, 2009 we paid \$50,000 and issued 50,000 shares of restricted common stock, with aggregate fair value of \$43,800, under the terms of this agreement. The common stock issued under this agreement was recorded as professional fees expense using the measurement principles enumerated under EITF 96-18 "Accounting for Equity Instruments that are issued to Other than Employees for Acquiring or in Conjunction with Selling Goods or Services" ("EITF 96-18"). The contract has a 12 month term and can be terminated upon 30 days notice.

On June 5, 2009, our Board of Directors authorized us to issue an additional 150,000 shares of common stock to the same investor relations firm subject to the attainment of certain performance conditions, to be performed within a six month time period ending November 5, 2009. On June 30, 2009, 10,000 shares with an aggregate fair value of \$13,700 were deemed to have been earned as of the date of issuance. The common stock issued was recorded as professional fees expense using the measurement principles enumerated under EITF 96-18.

On March 13, 2009, we engaged an investor relations firm to further aid us in developing a marketing plan directed at informing the investing public as to our business and increasing our visibility to FINRA 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. Concurrent with executing the agreement, we paid \$10,000 and issued 200,000 shares of fully vested and non-forfeitable restricted common stock with a fair value of \$80,000 on date of grant recorded as professional fees expense using the measurement principles enumerated under EITF 96-18. The term of the agreement is 12 months, terminable upon 30 days notice after 6 months.

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 Series A and A-1 Preferred Stock are convertible into common stock at any time, at the option of the holder at a conversion price of \$.75 per share. The conversion price is subject to adjustment for stock splits, stock dividends, recapitalizations, dilutive issuances and other anti-dilution provisions, including circumstances in which we, at our discretion, issue equity securities or convertible instruments that feature prices lower than the conversion price specified in the Series A and A-1 preferred shares, subsequently adjusted to \$.80 per share. The Series B Preferred Stock is convertible into common stock at any time, at the option of the holder at a conversion price of \$.90 per share. The Series A, A-1 and B are also automatically convertible into shares of our common stock, at the then applicable conversion price upon the closing of a firm commitment underwritten public offering of shares of our common stock yielding aggregate proceeds of not less than \$20 million or under certain other circumstances when the trading volume and average trading prices of the stock attain certain specified levels. 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.

Cumulative contractual dividends with respect to all preferred shares amounted to \$521,117, \$88,999, and \$21,354 as of June 30, 2009 for the Series A, A-1, and B preferred, respectively. During the nine months ended June 30, 2009 dividends of \$489,413 and \$85,465 were paid in additional preferred shares for the Series A and A-1 respectively. The net result consists of accrued but unpaid dividends in the amounts of \$31,704, \$3,534 and \$21,354 for the Series A, A-1, and B preferred. Contractual dividends recorded as an increase to the net loss available to the common stockholders amounted to \$160,264 and \$411,416 for the three and nine months ended June 30, 2009, respectively.

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 Share also feature a right of redemption in the event of liquidation or 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 liquidation preference was amounted to \$5,221,646, \$1,111,248, and \$902,068 for the Series A, A-1, and B preferred shares, respectively, as of June 30, 2009.

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 our convertible preferred stock at each reporting date for appropriate balance sheet classification.

On May 8, 2009 the Series B Preferred Shareholder relinquished his right to full ratchet dilution in exchange for a reduction of the contractual conversion price from \$.90 to \$.80 per common share. This conversion price adjustment resulted in a beneficial conversion feature deemed dividend in the amount of \$87,500, which was recognized in the three and nine months ended June 30, 2009.

Additionally, the Company agreed to adjust the exercise price of the Series B warrants from \$1.20 to \$1.00 per share, for which the company recorded an additional deemed dividend in the amount of \$11,865 during the nine months ended June 30, 2009.

Preferred Stock Dividend

On October 7, 2008, January 9, 2009 and April 9, 2009, the Company elected to pay the contractual dividends due the Series A, A-1, and B preferred stock holders in additional shares of preferred stock. The Company follows the guidelines of EITF 00-27 when accounting for pay-in-kind dividends that are settled in convertible securities with conversion features. For the three and nine months ended June 30, 2009 the Company recorded deemed dividends of \$0 and \$87,774, respectively for the beneficial conversion features and dividends paid in kind. The deemed dividends represent the difference between the 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. For the three months ended June 30, 2009 no deemed dividends were recorded because the conversion price of \$0.75 per share was equal to or greater than the fair value of the common stock on the date of election. During the nine months ended June 30, 2009 the following shares were issued in settlement of the accrued dividends: 489 Series A and 85,465 Series A-1 shares.

Preferred Stock Conversion to Common Stock

On January 29, 2009, holders of our Preferred Stock elected to convert 343.8 shares of Series A and A-1 Preferred Stock into 458,397 shares of our common stock.

Offerings of Common Stock

On July 25, 2008, we engaged a registered broker-dealer (the "Placement Agent") in a private placement(\$.80 per unit) (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").

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 \$.80 per unit Common Stock (each, an "Common Offering Warrant"). For the nine months ended June 30, 2009 an anti-dilution provision of the stock offering of resulted in a requirement to issue an additional 148,929 and 285,139 shares of common stock at par value \$0.001 or \$285.14.

On June 10, 2009 Beacon issued a Private Placement Memorandum of up to \$600,000 of common units at a price of \$.80 per unit. Each Unit consists 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").

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. All of the warrants issued in the June 2008, November 2008 and June 2009 private placements feature standard anti dilution provisions for stock splits, stock dividends and similar types of recapitalization events. These warrants also feature weighted average price protection for subsequent issuances of equity securities at prices more favorable than the exercise price stipulated in these warrants. In addition, the Company has agreed to use its best efforts to file a registration statement for the resale of any all shares issued and shares underlying common stock purchase warrants issued in these private placements. These registration rights do not provide for the Company to incur any penalties for its failure to file, cause or maintain the effectiveness of such registration statements; however, the Company is subject to a penalty in the amount of 2% of the gross proceeds per month in the event it fails to maintain compliance with the Exchange Act reporting requirements. The Company believes it is probable that it will not incur any such penalties.

During the nine months ended June 30, 2009, we sold an aggregate of 5,960,350 Common Units, under all of these offerings, to accredited investors for net proceeds of \$3,772,955 (gross proceeds of \$4,769,738 less offering costs of \$996,783). Offering costs included fees paid to the placement agent of \$769,745, a fee for the successful completion of the placement of \$135,548 paid to a consultant and \$91,490 legal and related fees in addition to warrants to purchase 2,975,466 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.

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.

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 and six months ended March 31, 2009 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. The 2008 Incentive Plan was approved by the shareholders on April 16, 2009. 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, 950,000 are available for future grants as of June 30, 2009.

On October 7, 2008, January 9, 2009, May 8, 2009 and June 5, 2009, our Board of Directors authorized Beacon to grant employee stock options to purchase 25,000 and 285,000 and 2,500,000 and 50,000 shares of common stock, respectively, of which the 50,000 issued on June 5, 2009 were issued under the provisions of our Long Term Incentive Plan.

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

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Nine Months Ended June, 30 2009	Nine Months Ended June 30, 2008
Non-Cash Share-Based Compensation Expense				
Restricted Stock	\$ 45,101	\$ 44,610	\$ 134,321	\$ 221,593
Stock Options	121,839	6,306	183,707	6,662
Total Stock Compensation Expense	<u>\$ 166,940</u>	<u>\$ 50,916</u>	<u>\$ 318,028</u>	<u>\$ 228,255</u>

We determine the fair value of our 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 June 30, 2009 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
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
1/9/2009	285,000	2,373	\$0.80	66.34%	0%	1.99%	\$0.50	\$142,500
5/8/2009	2,500,000	2,373	\$1.19	66.34%	0%	2.09%	\$0.75	\$1,875,000
6/5/2009	50,000	2,373	\$1.37	66.34%	0%	2.85%	\$0.95	\$47,500

The closing price of the Company's common stock was \$1.65 per share on June 30, 2009. The Company has 108,967 fully vested stock options with a weighted average exercise price of \$.90 per share and an aggregate intrinsic value of approximately \$92,000 as of June 30, 2009. The weighted average exercise of options granted during the nine month periods ended June 30, 2009 and 2008 amounted to \$1.15 per share in each reporting period. The aggregate intrinsic value of options outstanding amounts to approximately \$1,400,000 as of June 30, 2009.

Shares granted vest 33% annually as of the anniversary of the grant through 2011 and carry a ten year contractual term. As of June 30, 2009, there was approximately \$2,187,905 in non-cash share-based compensation cost related to non-vested awards not yet recognized in our condensed consolidated statements of operations. This cost is expected to be recognized over the weighted average remaining vesting period of 2.3 years. Options to purchase an aggregate of 115,300 shares of common stock were vested at June 30, 2009. For the three and nine months ended June 30, 2009, 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 \$44,610 of share-based compensation expense during the three months ended June 30, 2009 and 2008, respectively, in connection with this grant. We recognized \$134,320 and \$221,593 of share-based compensation expense during the nine months ended June 30, 2009 and 2008, respectively, in connection with this grant. Unamortized compensation under this arrangement amounted to \$266,192 as of June 30, 2009 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 \$0 and \$36,900 for the three and nine months ended June 30, 2009. Total contributions under the Beacon Solutions 401(k) Plan, recorded as salaries and benefits expense, totaled \$36,883 and \$77,918 for the three and nine months ended June 30, 2008, respectively.

NOTE 10 – SUBSEQUENT EVENTS

On July 29, 2009, Beacon, through its wholly owned subsidiary BESG Ireland Ltd., acquired 100% of the outstanding stock of SymbioTec Solution AG, a professional services company located in Switzerland, in exchange for 400,000 shares of Beacon Common Stock with a fair value of \$1.19 per share or \$476,000 in the aggregate based on the July 29, 2009 closing price. In addition to the consideration provided at closing, the sellers, who will continue to manage the business on a day to day basis, have the opportunity to earn up to an additional 400,000 shares of Beacon Common Stock if the continuing operations achieve certain performance targets measured in pre-tax income during the two years following the anniversary of the transaction. SymbioTec Solution AG has performed services for several of our large customers providing instant synergies. The acquisition provides Beacon with a base of operations for our customers located throughout Europe, the Middle East and Africa, commonly referred to as EMEA.

On July 24, 2009, an additional extension was executed through August 15, 2009 to pay the remaining balance on a short term line of credit with First Savings Bank that had matured and was converted into a demand note in the amount of \$100,000. The Note was originally 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. On March 31, 2009, we executed an extension of this note due in two payments of \$50,000 each on May 15, 2009 and June 15, 2009. On July 24, 2009 the remaining \$50,000 balance of this note was extended until August 31, 2009.

The Convertible Notes Payable have been extended by Beacon to January 21, 2010 and as such 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. On July 15, 2009 \$53,000 was repaid to a holder of the convertible notes payable upon their request

On August 7, 2009, we entered into a non-interest bearing Bridge Note arrangement with one of our directors in the amount of \$500,000 with a payment date of September 6, 2009 and a commitment fee of \$25,000 paid on August 10, 2009. The Bridge Note also contained 25,000 warrants immediately exercisable into common shares at \$1.00.

On August 10, 2009, we renewed the existing equity financing arrangement with one of our directors that provides a commitment up to \$3.0 million of additional funding. Under the terms of this equity financing arrangement, under certain circumstances the Company may sell shares of its common stock to this director at the same price per share and other terms as the most recent sale of shares of its Common Stock to a third party in a transaction intended to raise capital. The financing available under this agreement will be reduced on a dollar for dollar basis by the amount of the proceeds of the ongoing private placements of the Company's securities or any additional placements of equity financing. This arrangement will terminate July 1, 2010.

On July 9, 2009, the Board of Directors authorized a total of 350,000 Grants of Options to Purchase Common Stock to two new key employees, these options will be subject to a standard three year vesting.

On July 29, 2009, we issued a Supplement (No. 1), to the Private Placement Offering Memorandum dated June 10, 2009 which increased the allowable proceeds to \$2,500,000. On July 17, 2009, the Company sold an aggregate of 327,416 Common Units for an aggregate purchase price of \$261,933. Concurrently, the Placement Agents earned aggregate cash commissions of \$26,193 and warrants to purchase an aggregate of 35,050 shares of Common Stock.

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, such as the current global recession, that may affect demand for our services and products and the ability of our customers to pay for such services and products;
- 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, turnkey 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.

Acquisition Growth Strategy

Phase I Acquisitions have been integrated into a single organization with a cohesive internal infrastructure to scale the business. Consistent with our operating plan, upon our successful integration of these operations 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 national and international information technology and telecommunications provider.

Infrastructure Management Services

Our Infrastructure Management Services are becoming an emerging revenue generator for our business. Infrastructure management services is the management of a customer’s physical layer or Layer 1 in the Open Systems Interconnection (“OSI”), and are defined by the combination and integration of our infrastructure design, installation, telecommunications, and information technology management services. By combining the integrated disciplines into one service, we are able to maintain, manage and document the complete low voltage infrastructure of our customer’s, a value added service that we believe reduces their cost of these services by up to 30% or more.

One of the offerings under this program is our Innovative, Intelligent, Installation, Moves, Adds, and Changes, or I3MAC Services, which is an internally developed system that supports our network infrastructure management service offering including: 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 have signed a contract to provide our I3MAC Services to one of the world's premier pharmaceutical and consumer health products companies, headquartered in New Jersey, and operating over 250 businesses. Under the terms of the contract, we 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 services to this client, we hope to establish a national presence to leverage with other national customers who may be able to take advantage of the savings we expect to provide with this value added service. In addition, we are exploring strategic partnerships with other OSI Layer 1 service providers to expand our operations internationally.

Results of Operations

For the three and nine months ended June 30, 2009 and 2008

Revenue for the three months ended June 30, 2009 and 2008, was approximately \$3,039,000 and \$2,365,000 respectively, consisting of approximately \$2,100,600 and \$1,314,000 of business telephone system installations and time and materials services for system maintenance, \$29,000 and \$9,000 of maintenance contracts related to the installations and \$909,000 and \$1,042,000 of engineering and design and customer specific application design services. Revenue for the nine months ended June 30, 2009 and 2008, was approximately \$7,118,000 and \$4,073,000 respectively, consisting of approximately \$4,378,000 and \$1,964,000 of business telephone system installations and time and materials services for system maintenance, \$95,000 and \$35,000 of maintenance contracts related to the installations and \$2,644,000 and \$2,075,000 of engineering and design and customer specific application design.

Cost of goods sold for the three months ended June 30, 2009 and 2008 amounted to approximately \$2,118,000, and \$1,445,000, respectively and consisted of approximately \$1,117,000 and \$846,000 of equipment and materials used in business telephone systems installations and parts used in services, \$517,000 and \$363,000 of direct labor, \$99,000 and \$1,700 of direct project related costs, and \$385,000 and \$227,000 of subcontractor fees incurred in providing all of our services. For the nine months ended June 30, 2009 and 2008, Cost of goods amounted to approximately \$4,826,000, and \$2,319,000, respectively and consisted of approximately \$2,548,000 and \$1,147,000 of equipment and materials used in business telephone systems installations and parts used in services, \$1,432,000 and \$808,000 of direct labor, \$279,000 and \$123,000 of direct project related costs, and \$568,000 and \$241,000 of subcontractor fees incurred in providing all of our services

For the three months ended June 30, 2009 we experienced an increase in sales of \$674,000. This growth was across all service lines however, our gross profit margin contracted by of 9% for the three months ended June 30, 2009 versus 2008 principally due to increases in material costs of \$360,000 and the use of subcontractor resulting in additional costs of \$158,000. For the nine months ended June 30, 2009 sales increased \$3,045,000 with margin contraction of 11% resulting from increases in material costs of \$1,400,000, direct labor of \$624,000 (from utilization of our in-market professional service personnel) and subcontractor costs of \$327,000 primarily used during the I3MAC growth period.

We believe that the conditions compressing our gross profit margins during the three months and nine months ended June 30, 2009 and 2008 were a result of the rapid sales ramp up and expansion. Going forward we expect gross profit margins to stabilize as service mix becomes fully developed and entrenched.

Salaries and benefits of approximately \$1,186,000 and \$1,117,000 for the three months ended June 30, 2009 and 2008 respectively, consisted of salaries and wages of approximately \$705,000 and \$789,000, commissions of \$135,000 and \$7,000, benefits of \$82,000 and \$102,000, payroll taxes of \$97,000 and \$91,000, and the company match of employee contributions to the 401k plan of \$0 and \$33,000. Non-cash share-based compensation of \$167,000 and \$95,000 related to restricted stock and stock options that vested during the period is included in salaries and wages. For the nine months ended June 30, 2009 and 2008 respectively, salaries and benefits of approximately \$3,109,000 and \$2,623,000, consisted of salaries and wages of approximately \$2,081,000 and \$1,939,000, commissions of \$248,000 and \$43,000, benefits of \$295,000 and \$267,000, payroll taxes of \$280,000 and \$242,000 and the company match of employee contributions to the 401k plan of \$37,000 and \$97,000. Non-cash share-based compensation of \$320,000 and \$95,000, related primarily to restricted stock that vested during the nine months ended June 30, 2009 and 2008, is included in salaries and wages.

Selling, general and administrative expense for the three months ended June 30, 2009 and 2008 of approximately \$895,000 and \$532,000 include approximately \$441,000 and \$104,000 of accounting, investor relations and professional fees, charge for bad debt expense of \$35,000 and \$6,000, \$45,000 and \$45,000 of rent expense, \$78,000 and \$73,000 of telecommunications and data related expenses, \$78,000 and \$88,000 of travel related expenses, and approximately \$57,000 and \$67,000 of expenses related to business insurance, \$48,000 and \$12,000 of miscellaneous outside services and \$113,000 and \$137,000 of other administrative services. Selling, general and administrative expense for the nine months ended June, 2009 and 2008 of approximately \$2,117,000 and \$1,590,000 include approximately \$992,000 and \$342,000 of accounting, investor relations and professional fees, charge for bad debt expense of \$106,000 and \$6,000, \$135,000 and \$113,000 of rent expense, \$180,000 and \$104,000 of telecommunications and data related expenses, \$167,000 and \$153,000 of travel related expenses, and approximately \$130,000 and \$104,000 of expenses related to business insurance, \$127,000 and \$116,000 of miscellaneous outside services and \$280,000 and \$655,000 of other administrative services.

Interest expense of approximately \$222,000 and \$120,000 for the three months ended June 30, 2009 and 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 \$49,000 and \$61,000 for the three months ended June 30, 2009 and 2008 and \$65,000 and \$0 related to warrants earned in connection with Put Right. For the nine months ended June 30, 2009 and 2008 Interest expense of approximately \$662,000 and \$322,000, 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 \$327,000 and \$171,000 and \$209,000 and \$0 related to warrants earned in connection with Put Right

Contractual dividends on our Series A, A-1, and B Preferred Stock amounted to approximately \$160,000 and 93,000 for the three months ended June 30, 2009 and 2008. Contractual dividends on our Series A, A-1, and B Preferred Stock amounted to approximately \$411,000 and \$100,000 for the nine months ended June 30, 2009 and 2008. These amounts are included in accrued expenses as of June 30, 2009 and 2008. Deemed dividends related to the beneficial conversion feature embedded in our Series A, A-1, and B Preferred Stock of approximately \$0 and \$60,000 was recognized during the three months ended June 30, 2009 and 2008. Deemed dividends related to the beneficial conversion feature embedded in our Series A, A-1, and B Preferred Stock of approximately \$187,000 and \$3,956,000 was recognized during the nine months ended June 30, 2009 and 2008.

Liquidity and Capital Resources

For the nine months ended June 30, 2009 and 2008, net cash used in operating activities of approximately \$3,399,000 and \$1,844,000 consisted primarily of a net loss of approximately (\$4,050,000) and (\$3,160,000) and was impacted by an increase in accounts receivables of approximately \$1,033,000 and \$759,000 and an increase decrease in other current assets of \$4,000 and (\$110,000) and customer deposits of \$56,000 and \$193,000 for 2009 and 2008 respectively. These amounts were offset by increases in cash due to an increase in account payable and accrued expenses of \$745,000 and \$1,160,000. Finally, cash used in operations was impacted by non-cash depreciation and amortization of \$455,000 and \$386,000, non-cash interest of \$429,000 and \$171,000, share based payments of approximately \$456,000 and \$447,000 and other non-cash activities of \$178,000 and \$70,000.

For the nine months ended June 30, 2009 and 2008, cash used in investing activities of approximately \$119,000 and \$2,256,000 consisted of purchases of fixed assets of \$119,000 and \$69,000 and acquisition of a business of \$0 and \$2,187,000.

For the nine months ended June 30, 2009 and 2008, cash provided by financing activities of approximately \$3,938,000 and \$4,165,000 was derived primarily from approximately \$3,773,000 and \$0 of net proceeds from the sale of common stock (gross proceeds of approximately \$4,770,000 and \$0 less placement costs of approximately \$997,000 and \$0) raised in our common stock offerings, proceeds of \$300,000 and \$3,876,000 from conversion of preferred shares to common, net proceeds of \$150,000 and \$200,000 of lines of credit and \$0 and \$422,000 from proceeds of issuance of bridge notes, repayments of debt of approximately (\$334,000) and (\$675,000) and payments of capital lease obligations of (\$12,000) and (\$8,000), additional proceeds from issuance of convertible notes of \$500,000 and \$0 with payment of referral finance costs of \$(75,000) and \$0 for the nine months ended June 30, 2009 and 2008.

We incurred a net loss of approximately (\$1,534,000) and (\$1,029,000) for the three months ended June 30, 2009 and 2008 respectively. For the nine months ended June 30, 2009 and 2008 respectively, we incurred a net loss of approximately (\$4,050,000) and (\$3,160,000). At June 30, 2009, our accumulated deficit amounted to approximately \$13,819,000. We had cash of \$548,000 and a working capital deficit of approximately \$767,000 at June 30, 2009.

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 March 27, 2009, Beacon and Midian, entered into a short term credit facility in the amount of \$53,000, the principal of which was due and payable to the holder within seven (7) days of issuance along with a 1% 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. 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. At May 27, 2009 we closed the private placement at \$3.4 million in gross proceeds.

On June 5, 2009, Beacon engaged a registered broker-dealer in a private placement of Common Stock and Warrants to raise \$600,000 of equity financing with an option to raise an additional \$400,000 if the offering is oversubscribed. As of August 11, 2009 we have received approximately \$1.0 million in gross proceeds. On July 9, 2009 we opted to increase the offering to \$2.5 million.

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. On May 13, 2009, the director agreed to increase the equity financing arrangement to \$1.8 million available in exchange for a continuation of the ongoing grants of warrants to purchase 33,333 shares of common stock at \$1.00 per share each month which is all available as of the day of filing of this Quarterly Report on Form 10-Q. 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. On August 7, 2009, we entered into a non-interest bearing Bridge Note arrangement with one of our directors in the amount of \$500,000 with a payment date of September 6, 2009 and a commitment fee of \$25,000 paid on August 10, 2009. The Bridge Note also contained 25,000 warrants immediately exercisable into common shares at \$1.00.

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 our organic growth strategy or 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 July 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.

Contractual Obligations as of June 30, 2009

The following is a summary of our contractual obligations as of June 30, 2009:

Contractual Obligations	Total	Year 1	Payment Due by Period		
			Years 2-3	Years 4-5	Thereafter
Long-term debt obligations	2,664,279	\$ 1,741,829	\$ 536,227	\$ 386,223	
Interest obligations (1)	203,017	69,265	114,896	18,856	
Operating lease obligations (2)	101,670	52,602	49,068		
	<u>\$ 2,968,966</u>	<u>\$ 1,863,696</u>	<u>\$ 700,191</u>	<u>\$ 405,079</u>	<u>\$ -</u>

- (1) Interest obligations assume Prime Rate of 3.25% at June 30, 2009. 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 June 30, 2010 in cash, the total obligation would be \$545,000 based on the number of shares of Series A, A-1 and B Preferred Stock outstanding as of June 30, 2009.

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 June 30, 2010 and can be curtailed based on actual results of operations.

Working Capital

As of June 30, 2009, our current liabilities exceed current assets by approximately \$767,000. Certain vendors have agreed to defer payment or agreed to payment plans. Our working capital deficit has increased by approximately \$27,000 and \$556,000 during the three and nine months ended June 30, 2009. 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 I³ MAC 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 and nine months ended June 30, 2009 was approximately \$22,000 and \$87,000, 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 and nine months ended June 30, 2009 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

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 August 11, 2009, approximately \$330,000 was available under this financing arrangement. We recognized \$64,969 and \$209,469 of interest expense for the three and nine months ended June 30, 2009 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
1/9/2009	100,000	1,825	\$ 1.00	\$ 0.80	66.34%	0%	1.51%	\$ 0.41	\$ 41,000
2/9/2009	33,333	1,825	\$ 1.00	\$ 0.80	66.34%	0%	1.99%	\$ 0.41	\$ 13,667
3/9/2009	33,333	1,825	\$ 1.00	\$ 0.54	66.34%	0%	1.90%	\$ 0.23	\$ 7,667
4/9/2009	33,333	1,825	\$ 1.00	\$ 0.75	66.34%	0%	1.90%	\$ 0.37	\$ 12,333
5/9/2009	33,333	1,825	\$ 1.00	\$ 1.19	66.34%	0%	2.09%	\$ 0.72	\$ 23,970
6/9/2009	33,333	1,825	\$ 1.00	\$ 1.35	66.34%	0%	2.73%	\$ 0.86	\$ 28,666

On August 7, 2009, we entered into a non-interest bearing Bridge Note arrangement with one of our directors in the amount of \$500,000 with a payment date of September 6, 2009 and a commitment fee of \$25,000 paid on August 10, 2009. The Bridge Note also contained 25,000 warrants immediately exercisable into common shares at \$1.00.

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 March 31, 2009, 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 June 30, 2009, 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.

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. 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 an additional accounting resource, bringing the number of Certified Public Accountants on our staff to three, 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 are reasonably likely to materially affect our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

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

None.

ITEM 5. OTHER INFORMATION.

On August 7, 2009, we entered into a non-interest bearing Bridge Note arrangement with one of our directors in the amount of \$500,000 with a payment date of September 6, 2009 and a commitment fee of \$25,000 paid on August 10, 2009. The Bridge Note also contained 25,000 warrants immediately exercisable into common shares at \$1.00.

As of August 10, 2009 Kenneth Kerr, formerly the Chief Operating Officer, resigned his position from Beacon Enterprise Solutions Group, Inc. effectively immediately. No executive officer of Beacon Enterprise Solutions Group, Inc. ("Beacon") is aware of any disagreement between Mr. Kerr and Beacon on any matter relating to the Company's operations, policies or practices.

ITEM 6. EXHIBITS

Part I Exhibits

- 4.1 Form of warrant to purchase common stock granted to the investors in connection with the June 2009 offering of Common Stock.
- 10.1 Selling Agency Agreement dated June 12, 2009 by and between the Company and the selling agent named therein.
- 10.2 Employment Agreement dated May 12, 2009 by and between the Company and Bruce Widener.
- 10.3 Employment Agreement dated May 22, 2009 by and between the Company and Richard C. Mills.
- 10.4 Employment Agreement dated May 22, 2009 by and between the Company and Robert Mohr.
- 10.5 Letter Agreement dated August 10, 2009 by and between the Company and John Rhodes.
- 10.6 Promissory Note dated August 10, 2009 made and issued by the Company to John Rhodes Family Limited Partnership.
- 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.*

** - 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.*

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: August 12, 2009

By: */s/ Bruce Widener*

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

and

Date: August 12, 2009

By: */s/ Robert Mohr*

Robert Mohr
Principal Financial Officer

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.

STOCK PURCHASE WARRANT

Warrant No.

Dated:

Beacon Enterprise Solutions Group, Inc., a Nevada corporation (the "**Company**"), hereby certifies that, for value received, [INVESTOR NAME] or his registered assigns (the "**Holder**"), is entitled to purchase from the Company up to a total of [NO. SHARES] 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 \$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. 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 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 or 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) Intentionally Omitted.

(d) 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 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

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.

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) Weighted Average Anti-Dilution Price Protection. The Exercise Price of Warrant Shares (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant shall be subject to adjustment from time to time, as follows:

(1) “New Securities” shall mean any Common Stock or preferred stock of Company issued during the term of this Warrant, whether now authorized or not, and rights, options or warrants to purchase said Common Stock or preferred stock, and securities of any type whatsoever that are, or may become, convertible into said Common Stock or preferred stock (including but not limited to convertible debt or any other instrument exercisable for or convertible into Common Stock); provided, however, that “New Securities” does not include (i) any securities issued or issuable pursuant to any of the notes, options, warrants or other securities outstanding as of the date of the closing of the offering pursuant to the Purchase Agreement, including all Warrants; (ii) the issuance or sale of any shares of capital stock, or the grant of options exercisable therefor, issued or issuable after the date of this Warrant, to directors, officers, employees, advisers and consultants of the Company or any subsidiary pursuant to any incentive or non-qualified stock option plan or agreement, stock purchase plan or agreement, stock restriction agreement or restricted stock plan, employee stock ownership plan (ESOP), consulting agreement, stock appreciation right (SAR), stock depreciation right (SDR), bonus stock arrangement, or such other similar compensatory options, issuances, arrangements, agreements or plans approved by the Board of Directors of the Company; (iii) upon the issuance of any shares of capital stock or the grant of warrants or options (or the exercise thereof) as consideration for mergers, acquisitions, strategic alliances and other commercial transactions, other than in connection with a financing transaction or (iv) shares of Company’s Common Stock issued in connection with any stock split, stock dividend, or recapitalization by Company.

(2) In the event that Company issues New Securities for a consideration of less than the Exercise Price (as adjusted per this Section 9 hereof), or if the Exercise Price shall have been adjusted hereunder, and the Company issues New Securities for a purchase price below the adjusted Exercise Price, then the then-current Exercise Price shall be adjusted downward to a price determined by dividing

i. the sum of (w) the Exercise Price in effect before the issuance of such New Securities multiplied by the number of shares of the Company's Common Stock then issued and outstanding and (x) the consideration, if any, received by or deemed to have been received by the Company on the issue of such New Securities by:

ii. the sum of (y) the number of shares of the Company's Common Stock then issued and outstanding immediately prior to the issuance of such New Securities and (z) the number of Additional Shares of Common Stock issued or deemed to have been issued in the issuance of such New Securities.

(3) In the case of the issuance of Common Stock for cash, the consideration shall be deemed to be the amount of cash paid.

(4) In the case of the issuance of Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as reasonably determined by the Company's board of directors consistent with its fiduciary duties irrespective of any accounting treatment.

(5) The Company will not by reorganization, transfer of assets, consolidation, merger, dissolution, or otherwise, avoid or seek to avoid observance or performance of any of the terms of this Section 9, but will at all times in good faith assist in the carrying out and performance of all provisions of this Section 9 in order to protect the rights of the Holder against impairment.

(f) 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.

(g) 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.

(h) 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.

(i) 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 Purchase Agreement.

11. Limitation on Exercise.² Notwithstanding anything to the contrary contained herein, the number of shares of Common Stock that may be acquired by the Holder upon any exercise of this Warrant (or otherwise in respect hereof) shall be limited to the extent necessary to insure that, following such exercise (or other issuance), the total number of shares of Common Stock then beneficially owned by such Holder and its Affiliates and any other Persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act, does not exceed 4.999% (the "**Maximum Percentage**") of the total number of issued and outstanding shares of Common Stock (including for such purpose the shares of Common Stock issuable upon such exercise). For such purposes, beneficial ownership shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. The Company's obligation to issue shares of Common Stock in excess of the limitation referred to in this Section shall be suspended (and shall not terminate or expire notwithstanding any contrary provisions hereof) until such time, if any, as such shares of Common Stock may be issued in compliance with such limitation, but in no event later than the Expiration Date. By written notice to the Company, the Holder may waive the provisions of this Section or increase or decrease the Maximum Percentage to any other percentage specified in such notice, but (i) any such waiver or increase will not be effective until the 61st day after such notice is delivered to the Company, and (ii) any such waiver or increase or decrease will apply only to the Holder and not to any other holder of Warrants.

12. 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 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.

13. 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 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 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 Purchase Agreement.

14. 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

² This provision is available for Investors, and the percentage may be modified at the Investor's request.

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.

15. Registration of Warrant Shares. The Warrant Shares shall be entitled to "piggyback" registration rights as set forth in the Registration Rights Agreement.

16. 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 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 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: /s/ Bruce Widener
Name: Bruce Widener
Title: Chief Executive Officer

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: COMPANY NAME

The undersigned is the Holder of Warrant No. _____ (the "Warrant") issued by Company Name, 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 Company Name to which the within Warrant relates and appoints _____ attorney to transfer said right on the books of Company Name 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:



BEACON ENTERPRISE SOLUTIONS GROUP, INC.

SELLING AGENT AGREEMENT

June 12, 2009

Garden State Securities, Inc.
Parkway 109 Office Center
328 Newman Springs Road
Red Bank, New Jersey 07701
Attn.: Ernest Pellegrino, Director of Investment Banking

Re: Proposed Private Placement

Ladies and Gentlemen:

BEACON ENTERPRISE SOLUTIONS GROUP, INC., a corporation organized under the laws of Nevada (the “**Company**”), proposes to offer for sale (the “**Offering**”) in a private offering pursuant to Regulation D promulgated under the Securities Act of 1933, as amended (the “**Act**”) an aggregate amount of up to \$600,000 (the “**Offering Amount**”) of units (each a “**Unit**,” and, collectively, the “**Units**”) at a price of \$0.80 per Unit (the “**Offering**”). Each Unit consists of (i) one share of the Company Common Stock (the “**Company Common Stock**”) and (ii) a five (5) year warrant (the “**Investor Warrants**”) to purchase 0.50 shares of the Company Common Stock at a price of \$1.00 per share. The Company reserves the right to increase the Offering Amount by 500,000 Units or \$400,000 of gross proceeds in its discretion. The Units, Company Common Stock and Investor Warrants are sometimes collectively referred to as the “**Securities**”). This letter agreement shall confirm our agreement concerning Garden State Securities, Inc. acting as a non-exclusive selling agent (the “**Selling Agent**” or “**Garden State**”) in connection with the offer and sale of the Securities.

1. Appointment of Selling Agent.

On the basis of the representations and warranties contained herein, and subject to the terms and conditions set forth herein, the Company hereby appoints Garden State as a non-exclusive selling agent during the offering period (as defined below) and grants to Garden State the right to offer, as its agent, the Securities pursuant to the terms of this Agreement. On the basis of such representations and warranties, and subject to such conditions, Garden State hereby accepts such appointment and agree to use its reasonable best efforts to secure subscribers to purchase subscriptions for the Securities. The Selling Agent may engage other FINRA member broker-dealer firms as sub-selling agents, and each such sub-selling agent shall be entitled to such compensation for its efforts as shall be determined between the Selling Agent and such sub-selling agent. The Company understands that the Selling Agent is being retained to obtain subscriptions for the Securities on a “best efforts” basis and has not guaranteed the sale of any Securities and is not purchasing any of the Securities for its own account. The Selling Agent shall have the right, at its option, to obtain subscriptions for a minimum of \$300,000 of gross proceeds in the Offering.

2. Terms of the Offering.

(a) The Offering is being made on a “best efforts” basis with no minimum offering amount of subscriptions. In the event a subscription is not accepted by the Company or Garden State, such rejected subscription funds will be returned to the subscriber without interest or deduction.

(b) The Company has prepared a Private Placement Offering Memorandum dated as of June 12, 2009 (together with its exhibits the “**PPM**”), a form of Warrant and Subscription Agreement to be delivered to all prospective investors. The PPM, form of Warrant and Subscription Agreement, including all supplements, exhibits, schedules and appendices thereto and other documents delivered therewith, are referred to herein as the “**Offering Documents**” and shall include any supplements or amendments in accordance with this Agreement. The Offering shall commence on the date hereof, and shall expire at 3:00 p.m., New York time, on June 30, 2009, unless extended in the sole discretion of the Company to a date not later than August 31, 2009. Such period, as same may be so extended, shall hereinafter be referred to as the “**Offering Period**.”

(c) Each prospective investor (a “**Prospective Investor**”) who desires to purchase Securities shall deliver to the Selling Agent the Subscription Agreement and other Offering Documents required to be executed by the investor and immediately available funds in the amount necessary to purchase the amount of Securities such Prospective Investor desires to purchase. The Selling Agent shall not have any obligation to independently verify the accuracy or completeness of any information contained in any Offering Documents or the authenticity, sufficiency, or validity of any check delivered by any Prospective Investor in payment for Securities. Purchasers in the Offering shall be “accredited investors” as determined in accordance with Regulation D (“**Regulation D**”) as promulgated by the Securities and Exchange Commission (the “**SEC**”). The Selling Agent and the Company shall be entitled to rely upon the statements made by the Prospective Investors in the Offering Documents executed by them. Prospective Investors whose subscriptions are accepted are sometimes referred to herein as “**Subscribers**”.

3. Closing/Release of Funds.

(a) Each closing (a “**Closing**”) shall be held at such time as the conditions as provided in the Offering Documents have been satisfied. References herein to the actual closing date thereof shall be referred to as a “**Closing Date**.” The parties confirm that there is no minimum amount of Securities to be sold in the Offering.

(b) All subscription funds shall be placed in a non interest bearing escrow account at Signature Bank located at 261 Madison Avenue in New York, New York pursuant to an escrow agreement to be entered into by and among the Company and Signature Bank as escrow agent. The Company shall be responsible for the fee of the escrow agent in the amount of \$3,500.

(c) Prior to or at each closing, the Company shall deliver to the Selling Agent the Securities to be issued to each Subscriber and the Selling Agent whose subscription has been accepted at each such closing and the Selling Agent Warrants (as defined in Section 5 below) issuable to the Selling Agent. The Selling Agent and the Company shall execute such closing documents as are

customary and usual, including, without limitation, an escrow release notice, an officers' certificate and a subscription acceptance.

4. Representations and Warranties of the Selling Agent.

The Selling Agent represents and warrants to the Company as follows:

(a) The Selling Agent is duly incorporated and validly existing and in good standing under the laws of its state of incorporation.

(b) The Selling Agent is, and at the time of each Closing will be, a duly registered broker-dealer pursuant to the Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder (the "**1934 Act**") and any applicable state statute where sales of the Securities will be made, and a member in good standing of FINRA.

(c) Offers and sales of Securities by the Selling Agent will be made only in accordance with this Selling Agreement, the Selling Agent shall not engage in any form of general solicitation or general advertising that is prohibited by Regulation D in connection with the Offering, or take any action that might reasonably be expected to jeopardize the availability for the Offering of the exemption from registration provided by Rule 506 under Regulation D, and the Selling Agent will furnish to each investor a copy of the Offering Documents prior to accepting any subscription for the Securities.

5. Compensation.

(a) The Selling Agent shall be entitled, on the Closing Date, as compensation for its services as Selling Agent under this Agreement, to (i) selling Commissions payable in cash equal to 10% of the aggregate gross proceeds of the Securities sold by Selling Agent in the Offering and (ii) a non-accountable expense allowance equal to 3% of the gross proceeds of the Securities sold by Selling Agent in the Offering.

(b) In addition to the compensation payable to the Selling Agent set forth in clause (a) above, the Company shall grant the Selling Agent (or its assigns, subject to compliance with the terms and conditions of this Section) warrants to purchase a number of shares of Common Stock equal to 10% of the aggregate number of shares of Common Stock (x) included in the Units sold by Selling Agent and (y) issuable upon exercise of the Investor Warrants sold by Selling Agent (the "**Selling Agent Warrants**"). The Agent Warrant will have a cashless exercise provision, contain certain anti-dilution provisions, have the same exercise price as the Investor Warrant and have the same registration rights as the securities underlying the Units. The Company shall not include the underlying shares in any registration statement without the prior written consent of the Selling Agent. The Selling Agent Warrants may be issued to employees and/or affiliates of the Selling Agent in such amounts as the Selling Agent shall notify in writing the Company prior to or after the Closing.

(c) In addition, the Company shall also pay the legal expenses of the Selling Agents of \$15,000, payable on the first Closing Date.

6. Representations and Warranties of the Company.

(a) The Company represents and warrants to, and agrees with, the Selling Agent that:

(i) No Offering Documents or information provided by the Company to the Subscribers, including, without limitation the SEC Reports (as defined in the Subscription Agreement), contains or shall contain, or, in the case of the SEC Reports, contained at the time such reports were filed with the SEC, any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein in light of circumstances made therein not misleading.

(ii) The Company is, and on each Closing Date will be, a corporation duly organized, validly existing, and in good standing under the laws of the place of its formation, with full corporate power and authority, and has obtained all necessary consents, authorizations, approvals, orders, licenses, certificates, and permits and declarations of and from, and has made filings with, all federal, state and local authorities, to own, lease, license, and use its properties and assets and to conduct its business as presently conducted and/or in any such case where the failure to have any of the foregoing would not have a material adverse effect on the Company's presently conducted business. As of the date hereof, the Company is, and on each Closing Date shall be, duly qualified to do business and is in good standing in every jurisdiction in which its ownership, leasing, licensing, or use of property and assets or the conduct of its business makes such qualification necessary except where the failure to be so qualified would not have a material adverse effect on the Company's business.

(iii) As of the date hereof, except as disclosed in the Offering Documents or the SEC Reports, there is no, and as of each Closing Date there shall not be any, litigation, arbitration, claim, governmental or other proceeding (formal or informal), or investigation pending or to the Company's knowledge threatened, with respect to the Company, or its respective operations, businesses, properties, or assets, except which individually or in the aggregate do not now have and will not in the future have a material adverse effect upon the operations, business, properties, or assets of the Company.

(iv) The Company is not in violation or breach of, or in default with respect to, any material term of its articles of incorporation or by-laws, as amended, as in effect as the date hereof and as of each Closing Date.

(v) The Company has all requisite corporate power and authority to execute, deliver, and perform this Agreement and to consummate the transactions contemplated hereby. All necessary corporate proceedings of the Company have been duly taken to authorize the execution, delivery, and performance by the Company of this Agreement and the Offering Documents and the consummation of the transactions contemplated hereby and thereby.

(vi) The Securities and the Selling Agent's Warrants, when issued and delivered pursuant to the terms hereof shall be duly authorized, validly issued, fully paid and non assessable, without any personal liability attaching to the ownership thereof solely by being such holder and shall not have been issued in violation of any preemptive rights of stockholders.

(vii) Neither the Company nor any of its officers, directors, or affiliates, has engaged or will engage, directly or indirectly, in any act or activity that may jeopardize the status of the offering and sale of the Securities as an exempt transaction under Regulation D of the Securities Act of 1933, as amended.

(viii) The Selling Agent shall be entitled to rely upon the representations and warranties contained in the Offering Documents on the same basis as if the representations and warranties have been made hereunder to the Selling Agent, all of which are incorporated herein by reference.

(ix) To the knowledge of the Company after reasonable investigation, during the past five years, except as disclosed in the Offering Documents or the SEC Reports, none of the current officers or directors of the Company have been:

(a) The subject of a petition under the federal bankruptcy laws or any state insolvency law filed by or against them, or by a receiver, fiscal agent or similar officer appointed by a court for their business or property, or any partnership in which any or them was a general partner at or within two years before the time of such filing, or any corporation or business association of which any of them was an executive officer at or within two years before the time of such filing;

(b) Convicted in a criminal proceeding or a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

(c) The subject of any order, judgment, or decree not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining any of them from, or otherwise limiting, any of the following activities:

(i) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with any such activity;

(ii) engaging in any type of business practice; or

(iii) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities law or federal commodity laws.

(d) the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated of any federal or state authority barring, suspending or otherwise limiting for more than sixty (60) days their right to engage in any activity described in paragraph (c)(i) above, or be associated with persons engaged in any such activity;

(e) found by any court of competent jurisdiction in a civil action or by the Securities and Exchange Commission to have violated any federal or state securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended or vacated;

(f) found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated; or

(g) found by a court or an administrative agency to have or is alleged to have violated any foreign securities laws.

(ix) The Company and its subsidiaries maintain a system of internal accounting and other controls sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of reliable financial statements in conformity with United States generally accepted accounting principles and to maintain accountability for assets, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accounting for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any material differences.

(x) Neither the Company nor any of its subsidiaries has violated or is currently in violation of any provisions of: (a) any federal or state environmental law, (b) Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"), (c) the Bank Secrecy Act, as amended, (d) the Money Laundering Control Act of 1986, as amended, (e) the Foreign Corrupt Practices Act, or (f) the Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism ("USA Patriot Act") Act of 2001, and the rules and regulations promulgated under any such law, or any successor law.

(xi) The Company and its subsidiaries (A) have paid, as applicable, all federal, state, local and foreign taxes for which it is liable and has furnished all information returns it is required to furnish pursuant to the Internal Revenue Code of 1986, as amended, (B) have established adequate reserves for such taxes which are not due and payable and (C) does not have any tax deficiency or claims outstanding, proposed or assessed against it.

(xii) All offers and sales of securities of the Company issued during the three year period prior to the date hereof were at all relevant times duly registered or exempt from the registration requirements of the Act (or applicable foreign securities laws) and the rules and regulations thereunder and were duly registered or the subject of an available exemption from the registration requirements of the applicable United States' state securities or blue sky laws. Except as disclosed in the Offering Documents or SEC Reports, the Company has not, directly or indirectly, solicited any offer to buy or offered to sell any securities during the twelve-month period ending on the date hereof which, to the knowledge of the Company, would be integrated with the Offering.

(xiii) The Company shall not, without the prior written consent of the Selling Agent, offer or sell and securities of the Company during the Offering Period other than pursuant to this Agreement and the PPM.

7. Covenants of the Company.

The Company covenants that it will:

(a) Deliver without charge to the Selling Agent such number of copies of the Offering Documents and any supplement or amendment thereto as may reasonably be requested by the Selling Agent.

(b) Notify you promptly of rejection of any subscription. The Company shall not accept subscriptions from, or make sales of Securities to, any Subscribers who are not, to the Company's knowledge, accredited investors.

(c) The Company shall cause, at its cost and expense, all "blue sky" filings related to the Offering and required by applicable law to be made in due and proper form and substance and in a timely manner as required under the laws of the states in which Securities are sold ("Blue Sky Filings"). In addition, the Company shall cause, at its cost and expense, a Form D related to the Offering to be filed with the Securities and Exchange Commission ("SEC") in due and proper form and substance and in a timely manner. The Company shall deliver true and correct copies of all Blue Sky Filings and the Form D, as filed with the SEC, to the Selling Agent within 5 days of the final closing date.

(d) The Company shall be responsible for the costs of its own legal counsel.

(e) Following the final Closing, and not prior to the final closing, the Company shall issue a press release disclosing the closing of the Offering and the services of Garden State as a Selling Agent. Nothing contained in this Section 7(e) shall prevent the Company from making any required disclosures under the rules and regulations of the SEC.

8. Conditions of Closing.

The obligations of the Selling Agent pursuant to this Agreement shall be subject, in its discretion, to the continuing accuracy of the representations and warranties of the Company contained herein and in each certificate and document contemplated under this Agreement to be delivered to the Selling Agent, as of the date hereof and as of the Closing Date, with respect to the performance by the Company of its obligations hereunder, and to the following conditions:

(a) At the Closing, the Selling Agent, the investors and the Company shall have executed Offering Documents and closing documents in usual and customary form in form and substance reasonably acceptable to them.

(b) All proceedings taken in connection with the issuance, sale, and delivery of the Securities shall be satisfactory in form and substance to Garden State, the Subscribers and the Company.

(c) The Company shall provide an opinion of its counsel, in form and substance satisfactory to the Selling Agent, at each closing, related to, among other things, the issuance of the Securities and the due authorization by the Company of this Agreement and the transactions contemplated herein.

9. Termination.

This Agreement may be terminated by the Selling Agent (i) at anytime in the event the Selling Agent has determined, in good faith, that the Offering Documents fail to contain a material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) upon five (5) business days written notice. The Company may terminate this Agreement for any reason upon giving five (5) business days' prior notice thereof to Selling Agent, provided, however, that in the event that Selling Agent does not perform any obligation under this Agreement or any representation and warranty of Selling Agent hereunder is incomplete or inaccurate in any respect, this Agreement and all of the obligations of the Company hereunder may be immediately terminated by the Company by notice thereof to Selling Agent. Notwithstanding anything to the contrary herein, the Selling Agent shall be entitled to all compensation otherwise payable to it pursuant to Section 5 hereunder with respect to any subscription accepted by the Company.

10. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless the Selling Agent, its officers, directors, partners, employees, agents, and counsel, and sub selling agent and each person, if any, who controls the Selling Agent and sub selling agent within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), against any and all loss, liability, claim, damage, and expense whatsoever (which shall include, for all purposes of this Section 10, but not be limited to, attorneys' fees and any and all expense whatsoever incurred in investigating, preparing, or defending against any litigation, commenced or threatened, or any claim whatsoever and any and all amounts paid in settlement of any claim or litigation) as and when incurred arising out of, based upon, or in connection with (i) any untrue statement or alleged untrue statement of a material fact contained in the Offering Documents, or any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Company as stated in Section 10(b) with respect to the Selling Agent expressly for inclusion in the Offering Documents or (ii) any breach of any representation, warranty, covenant, or agreement of the Company contained in this Agreement. The foregoing agreement to indemnify shall be in addition to any liability the Company may otherwise have, including liabilities arising under this Agreement.

If any action is brought against the Selling Agent or any of its officers, directors, partners, employees, agent, or counsel, or and any sub selling agent and any controlling persons of the Selling Agent (an "indemnified party"), in respect of which indemnify may be sought against the Company pursuant to the foregoing paragraph, such indemnified party or parties shall promptly notify the Company (the "indemnifying party") in writing of the institution of such action (but the failure so to notify shall not relieve the indemnifying party from any liability it may have other than pursuant to this Section 10(a)) and the indemnifying party shall promptly assume the defense of such action, including

the employment of counsel (reasonably satisfactory to such indemnified party or parties) and payment of expenses. Such indemnified party shall have the right to employ its own counsel in any such case, but the fees and expense of such counsel shall be at the expense of such indemnified party unless the employment of such counsel shall have been authorized in writing by the indemnifying party in connection with the defense of such action or the indemnifying party shall not have promptly employed counsel satisfactory to such indemnified party or parties to have charge of the defense of such action or such indemnified party or parties shall have reasonably concluded that there may be one or more legal defenses available to it or them or to other indemnified parties which are different from or additional to those available to one or more of the indemnifying parties, in any of which events such reasonable fees and expenses of one such counsel shall be borne by the indemnifying party and the indemnifying party shall not have the right to direct the defense of such action on behalf of the indemnified party or parties. Anything in this paragraph to the contrary notwithstanding, the indemnifying party shall not be liable for any settlement of any such claim or action effected without its written consent. The Company agrees to promptly notify the Selling Agent of the commencement of any litigation or proceedings against the Company or any of its officers or directors in connection with the sale of the Securities or the Offering Documents.

(b) The Selling Agent agrees to indemnify and hold harmless the Company, its officers, directors, employees, agents, and counsel, and each other person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, to the same extent as the foregoing indemnity from the Company to the Selling Agent in Section 10(a), with respect to any and all loss, liability, claim, damage, and expense whatsoever (which shall include, for all purposes of this Section 10, but not be limited to, attorneys' fees and any and all expense whatsoever incurred in investigating, preparing, or defending against any litigation, commenced or threatened, or any claim whatsoever and any and all amounts paid in settlement of any claim or litigation) as and when incurred arising out of, based upon, or in connection with (i) statements or omissions, if any, made in the Offering Documents in reliance upon and in conformity with written information furnished to the Company with respect to the Selling Agent expressly for inclusion in the Offering Documents, and (ii) or any breach of any representation, warranty, covenant or agreement of the Selling Agent contained in this Agreement. If any action shall be brought against the Company or any other person so indemnified based on the Offering Documents and in respect of which indemnity may be sought against the Selling Agent pursuant to this Section, the Selling Agent shall have the rights and duties given to the indemnifying party, and the Company and each other person so indemnified shall have the rights and duties given to the indemnified parties, by the provisions of Section 10(a) hereof.

(c) To provide for just and equitable contribution, if (i) an indemnified party makes a claim for indemnification pursuant to Section 10(a) or 10(b) hereof but it is found in a final judicial determination, not subject to further appeal, that such indemnification may not be enforced in such case, even though this Agreement expressly provides for indemnification in such case, or (ii) any indemnified or indemnifying party seeks contribution under the Act, the Exchange Act, or otherwise, then the Company (including for this purpose any contribution made by or on behalf of any officer, director, employee, agent, or counsel of the Company, or any controlling person of the Company), on the one hand, and the Selling Agent (including for this purpose any contribution by or on behalf of an indemnified party), on the other hand, shall contribute to the losses, liabilities, claims, damages, and expenses whatsoever to which any of them may be subject, in such proportions as are appropriate to

reflect the relative benefits received by the Company, on the one hand, and the Selling Agent, on the other hand; provided, however, that if applicable law does not permit such allocation, then other relevant equitable considerations such as the relative fault of the Company and the Selling Agent in connection with the facts which resulted in such losses, liabilities, claims, damages, and expenses shall also be considered. The relative benefits received by the Company, on the one hand, and the Selling Agent, on the other hand, shall be deemed to be in the same proportion as (x) the total proceeds from the Offering (net of compensation payable to the Placement Agent pursuant to Section 5(a) hereof but before deducting expenses) received by the Company, and (y) the compensation received by the Selling Agent pursuant to Section 5(a) hereof.

The relative fault, in the case of an untrue statement, alleged untrue statement, omission, or alleged omission, shall be determined by, among other things, whether such statement, alleged statement, omission, or alleged omission relates to information supplied by the Company or by the Selling Agent, and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement, alleged statement, omission, or alleged omission. The Company and the Selling Agent agree that it would be unjust and inequitable if the respective obligations of the Company and the Selling Agent for contribution were determined by pro rata or per capita allocation of the aggregate losses, liabilities, claims, damages, and expenses or by any other method of allocation that does not reflect the equitable considerations referred to in this Section 10(c). In no case shall the Selling Agent be responsible for a portion of the contribution obligation in excess of the compensation received by it pursuant to Section 5(a) hereof. No person guilty of a fraudulent misrepresentation shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. For purposes of this Section 10(c), each person, if any, who controls the Selling Agent within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each officer, director, partner, employee, agent, and counsel of the Selling Agent, shall have the same rights to contribution as the Selling Agent, and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each officer, director, employee, agent, and counsel of the Company, shall have the same rights to contribution as the Company, subject in each case to the provisions of this Section 10(c). Anything in this Section 10(c) to the contrary notwithstanding, no party shall be liable for contribution with respect to the settlement of any claim or action effected without its written consent.

11. Non-Solicitation.

The Company agrees that, for a period of 12 months from the date hereof (the "**Non-Solicitation Period**"), it shall not solicit any offer to buy from or offer to sell to any of the persons (individuals and/or entities) introduced to the Company by the Selling Agent in connection with the Offering (whether or not such persons invest in the Offering), any securities of the Company or of any affiliate, with any selling agent, placement agent, broker or dealer, other than Garden State. In the event that during the Non-Solicitation Period, the Company or any of its affiliates, directly or indirectly, solicits, offers to buy from or offers to sell to any such persons any such securities from any other, placement agent, securities broker or dealer or selling agent other than Garden State, the Company shall pay to the Selling Agent the same compensation payable to the Selling Agent as described under Section 5 hereof. Notwithstanding the foregoing, during the Non-Solicitation Period, the Company shall not give the names of the subscribers to any other broker dealer or selling or placement agent; provided, however, it shall not be a violation of this Section if the Company includes

the names of the persons who decide to invest in the Offering in any public filing made by the Company including but not limited to filings that the Company makes with SEC. Upon receipt of written request by the Selling Agent, the Company shall promptly deliver to the Selling Agent the names of any persons with whom the Company completes a subsequent financing within 12 months from the date of the Closing Date. This Section 11 shall survive termination of this Agreement.

12. Representations and Agreements to Survive Delivery.

All representations, warranties, covenants, and agreements contained in this Agreement shall be deemed to be representations, warranties, covenants, and agreements at the Closing Date and, such representations and warranties shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Selling Agent or any indemnified person, or by or on behalf of the Company or any person or entity which is entitled to be indemnified under Section 10, and shall survive for a period of three (3) years from the date hereof. In addition, notwithstanding the foregoing and any election hereunder or any termination of this Agreement, and whether or not the terms of this Agreement are otherwise carried out, the provisions of Section 10 shall survive for a period of five (5) years from the date hereof.

13. Notices.

All communications hereunder, except as may be otherwise specifically provided herein, shall be in writing and shall be either (i) mailed by first class mail in which case delivery shall be deemed to be made three days following deposit in the United States mail; or (ii) sent by overnight courier service in which case delivery shall be deemed to be made upon delivery, to: Garden State Securities, Inc. Parkway 109 Office Center, 328 Newman Springs Road, Red Bank, New Jersey 07701, Attention: Ernest Pellegrino; and Beacon Enterprise Solutions Group, Inc., 1961 Bishop Lane, Louisville, Kentucky 40218, Attention: Bruce Widener, CEO.

14. Parties.

This Agreement shall inure solely to the benefit of, and shall be binding upon, the Selling Agent and the Company and the persons and entities referred to in Section 10 who are entitled to indemnification or contribution, and their respective successors, legal representatives, and assigns (which shall not include any purchaser, as such, of Securities), and no other person shall have or be construed to have any legal or equitable right remedy, or claim under or in respect of or by virtue of this Agreement or any provision herein contained.

15. Construction; Governing Law; Submission to Jurisdiction.

This Agreement shall be construed in accordance with the laws of the State of New York, without giving effect to conflict of laws. Any legal suit, action or proceeding arising out of or relating to this Subscription Agreement or the transactions contemplated hereby shall be instituted exclusively in New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York. The parties hereto hereby: (i) waives any objection which they may now have or hereafter have to the venue of any such suit, action or proceeding, and (ii) irrevocably consents to the jurisdiction of the New York Supreme Court, County of New York, and the United

States District Court for the Southern District of New York in any such suit, action or proceeding. The parties further agree to accept and acknowledge service of any and all process which may be served in any such suit, action or proceeding in the New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York and agree that service of process upon a party mailed by certified mail to such party's address shall be deemed in every respect effective service of process upon such party in any such suit, action or proceeding.

17. No Fiduciary Relationship.

The Company acknowledges and agrees that: (i) the offering and sale of the Securities pursuant to this Agreement is an arm's-length commercial transaction between the Company and the Prospective Investors; (ii) in connection therewith and with the process leading to the Offering, the Selling Agent is acting solely as a principal and not the agent or fiduciary of the Company; (iii) the Selling Agent has not assumed an advisory or fiduciary responsibility in favor of the Company with respect to the Offering contemplated hereby or the process leading thereto, including any negotiation related to the pricing of the Securities; and (iv) the Company has consulted its own legal and financial advisors to the extent it has deemed appropriate in connection with this Agreement and the Offering.

[signature page appears next]

18. Counterparts.

This Agreement may be executed in counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a “.pdf” format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or “.pdf” signature page were an original thereof. This Agreement shall become effective when one or more counterparts has been signed and delivered by each of the parties hereto.

If the foregoing correctly sets forth the understanding between us, please so indicate in the space provided below for that purpose, whereupon this agreement shall constitute a binding agreement between us.

Very truly yours,

BEACON ENTERPRISE SOLUTIONS GROUP, INC

By: /s/ Bruce Widener

Name: Bruce Widener

Title: Chief Executive Officer

Accepted as of the date
first above written:

GARDEN STATE SECURITIES, INC.

By: _____

Name:

Title:

EXECUTIVE EMPLOYMENT AGREEMENT

This EXECUTIVE EMPLOYMENT AGREEMENT (this "Agreement") is made as of May 12, 2009, by and between Beacon Enterprise Solutions Group, Inc., an Indiana corporation (the "Company"), and Bruce Widener ("Executive"). This Agreement replaces the Executive Employment Agreement entered into between the parties on December 20, 2007.

WHEREAS, the Company desires to employ Executive, and Executive desires to be employed by the Company, on the terms set forth herein;

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Employment. The Company hereby employs Executive, and Executive hereby accepts employment with the Company, upon the terms and conditions set forth in this Agreement, for the period of thirty-six (36) months beginning on and effective as of May 12, 2009, and ending thirty-six (36) months thereafter, unless Executive's employment is extended as hereinafter provided or is terminated as provided in Section 4 hereof (the "Employment Period"). Thereafter, this Agreement shall be deemed extended from year to year upon the same terms and conditions as set out herein, unless either party has notified the other of their intent to terminate this Agreement within at least one hundred twenty (120) days of the end of any then current Employment Period, or unless this Agreement is terminated as provide in paragraph 4 hereof.

Section 2. Position and Duties. During the Employment Period, Executive will serve as Chairman of the Board and Chief Executive Officer of the Company and render such managerial, analytical, administrative, marketing, creative and other executive services to the Company and its Affiliates, as are consistent with such executive position and from time to time necessary in connection with the management and affairs of the Company and its Affiliates, in each case subject to the authority of the Board (as defined below) of the Company to define such executive services. Executive will devote his best efforts and all of his business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company and its Affiliates. Executive will perform his duties and responsibilities to the best of his abilities in a diligent, trustworthy, businesslike and efficient manner. Executive will be permitted to reside and perform Executive's duties in Louisville, Kentucky (other than typical travel that is required in the performance of such duties).

Section 3. Salary and Benefits.

(a) Salary. Executive's compensation shall consists of a base annual salary of Two Hundred Forty Thousand (\$240,000.00) Dollars (less such deductions as shall be required to be withheld pursuant to applicable law) and bonus as referred to in Section 3 (b) below. The Salary will be payable in regular installments according to the Company's payroll policies. Executive will also be eligible for an annual salary review by the Company and the Salary may

be increased by the Company based on the achievement of performance goals, *provided however*, in any event, Executive shall be entitled to a minimum annual five (5%) percent cost of living increase.

(b) Bonuses. During the Employment Period, the Executive shall be entitled to the following extended compensation bonuses in addition to his base salary:

(i) Short Term Incentive Compensation. Executive shall be entitled to the following short-term incentive compensation:

- (A) An amount equal to fifty (50%) percent of the base salary at one hundred (100%) percent achievement of Company EBITDA target pursuant to the approved Corporate Bonus Pool attached hereto **Exhibit "A"**.
- (B) An amount equal to fifty (50%) percent of base salary based upon one hundred (100%) percent achievement of positive EBITDA change (+Δ%) in Company EBITDA target pursuant to the approved Corporate Bonus Pool attached hereto as **Exhibit "A"**

(ii) Long Term Incentive Compensation.

(A) 1,000,000 ten-year stock options granted as of May 8, 2009 at the closing price as of the date of the next compensation committee meeting, based on the following goals:

- (1) Strategic Planning
 - * Corporate and business planning completed by July 31st of each year
 - * Operational plan by September 30th of each year including budgets
- (2) Capitalization, Public Filings, and Investor Relations
 - * Ongoing capitalization to ensure company meets financial obligations
 - * Timely filing of all information as required by the SEC and FINRA
 - * Quarterly earnings calls, annual meetings, and Board proceedings
- (3) Organizational Development
 - * Executive team and Board staffing

* Performance and compensation management system updated by September 30th of each year

The bonus program shall be administered and distributed under the sole direction of the Compensation Committee of the Board. The stock option shall be vested over three (3) years, one-third (1/3) the first year, one-third (1/3) the second year and one-third (1/3) the third year. Except as provided in Section 4, if the Employment Period during any fiscal year is less than the full fiscal year, the bonus amount paid to Executive, if any, attributable to any fiscal year shall be prorated for the actual number of days of the Employment Period that elapse during such fiscal year.

(c) Benefits. During the Employment Period, the Company will provide Executive with family health, dental and major medical, vision and disability coverage, as well as participation under such plans as the Board may establish or maintain from time to time for executive officers of the Company (collectively, the "Benefits"). Executive will be entitled to such paid vacation per annum as the Company shall establish as Company policy for all management of the Company.

(d) Reimbursement of Expenses. During the Employment Period, the Company will reimburse Executive for all reasonable out-of-pocket expenses incurred by him during the Employment Period in the course of performing his duties under this Agreement which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses. Specifically, Executive will be reimbursed for up to \$2,500 of annual membership dues to licensing and trade organizations of the Executive's designation.

Section 4. Termination.

(a) The Employment Period will continue until the earlier of:

(i) Executive's resignation

(A) for Good Reason on 30 days' written notice,

(B) expiration of the Employment Term referred to in Section 1 hereof,

(C) as a result of Executive's death or Disability, which resignation shall be deemed automatically tendered upon Executive's death or Disability; or

(ii) the giving of notice of termination by the Company for Cause.

For purposes of this Agreement, "Cause" means

- (i) any material willful or intentional act of Executive that has the effect of injuring the reputation or business of the Company or its Affiliates in any material respect,
- (ii) Executive's use of illegal drugs,
- (iii) that the Executive has materially failed to perform his duties hereunder and such failure continues uncured for 60 days after notice to Executive by the Company; provided, the foregoing notice shall only be required with respect to two material breaches that occur in any 12-month period, or
- (iv) Executive's conviction or a plea of guilty or no contest or similar plea with respect to, a felony, an act of fraud or embezzlement, a breach of fiduciary duty to the Company or any of its Subsidiaries, or
- (v) breach of any of Sections 6, 7 or 8 of this Agreement.

For the purposes of this Agreement, "Good Reason" means

- (i) any attempt to substantially diminish Executive's professional responsibilities,
 - (ii) any intentional act which creates a workplace environment that, by duress or otherwise, makes it impossible for Executive to continue his employment,
 - (iii) a reduction in Salary or the overall level of other compensation and benefits to which Executive is entitled under this Agreement, unless agreed to by Executive, or
 - (iv) the failure by the Company to pay the Executive any portion of the Executive's current compensation when due and such failure continues for 7 days after notice to Company from Executive provided that the foregoing notice shall only be required with respect to one such failure in any 12-month period.
 - (v) A material breach of this Agreement by Company and the failure to cure such breach within thirty (30) days after notice to Company by the Executive; *provided*, the foregoing notice shall only be required with respect to one (1) material breach during the term or any extended term of this Agreement.
 - (vi) A change in control of the Company.
- (b) In the event the Employment Period is terminated by reason of Executive's death, disability or by the Company Without Cause (which shall be a material breach of this Agreement) or the Executive resigns for Good Reason, Executive shall be paid the Severance Amount hereinafter referred to ("**Severance Amount**") in lump sum, within thirty

(30) days of the date of termination, and simultaneously with the execution of a release in the form of that which is attached hereto as **Exhibit "B"**. The Severance Amount which Executive will be entitled to is as follows:

- (i) The amount equal to three (3x) times Executive's then base annual salary paid in cash or, if agreed to by Executive, a combination of cash and unrestricted company stock, and
- (ii) One hundred percent (100%) percent of all earned and fifty (50%) percent of all unearned bonus incentive compensation for the remainder of the term of this Agreement, but for such termination, and
- (iii) Any unearned stock options or warrants shall immediately vest and be delivered to executive in unrestricted form, and
- (iv) Immediate and continued medical coverage during the Severance Term pursuant to COBRA at the Company's expense; and
- (v) all accrued and unpaid Salary and unused vacation time through the Termination Date and all unreimbursed business expenses incurred through the Termination Date, and
- (vi) outplacement services and office expense of up to Two Thousand (\$2,000.00) Dollars per month for a period of time equal to the greater of the remainder of the term of this Agreement or a period of two (2) years from the date of termination, whichever is greater, unless such termination arises by reason of Executive's death.

To the extent applicable, Executive shall thereafter continue to comply with Section 6, 7 and 8 hereof.

(c) In the event the Employment Period is terminated due to the Executive's resignation Without Good Reason or by the Company with Cause then, so long as Executive continues to comply with Sections 6, 7 and 8 hereof, Executive will be entitled to receive the lump sum payment of the amounts referred to in (i) and (iii) below within thirty (30) days of the date of termination, and immediate and continued medical coverage referred to in (ii) below:

- (i) any incentive payments earned and accrued but not yet paid to Executive prior to the Termination Date,
- (ii) continued medical coverage during the Severance Term pursuant to COBRA at the Company's expense,
- (iii) all accrued and unpaid Salary and unused vacation time through the Termination Date and all unreimbursed business expenses incurred through the Termination Date.

Section 5. Resignation as Officer or Director. Upon the Termination Date, Executive will be deemed to have resigned from each position (if any) that he then holds as an officer or director of the Company and each of its Affiliates, and Executive will take any and all reasonable action that the Company may request in order to confirm or evidence such resignation.

Section 6. Confidential Information. Executive acknowledges that the information, observations and data that may be obtained by Executive during his employment relationship with, or through his involvement as a consultant, contractor, representative, agent, officer, director, partner, member or stockholder of, the Company, any of its Subsidiaries or Affiliates thereof (each of the Company, any of its Subsidiaries or Affiliates being a "Related Company" and, collectively, the "Related Companies"), prior to and after the date of this Agreement concerning the business or affairs of the Related Companies (collectively, "Confidential Information") are and will be the property of the Related Companies ("Company Property"). Therefore, Executive agrees that he will not disclose to any unauthorized Person or use for the account of himself or any other Person any Company Property or Confidential Information without the prior written consent of the Company (by the action of the Board), unless and to the extent that such Company Property or Confidential Information has become generally known to and available for use by the public other than as a result of Executive's improper acts or omissions to act, or is required to be disclosed by law. Executive will deliver or cause to be delivered to the Company at, or within two days of, the Termination Date, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) containing or relating to Company Property or Confidential Information or the business of any Related Company which Executive may then possess or have under his control.

Section 7. Non-Compete, Non-Solicitation.

(a) Non-Compete. Executive acknowledges that during his employment relationship with, or through his involvement as a consultant, contractor, representative, agent, officer, director, partner, member or stockholder of, the Company, any of its Subsidiaries, or any of their respective Affiliates or any predecessor thereof, Executive has and will become familiar with trade secrets and Confidential Information concerning such companies, and with investment opportunities relating to their respective businesses, and that Executive's services have been and will be of special, unique and extraordinary value to the foregoing entities. Therefore, Executive agrees that, during his employment with the Company and for one year after the Termination Date (the "Non-Compete Period"), unless otherwise agreed to in writing by the Parties to this Agreement, he will not, directly or indirectly, invest in, own, manage, operate, finance, control, or participate in the ownership, management, operation, financing, or control of, be employed by, render services to, or in any manner connected with any business (in each case including on his own behalf or on behalf of another Person), whose products, services or activities compete in whole or in part with the products, services or activities of the Company or its Affiliates, as they now exist or may exist during such one year period, anywhere within the United States; provided, however, that Executive may purchase or otherwise acquire up to (but not more than) 2% of any class of securities of any enterprise (but without otherwise directly or indirectly participating in the activities of such enterprise) if such securities are listed on any national or regional securities exchange or have been registered under Section 12(g) of the Securities

Exchange Act of 1934. Executive agrees that this covenant is reasonable with respect to its duration, geographical area, and scope. By initialing in the space provided below, Executive acknowledges that he has read carefully and had the opportunity to consult with legal counsel regarding the provisions of this Section 7(a). /s/ BW_ [initial].

- (b) Non-Solicitation. During his employment with the Company and for one year thereafter, Executive will not directly or indirectly
- (i) induce or attempt to induce any employee or independent contractor of the Company or any Subsidiary, or their respective Affiliates to leave the employ or contracting relationship with such entity, or in any way interfere with the relationship between any such entity and any employee, or
 - (ii) induce or attempt to induce any customer, supplier or other business relation of the Company or any Subsidiary, or their respective Affiliates, to cease doing business with such entity or in any way interfere with the relationship between any such customer, supplier or other business relation and such entity. By initialing in the space provided below, Executive acknowledges that he has read carefully and had the opportunity to consult with legal counsel regarding the provisions of this Section 7(b). /s/ BW_ [initial].

Section 8. Inventions and Patents. Executive acknowledges that all inventions, innovations, improvements, know how, plans, development, methods, designs, analyses, specifications, software, drawings, reports and all similar or related information (whether or not patentable or reduced to practice) which relate to any of the Company's actual or proposed business activities and which are created, designed or conceived, developed or made by Executive during Executive's past or future employment by the Company, or any Subsidiary, or any predecessor thereof ("Work Product") belong to the Company, or its Subsidiaries, as applicable. Any copyrightable work falling within the definition of Work Product shall be deemed a "work made for hire" and ownership of all right title and interest shall rest in the Company. Executive hereby irrevocably assigns, transfers and conveys, to the full extent permitted by law, all right, title and interest in the Work Product, on a worldwide basis, to the Company to the extent ownership of any such rights does not automatically vest in the Company under applicable law. Executive will promptly disclose any such Work Product to the Company and perform all actions requested by the Company (whether during or after employment) to establish and confirm ownership of such Work Product by the Company (including without limitation, assignments, consents, powers of attorney and other instruments.)

Section 9. Enforcement. The Company and Executive agree that if, at any time a court holds that anything stated in Sections 6, 7 or 8 of this Agreement is unreasonable under circumstances, invalid or unenforceable, such shall not effect the validity and enforceability of the remainder of this Agreement. Because Executive's services are unique and because Executive has access to information of the type described in Sections 6, 7 and 8 hereof, the Company and Executive agree that money damages would be an inadequate remedy for any breach of Section 6, 7 or 8 hereof. Therefore, in the event of a breach of Section 6, 7 or 8 hereof,

the Company and any Subsidiary thereof may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive relief in order to enforce, or prevent any violations of, the provisions of Section 6, 7 or 8 hereof. The provisions of Sections 6, 7 and 8 hereof are intended to be for the benefit of the Company and any Subsidiary thereof and their respective successors and assigns. Sections 6, 7 and 8 hereof will survive and continue in full force in accordance with their terms notwithstanding any termination of the Employment Period. By initialing in the space provided below, Executive acknowledges that he has read carefully and had the opportunity to consult with legal counsel regarding the provisions of this Section 9. /s/ BW **[initial]**.

Section 10. Representations and Warranties of Executive. Executive represents and warrants to the Company as follows:

(a) Other Agreements. Executive is not a party to or bound by any employment, noncompete, nonsolicitation, nondisclosure, confidentiality or similar agreement with any other Person which would affect his performance under this Agreement other than Executive's prior agreement with his current employer.

(b) Authorization. This Agreement constitutes the valid and legally binding obligation of Executive, enforceable against Executive in accordance with its terms.

Section 11. Survival of Representations and Warranties. All representations and warranties contained herein will survive the execution and delivery of this Agreement.

Section 12. Certain Definitions. When used herein, the following terms will have the following meanings:

“Affiliate” means, with respect to any Person, any other Person that, directly or indirectly through one or more of its intermediaries, controls, is controlled by or is under common control with such Person.

“Board” means the Board of Directors of the Company.

“Business Day” means a day that is not a Saturday, a Sunday or a statutory or civic holiday in the Commonwealth of Kentucky or in Louisville, Kentucky.

“Cause” has the meaning given in Section 4(a).

“Disability” means the failure by Executive (by reason of accident, illness, incapacity or other disability as determined by the Company) to perform his duties or fulfill his obligations under this Agreement on a “full time” basis for a cumulative total of 180 days, whether or not consecutive, within any 12-month period. The Company's determination as to whether Executive has incurred a Disability shall be made in good faith by the Board based on the opinion of a licensed physician selected by the Company or its insurers.

“Good Reason” has the meaning given in Section 4(a).

“Non-Compete Period” has the meaning given in Section 7.

“Person” means an individual, a partnership, a corporation, an association, a limited liability company, a joint stock company, a trust, a joint venture, an unincorporated organization or any other entity (including any governmental entity or any department, agency or political subdivision thereof).

“Subsidiaries” means, with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of such Person or entity or a combination thereof. For purposes hereof, a Person or Persons will be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons will be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or will be or control any managing director, managing member, or general partner of such limited liability company, partnership, association or other business entity.

“Termination Date” means the date on which the Employment Period ends as determined by Section 4(a).

“Without Cause” has the meaning given in Section 4(a).

Section 13. Miscellaneous.

(a) Notices. All notices, demands or other communications to be given or delivered by reason of the provisions of this Agreement will be in writing and will be deemed to have been given (i) on the date of personal delivery to the recipient or an officer of the recipient, or (ii) when sent by telecopy or facsimile machine to the number shown below on the date of such confirmed facsimile or telecopy transmission (provided that a confirming copy is sent via overnight mail), or (iii) when properly deposited for delivery by a nationally recognized commercial overnight delivery service, prepaid, or by deposit in the United States mail, certified or registered mail, postage prepaid, return receipt requested. Such notices, demands and other communications will be sent to each party at the address indicated for such party below:

Notices to Executive, to:

Bruce Widener
15312 Champion Lakes Place
Louisville, Kentucky 40245

Notices to the Company, to:

Beacon Enterprise Solutions Group, Inc.
1961 Bishop Lane
Louisville, KY 40218
Attn: Bruce Widener

with a copy (which will not constitute notice to the Company) to:

Frost Brown Todd LLC
400 West Market Street, 32nd Floor
Louisville, Kentucky 40202
Attn: William G. Strench

or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party.

(b) Consent to Amendments. No modification, amendment or waiver of any provision of this Agreement will be effective against any party hereto unless such modification, amendment or waiver is approved in writing by such party. No other course of dealing among the Company and Executive or any delay in exercising any rights hereunder will operate as a waiver by any of the parties hereto of any rights hereunder.

(c) Successors and Assigns. All covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not.

(d) Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

(e) Counterparts. This Agreement may be executed simultaneously in two or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same Agreement.

(f) Descriptive Headings; Interpretation. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a substantive part of this Agreement. The use of the word "including" in this Agreement will be by way of example rather than by limitation.

(g) Governing Law. This Agreement shall be interpreted, enforced and governed by the laws of the Commonwealth of Kentucky. If, for any reason, any part(s) or language within any part(s) of this Agreement shall be deemed invalid or unenforceable, all remaining parts shall remain binding and in full force and effect.

(h) Jurisdiction. Each of the parties hereto (i) consents to submit itself to the personal jurisdiction of any federal or state court located in Jefferson County, Kentucky in the event any dispute arises out of this Agreement or any of the transactions contemplated hereby, (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (iii) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated hereby in any Court other than a federal or state court sitting in Jefferson County, Kentucky, as applicable.

(i) Entire Agreement. Except as otherwise expressly set forth in this Agreement, this Agreement and the other agreements referred to in this Agreement embody the complete agreement and understanding among the parties to this Agreement with respect to the subject matter of this Agreement, and supersede and preempt any prior understandings, agreements, or representations by or among the parties or their predecessors, written or oral, which may have related to the subject matter of this Agreement in any way.

(j) Attorney's Fees. In the event that Company or Executive should bring suit against the other in respect to any matters provided for in this Agreement, the prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs in connection with such suit.

IN WITNESS WHEREOF, the parties hereto have executed this Executive Employment Agreement as of the date first written above.

BEACON ENTERPRISE SOLUTIONS GROUP, INC.

By: /s/ John D. Rhodes

Name: Dr. John D. Rhodes

Title: Director and Chairman of Compensation Committee

EXECUTIVE

/s/ Bruce Widener

Bruce Widener, Executive

EXHIBIT "A"

CORPORATE BONUS POOL PLAN

Beacon Enterprise Solutions Group, Inc.

**Bonus Pool Potential
For the Fiscal Year Ended September 30, 2009**

		Bonus	90%	95%	100%	105%	110%	115%	120%	125%
Bruce Widener	CEO/Chairman	\$ 120,000	\$ 108,000	\$ 114,000	\$ 120,000	\$ 126,000	\$ 132,000	\$ 138,000	\$ 144,000	\$ 150,000
Robert Mohr	CAO	30,000	27,000	28,500	30,000	31,500	33,000	34,500	36,000	37,500
Rick Mills (3)	President	40,000	36,000	38,000	40,000	42,000	44,000	46,000	48,000	50,000
Ken Kerr	COO	75,000	67,500	71,250	75,000	78,750	82,500	86,250	90,000	93,750
Bonus Pool Potential		\$ 238,500	\$ 211,750	\$ 225,000	\$ 238,250	\$ 249,500	\$ 261,000	\$ 272,250	\$ 283,500	\$ 294,750
Fiscal 2009 EBITDA		\$ 900,000	\$ 950,000	\$ 1,000,000	\$ 1,050,000	\$ 1,100,000	\$ 1,150,000	\$ 1,200,000	\$ 1,250,000	\$ 1,250,000
% of EBITDA		26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
		Bonus	90%	95%	100%	105%	110%	115%	120%	125%
Bruce Widener	CEO/Chairman	\$ 120,000	\$ 108,000	\$ 114,000	\$ 120,000	\$ 126,000	\$ 132,000	\$ 138,000	\$ 144,000	\$ 150,000
Robert Mohr	CAO	30,000	27,000	28,500	30,000	31,500	33,000	34,500	36,000	37,500
Rick Mills (3)	President	40,000	36,000	38,000	40,000	42,000	44,000	46,000	48,000	50,000
Ken Kerr	COO	75,000	67,500	71,250	75,000	78,750	82,500	86,250	90,000	93,750
Bonus Pool Potential		\$ 238,500	\$ 211,750	\$ 225,000	\$ 238,250	\$ 249,500	\$ 261,000	\$ 272,250	\$ 283,500	\$ 294,750
Change in EBITDA from Fiscal 2008		\$ 4,900,000	\$ 4,950,000	\$ 5,000,000	\$ 5,050,000	\$ 5,100,000	\$ 5,150,000	\$ 5,200,000	\$ 5,250,000	\$ 5,250,000
% of Change in EBITDA		4.87%	5.09%	5.30%	5.51%	5.72%	5.92%	6.12%	6.31%	6.31%
Bruce Widener	CEO/Chairman	\$ 240,000	\$ 216,000	\$ 228,000	\$ 240,000	\$ 252,000	\$ 264,000	\$ 276,000	\$ 288,000	\$ 300,000
Robert Mohr	CAO	60,000	54,000	57,000	60,000	63,000	66,000	69,000	72,000	75,000
Rick Mills (3)	President	80,000	72,000	76,000	80,000	84,000	88,000	92,000	96,000	100,000
Ken Kerr	COO	150,000	135,000	142,500	150,000	157,500	165,000	172,500	180,000	187,500
Total Bonus Pool		\$ 530,000	\$ 477,000	\$ 503,500	\$ 530,000	\$ 556,500	\$ 583,000	\$ 609,500	\$ 636,000	\$ 662,500
Fiscal 2009 EBITDA		\$ 900,000	\$ 950,000	\$ 1,000,000	\$ 1,050,000	\$ 1,100,000	\$ 1,150,000	\$ 1,200,000	\$ 1,250,000	\$ 1,250,000
% of Fiscal 2009 EBITDA		53.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%

(1) If EBITDA exceeds 125% of plan, bonuses will be based on 93% of EBITDA.

(2) Assumes 50% of Bonus is payable based on Fiscal Year EBITDA and 50% is based on the change in EBITDA from the prior year.

(3) Rick Mills Bonus is supplemented by Commissions based on achieving specific revenue levels.

EXHIBIT B

FORM OF RELEASE AGREEMENT

This Release Agreement (this “*Agreement*”) constitutes the release referred to in that certain Executive Employment Agreement (the “*Employment Agreement*”) dated as of the ____ day of _____, _____, by and between Bruce Widener (“*Employee*”) and Beacon Enterprise Solutions Group, Inc. (the “*Company*”).

In consideration of the benefits set forth in the Employment Agreement, Employee hereby settles, waives, releases and discharges any and all claims, demands, actions or causes of actions, known or unknown, which Employee has or may have against the Company, its subsidiaries, affiliates, partners, directors, officers, shareholders, agents or employees, except as otherwise provide in the Employment Agreement.

Employee expressly acknowledges that the Employment Agreement includes consideration for the settlement, waiver, release and discharge of any and all claims or actions arising from Employee’s employment, the terms and conditions of Employee’s employment or Employee’s separation from employment with the Company, including wrongful termination.

Employee recognize that by signing this Release Agreement, Employee may be giving up some claim, demand or cause of action, which Employee now has or may have, of which Employee may be unaware. Employee also acknowledges that Employee is giving up any right to seek reemployment with the Company.

Employee agrees that Employee will keep the terms and conditions of this Agreement confidential and that Employee shall not disclose such terms to anyone, either within or outside the Company, except their attorney, spouse, accountant and/or financial advisor. In addition, by signing this Agreement Employee acknowledges that while employed with the Company Employee was exposed to confidential information including but not limited to information regarding employees and agents of the Company and information regarding the Company’s policies and procedures all of which is confidential in nature. Employee agrees that Employee will not disclose any such information to any person or entity at any time for any reason. Employee understands further that disclosure of any such information will constitute a breach of this Agreement and that the Company will have the right to pursue any and all remedies to which it may be entitled as a result of that breach. If the Company prevails in pursuing an action for breach of this Agreement against Employee, in addition to damages, Employee agrees to pay all costs incurred by the Company associated with any such action, including legal fees and costs.

It is understood that this Release Agreement shall in no way affect any claims Employee may have under laws relating to social security or unemployment benefits.

This Release Agreement will be governed by the laws of the Commonwealth of Kentucky.

Employee acknowledges that Employee has read and fully understands all of the provisions of this Release Agreement and that Employee is entering into this Agreement freely and voluntarily.

Executed on this _____ day of _____, _____.

Name:

STATE OF _____ §

§

COUNTY OF _____ §

BEFORE ME, the undersigned authority personally appeared _____, by me known or who produced valid identification as described below, who executed the foregoing instrument and acknowledged before me that he subscribed to such instrument on this _____ day of _____, _____.

NOTARY PUBLIC in and for the

State of _____

My Commission Expires: _____

Identification produced:

EXECUTIVE EMPLOYMENT AGREEMENT

This EXECUTIVE EMPLOYMENT AGREEMENT (this "Agreement") is made as of May 22, 2009 by and between Beacon Enterprise Solutions Group, Inc., an Indiana corporation (the "Company"), and Richard C. Mills ("Executive"). This Agreement replaces the Executive Employment Agreement entered into between the parties on December 21, 2007.

WHEREAS, the Company desires to employ Executive, and Executive desires to be employed by the Company, on the terms set forth herein;

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Employment. The Company hereby employs Executive, and Executive hereby accepts employment with the Company, upon the terms and conditions set forth in this Agreement, for the period beginning on (date old Agreement ended.) and ending as provided in Section 4 hereof (the "Employment Period").

Section 2. Position and Duties. During the Employment Period, Executive will serve as President of the Company and render such managerial, analytical, administrative, marketing, creative and other executive services to the Company and its Affiliates, as are from time to time necessary in connection with the management and affairs of the Company and its Affiliates, in each case subject to the authority of the Board (as defined below) of the Company to define and limit such executive services, including serving as an officer, manager, employee or in any other capacity for any Affiliate of the Company. Executive will devote his best efforts and all of his business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company and its Affiliates. Executive will perform his duties and responsibilities to the best of his abilities in a diligent, trustworthy, businesslike and efficient manner. Executive will be permitted to reside and perform Executive's duties in Louisville, Kentucky (other than typical travel that is required in the performance of such duties).

Section 3. Salary and Benefits.

(a) Salary. Executive's compensation consists of a salary and bonus as described below and as specifically outlined on Exhibit A to this Agreement. The Company will pay Executive salary at a rate equal to the amount reflected on Exhibit A (the "Salary"). Said amount may be adjusted from time to time. The Salary will be payable in regular installments in accordance with the general payroll practices of the Company. Executive will also be eligible for an annual salary review by the Company and the Salary may be adjusted by the Company based on the achievement of performance goals.

(b) Bonuses. During the Employment Period, the Company will establish cash and equity incentive bonus programs representing potential additional incentive

compensation for Executive. Specifically, you will be eligible to be considered for a performance based bonus as set forth on Exhibit A of this Agreement. The bonus program shall be administered and distributed under the sole direction of the Compensation Committee of the Board, taking into account the recommendations of senior management of the Company and the achievement of annual goals and objectives as established and approved by the Board. If the Employment Period during any fiscal year is less than the full fiscal year, the bonus amount paid to Executive, if any, attributable to any fiscal year shall be prorated for the actual number of days of the Employment Period that elapse during such fiscal year.

(c) Benefits. During the Employment Period, the Company will provide Executive with family health, dental and major medical, vision and disability coverage, as well as participation under such plans as the Board may establish or maintain from time to time for executive officers of the Company (collectively, the "Benefits"). Executive will be entitled to such paid vacation per annum as the Company shall establish as Company policy for all management of the Company.

(d) Reimbursement of Expenses. During the Employment Period, the Company will reimburse Executive for all reasonable out-of-pocket expenses incurred by him during the Employment Period in the course of performing his duties under this Agreement which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses. Specifically, you will be reimbursed for up to \$1,500 of annual membership dues to licensing and trade organizations of your designation.

Section 4. Termination.

(a) The Employment Period will continue until the earlier of:

(i) Executive's resignation

(A) for Good Reason on 30 days' written notice,

(B) for any other reason or no reason (a resignation described in this clause (i)(B) being a resignation by the Executive "Without Good Reason") or

(C) as a result of Executive's death or Disability, which resignation shall be deemed automatically tendered upon Executive's death or Disability; or

(ii) the giving of notice of termination by the Company

(A) for Cause or

(B) for any other reason or for no reason (a termination described in this clause (ii)(B) being a termination by the Company "Without Cause").

For purposes of this Agreement, "Cause" means

- (i) any willful or intentional act of Executive that has the effect of injuring the reputation or business of the Company or its Affiliates in any material respect,
- (ii) Executive's use of illegal drugs,
- (iii) that the Executive has materially failed to perform his duties hereunder and such failure continues uncured for 30 days after notice to Executive by the Company; provided, the foregoing notice shall only be required with respect to one material breach that occurs in any 12-month period, or
- (iv) Executive's indictment, conviction or a plea of guilty or no contest or similar plea with respect to, a felony, an act of fraud or embezzlement, a breach of fiduciary duty to the Company or any of its Subsidiaries, or a (v) breach of any of Sections 6, 7 or 8 of this Agreement.

For the purposes of this Agreement, "Good Reason" means

- (i) any substantial diminution in the Executive's professional responsibilities,
- (ii) any intentional act which creates a workplace environment that, by duress or otherwise, makes it impossible for Executive to continue his employment,
- (iii) a reduction in Salary or the overall level of other compensation and benefits to which Executive is entitled under this Agreement, or
- (iv) the failure by the Company to pay the Executive any portion of the Executive's current compensation when due and such failure continues for 7 days after notice to Company from Executive provided that the foregoing notice shall only be required with respect to one such failure in any 12-month period. For avoidance of doubt, Executive hereby acknowledges that the Board may from time to time reorganize the operations of the Company resulting in a change in Executive's title or direct employer, which change alone shall not constitute Good Reason so long as any change in title or reporting responsibilities results in no substantial diminution in Executive's responsibilities and any new direct employer agrees to be bound by the terms and conditions of this Agreement, without modification other than to reflect the change in title and employer.

(b) In the event the Employment Period is terminated by the Company Without Cause or the Executive resigns for Good Reason, then, so long as Executive continues to comply with Sections 6, 7 and 8 hereof, and so long as Executive executes and delivers to the Company immediately prior to the payment of such first installment a release in the form of

Exhibit B, then Executive will be entitled to receive an amount (the "Severance Amount") equal to twelve (12) months pay at the rate of Executive's Salary in effect at the Termination Date and payable in accordance with the Company's regular payment schedule in effect at the Termination Date. In addition, in connection with termination described in the preceding sentence, Executive shall be entitled to receive

(i) any incentive payments earned and accrued but not yet paid to Executive prior to the Termination Date,

(ii) continued medical coverage during the Severance Term pursuant to COBRA at the Company's expense; and

(iii) all accrued and unpaid Salary and unused vacation time through the Termination Date and all unreimbursed business expenses incurred through the Termination Date; provided, as a condition to receiving the Severance Amount or any payment or benefit described in paragraphs 4(b)(i) and 4(b)(ii).

(c) In the event the Employment Period is terminated due to the Executive's death, or resignation Without Good Reason or by the Company with Cause then, so long as Executive continues to comply with Sections 6, 7 and 8 hereof, Executive will be entitled to receive the items described in paragraphs 4(b)(i) and 4(b)(iii) above.

(d) In the event the Employment Period is terminated by the Executive or the Company due to the Executive's Disability, then the Executive shall receive his monthly Salary and benefits through the end of the calendar month in which such termination occurs and, so long as Executive continues to comply with Sections 6, 7 and 8 hereof, Executive will be entitled to receive the items described in Sections 4(b)(i),(ii) and (iii) above.

Section 5. Resignation as Officer or Director. Upon the Termination Date, Executive will be deemed to have resigned from each position (if any) that he then holds as an officer or director of the Company and each of its Affiliates, and Executive will take any and all reasonable action that the Company may request in order to confirm or evidence such resignation.

Section 6. Confidential Information. Executive acknowledges that the information, observations and data that may be obtained by Executive during his employment relationship with, or through his involvement as a consultant, contractor, representative, agent, officer, director, partner, member or stockholder of, the Company, any of its Subsidiaries or Affiliates thereof (each of the Company, any of its Subsidiaries or Affiliates being a "Related Company" and, collectively, the "Related Companies"), prior to and after the date of this Agreement concerning the business or affairs of the Related Companies (collectively, "Confidential Information") are and will be the property of the Related Companies ("Company Property"). Therefore, Executive agrees that he will not disclose to any unauthorized Person or use for the account of himself or any other Person any Company Property or Confidential Information without the prior written consent of the Company (by the action of the Board), unless and to the extent that such Company Property or Confidential Information has become generally known to and available for use by the public other than as a result of Executive's

improper acts or omissions to act, or is required to be disclosed by law. Executive will deliver or cause to be delivered to the Company at, or within two days of, the Termination Date, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) containing or relating to Company Property or Confidential Information or the business of any Related Company which Executive may then possess or have under his control.

Section 7. Non-Compete, Non-Solicitation.

(a) Non-Compete. Executive acknowledges that during his employment relationship with, or through his involvement as a consultant, contractor, representative, agent, officer, director, partner, member or stockholder of, the Company, any of its Subsidiaries, or any of their respective Affiliates or any predecessor thereof, Executive has and will become familiar with trade secrets and Confidential Information concerning such companies, and with investment opportunities relating to their respective businesses, and that Executive's services have been and will be of special, unique and extraordinary value to the foregoing entities. Therefore, Executive agrees that, during his employment with the Company and for one year after the Termination Date (the "Non-Compete Period"), unless otherwise agreed to in writing by the Parties to this Agreement, he will not, directly or indirectly, invest in, own, manage, operate, finance, control, or participate in the ownership, management, operation, financing, or control of, be employed by, render services to, or in any manner connected with any business (in each case including on his own behalf or on behalf of another Person), whose products, services or activities compete in whole or in part with the products, services or activities of the Company or its Affiliates, as they now exist or may exist during such one year period, anywhere within the United States; provided, however, that Executive may purchase or otherwise acquire up to (but not more than) 2% of any class of securities of any enterprise (but without otherwise directly or indirectly participating in the activities of such enterprise) if such securities are listed on any national or regional securities exchange or have been registered under Section 12(g) of the Securities Exchange Act of 1934. Executive agrees that this covenant is reasonable with respect to its duration, geographical area, and scope. By initialing in the space provided below, Executive acknowledges that he has read carefully and had the opportunity to consult with legal counsel regarding the provisions of this Section 7(a). /s/ RCM_ [initial].

(b) Non-Solicitation. During his employment with the Company and for one year thereafter, Executive will not directly or indirectly

- (i) induce or attempt to induce any employee or independent contractor of the Company or any Subsidiary, or their respective Affiliates to leave the employ or contracting relationship with such entity, or in any way interfere with the relationship between any such entity and any employee, or
- (ii) induce or attempt to induce any customer, supplier or other business relation of the Company or any Subsidiary, or their respective Affiliates, to cease doing business with such entity or in any way interfere with the relationship between any such customer, supplier or other business relation and such entity. By initialing in the space provided below,

Executive acknowledges that he has read carefully and had the opportunity to consult with legal counsel regarding the provisions of this Section 7(b). /s/ RCM_ [initial].

Section 8. Inventions and Patents. Executive acknowledges that all inventions, innovations, improvements, know how, plans, development, methods, designs, analyses, specifications, software, drawings, reports and all similar or related information (whether or not patentable or reduced to practice) which relate to any of the Company's actual or proposed business activities and which are created, designed or conceived, developed or made by Executive during Executive's past or future employment by the Company, or any Subsidiary, or any predecessor thereof ("Work Product") belong to the Company, or its Subsidiaries, as applicable. Any copyrightable work falling within the definition of Work Product shall be deemed a "work made for hire" and ownership of all right title and interest shall rest in the Company. Executive hereby irrevocably assigns, transfers and conveys, to the full extent permitted by law, all right, title and interest in the Work Product, on a worldwide basis, to the Company to the extent ownership of any such rights does not automatically vest in the Company under applicable law. Executive will promptly disclose any such Work Product to the Company and perform all actions requested by the Company (whether during or after employment) to establish and confirm ownership of such Work Product by the Company (including without limitation, assignments, consents, powers of attorney and other instruments.)

Section 9. Enforcement. The Company and Executive agree that if, at any time a court holds that anything stated in any Section of this Agreement is unreasonable under circumstances then existing, then the maximum period, scope or geographical area reasonable under such circumstances will be substituted for the stated period, scope or area. Because Executive's services are unique and because Executive has access to information of the type described in Sections 6, 7 and 8 hereof, the Company and Executive agree that money damages would be an inadequate remedy for any breach of Section 6, 7 or 8 hereof. Therefore, in the event of a breach of Section 6, 7 or 8 hereof, the Company and any Subsidiary thereof may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive relief in order to enforce, or prevent any violations of, the provisions of Section 6, 7 or 8 hereof. The provisions of Sections 6, 7 and 8 hereof are intended to be for the benefit of the Company and any Subsidiary thereof and their respective successors and assigns. Sections 6, 7 and 8 hereof will survive and continue in full force in accordance with their terms notwithstanding any termination of the Employment Period. By initialing in the space provided below, Executive acknowledges that he has read carefully and had the opportunity to consult with legal counsel regarding the provisions of this Section 9. /s/ RCM_ [initial].

Section 10. Representations and Warranties of Executive. Executive represents and warrants to the Company as follows:

(a) Other Agreements. Executive is not a party to or bound by any employment, noncompete, nonsolicitation, nondisclosure, confidentiality or similar agreement with any other Person which would affect his performance under this Agreement other than Executive's prior agreement with his current employer.

(b) Authorization. This Agreement constitutes the valid and legally binding obligation of Executive, enforceable against Executive in accordance with its terms.

Section 11. Survival of Representations and Warranties. All representations and warranties contained herein will survive the execution and delivery of this Agreement.

Section 12. Certain Definitions. When used herein, the following terms will have the following meanings:

“Affiliate” means, with respect to any Person, any other Person that, directly or indirectly through one or more of its intermediaries, controls, is controlled by or is under common control with such Person.

“Board” means the Board of Directors of the Company.

“Business Day” means a day that is not a Saturday, a Sunday or a statutory or civic holiday in the Commonwealth of Kentucky or in Louisville, Kentucky.

“Cause” has the meaning given in Section 4(a).

“Disability” means the failure by Executive (by reason of accident, illness, incapacity or other disability as determined by the Company) to perform his duties or fulfill his obligations under this Agreement on a “full time” basis for a cumulative total of 180 days, whether or not consecutive, within any 12-month period. The Company's determination as to whether Executive has incurred a Disability shall be made in good faith by the Board based on the opinion of a licensed physician selected by the Company or its insurers.

“Good Reason” has the meaning given in Section 4(a).

“Non-Compete Period” has the meaning given in Section 7.

“Person” means an individual, a partnership, a corporation, an association, a limited liability company, a joint stock company, a trust, a joint venture, an unincorporated organization or any other entity (including any governmental entity or any department, agency or political subdivision thereof).

“Subsidiaries” means, with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of such Person or entity or a combination thereof. For purposes hereof, a Person or Persons will be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons will be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or will

be or control any managing director, managing member, or general partner of such limited liability company, partnership, association or other business entity.

“Termination Date” means the date on which the Employment Period ends as determined by Section 4(a).

“Without Cause” has the meaning given in Section 4(a).

Section 13. Miscellaneous.

(a) Notices. All notices, demands or other communications to be given or delivered by reason of the provisions of this Agreement will be in writing and will be deemed to have been given (i) on the date of personal delivery to the recipient or an officer of the recipient, or (ii) when sent by telecopy or facsimile machine to the number shown below on the date of such confirmed facsimile or telecopy transmission (provided that a confirming copy is sent via overnight mail), or (iii) when properly deposited for delivery by a nationally recognized commercial overnight delivery service, prepaid, or by deposit in the United States mail, certified or registered mail, postage prepaid, return receipt requested. Such notices, demands and other communications will be sent to each party at the address indicated for such party below:

Notices to Executive, to:

Richard C. Mills
1961 Bishop Lane
Louisville, KY 40218

With a copy (which will not constitute notice to Executive) to:

Conliffe Sandmann & Sullivan
2000 Waterfront Plaza
325 West Main Street
Louisville, Kentucky 40202
Attn: Kenneth A. Bohnert and Edward L. Lasley

Notices to the Company, to:

Beacon Enterprise Solutions Group, Inc.
124 N. First Street
Louisville, KY 40202
Attn: Bruce Widener

with a copy (which will not constitute notice to the Company)

Frost Brown Todd LLC
400 West Market Street, 32nd Floor
Louisville, Kentucky 40202
Attn: William G. Strench

or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party.

(b) Consent to Amendments. No modification, amendment or waiver of any provision of this Agreement will be effective against any party hereto unless such modification, amendment or waiver is approved in writing by such party. No other course of dealing among the Company and Executive or any delay in exercising any rights hereunder will operate as a waiver by any of the parties hereto of any rights hereunder.

(c) Successors and Assigns. All covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not.

(d) Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

(e) Counterparts. This Agreement may be executed simultaneously in two or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same Agreement.

(f) Descriptive Headings; Interpretation. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a substantive part of this Agreement. The use of the word “including” in this Agreement will be by way of example rather than by limitation.

(g) Governing Law. This Agreement shall be interpreted, enforced and governed by the laws of the Commonwealth of Kentucky. If, for any reason, any part(s) or language within any part(s) of this Agreement shall be deemed invalid or unenforceable, all remaining parts shall remain binding and in full force and effect.

(h) Jurisdiction. Each of the parties hereto (i) consents to submit itself to the personal jurisdiction of any federal or state court located in Jefferson County, Kentucky in the event any dispute arises out of this Agreement or any of the transactions contemplated hereby, (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (iii) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated hereby in any Court other than a federal or state court sitting in Jefferson County, Kentucky, as applicable.

(i) Entire Agreement. Except as otherwise expressly set forth in this Agreement, this Agreement and the other agreements referred to in this Agreement embody the complete agreement and understanding among the parties to this Agreement with respect to the subject matter of this Agreement, and supersede and preempt any prior understandings, agreements, or representations by or among the parties or their predecessors, written or oral, which may have related to the subject matter of this Agreement in any way.

(j) Attorney's Fees. In the event that Company or Executive should bring suit against the other in respect to any matters provided for in this Agreement, the prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs in connection with such suit.

IN WITNESS WHEREOF, the parties hereto have executed this Executive Employment Agreement as of the date first written above.

BEACON ENTERPRISE SOLUTIONS GROUP, INC.

By: /s/ Bruce Widener

Name: Bruce Widener

Title: Chief Executive Officer

EXECUTIVE

/s/ Richard Mills

Signature

Richard C. Mills

**EXHIBIT A TO
RICHARD C. MILLS' AGREEMENT**

1. Salary – \$150,000 per year.
2. Corporate Entertainment and Activities Expense – \$12,000 per year payable monthly.
3. Commissions from J&J Transactions – Per Attached Schedule.
4. Quarterly Revenue Attainment Bonus (calendar 2009)

Revenue is defined as sales invoice to the customer recognized within the quarter on the financial statements:

a. First Quarter

- | | |
|---------------------------------|------------------|
| i. Revenue \geq \$2,000,000 | Bonus = \$10,000 |
| ii. Revenue \geq \$2,200,000 | Bonus = \$15,000 |
| iii. Revenue \geq \$2,400,000 | Bonus = \$20,000 |

b. Second Quarter

- | | |
|---------------------------------|------------------|
| i. Revenue \geq \$3,400,000 | Bonus = \$15,000 |
| ii. Revenue \geq \$3,800,000 | Bonus = \$25,000 |
| iii. Revenue \geq \$4,200,000 | Bonus = \$40,000 |

c. Third Quarter and Fourth Quarter

- | | |
|---------------------------------|------------------|
| i. Revenue \geq \$4,200,000 | Bonus = \$15,000 |
| ii. Revenue \geq \$4,600,000 | Bonus = \$25,000 |
| iii. Revenue \geq \$5,000,000 | Bonus = \$40,000 |

5. Additional bonus will be paid at 8% of Fiscal 2009 EBITDA.
 6. Grant of Option to Purchase 1,000,000 shares of Beacon Common Stock at \$1.19 per share.
-

EXHIBIT B

FORM OF RELEASE AGREEMENT

This Release Agreement (this "**Agreement**") constitutes the release referred to in that certain Executive Employment Agreement (the "**Employment Agreement**") dated as of December ____, 2007, by and between Richard C. Mills ("**Employee**") and Beacon Enterprise Solutions Group, Inc. (the "**Company**").

In consideration of the benefits set forth in the Employment Agreement, Employee hereby settles, waives, releases and discharges any and all claims, demands, actions or causes of actions, known or unknown, which Employee has or may have against the Company, its subsidiaries, affiliates, partners, directors, officers, shareholders, agents or employees.

Employee expressly acknowledges that the Agreement includes consideration for the settlement, waiver, release and discharge of any and all claims or actions arising from Employee's employment, the terms and conditions of Employee's employment or Employee's separation from employment with the Company, including claims of employment discrimination, wrongful termination or any claim arising under express or implied contract, tort, public policy, common law or any federal, state or local statute, ordinance, regulation or constitutional provision, including but not limited to the Age Discrimination in Employment Act, as amended to include the Older Workers Benefit Protection Act.

Employee hereby acknowledges that Employee has been advised to consult an attorney regarding any rights Employee may have under the Age Discrimination in Employment Act and that Employee has been given at least 21 days to consider the terms of this Agreement. Employee further acknowledges that Employee has also been advised that Employee may revoke this Agreement by advising the Company in writing of their desire to revoke within seven (7) days after the execution of this Agreement. Upon expiration of the seven (7) day period, this Agreement becomes irrevocable. In addition, in the event that Employee accepts and negotiates the check tendered with this Agreement prior to the deadlines set forth above, this Agreement becomes irrevocable.

Employee recognize that by signing this Release Agreement, Employee may be giving up some claim, demand or cause of action, which Employee now has or may have, of which Employee may be unaware. Employee also acknowledges that Employee is giving up any right to seek reemployment with the Company.

Employee agrees that Employee will keep the terms and conditions of this Agreement confidential and that Employee shall not disclose such terms to anyone, either within or outside the Company, except their attorney, spouse, accountant and/or financial advisor. In addition, by signing this Agreement Employee acknowledges that while employed with the Company Employee was exposed to confidential information including but not limited to information regarding employees and agents of the Company and information regarding the Company's policies and procedures all of which is confidential in nature. Employee agrees that Employee

will not disclose any such information to any person or entity at any time for any reason. Employee understands further that disclosure of any such information will constitute a breach of this Agreement and that the Company will have the right to pursue any and all remedies to which it may be entitled as a result of that breach. If the Company prevails in pursuing an action for breach of this Agreement against Employee, in addition to damages, Employee agrees to pay all costs incurred by the Company associated with any such action, including legal fees and costs.

It is understood that this Release Agreement shall in no way affect any claims Employee may have under laws relating to social security or unemployment benefits.

This Release Agreement will be governed by the laws of the Commonwealth of Kentucky.

Employee acknowledges that Employee has read and fully understands all of the provisions of this Release Agreement and that Employee is entering into this Agreement freely and voluntarily.

Executed on this _____ day of _____, _____.

Name:

STATE OF _____ §

§

COUNTY OF _____ §

BEFORE ME, the undersigned authority personally appeared _____, by me known or who produced valid identification as described below, who executed the foregoing instrument and acknowledged before me that he subscribed to such instrument on this _____ day of _____, _____.

NOTARY PUBLIC in and for the

State of _____

My Commission Expires: _____

Identification produced:

EXECUTIVE EMPLOYMENT AGREEMENT

This EXECUTIVE EMPLOYMENT AGREEMENT (this "Agreement") is made as of May 22, 2009 by and between Beacon Enterprise Solutions Group, Inc., an Indiana corporation (the "Company"), and Robert Mohr ("Executive") This Agreement replaces the Executive Employment Agreement entered into between the parties on December 20, 2009.

WHEREAS, the Company desires to employ Executive, and Executive desires to be employed by the Company, on the terms set forth herein;

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Employment. The Company hereby employs Executive, and Executive hereby accepts employment with the Company, upon the terms and conditions set forth in this Agreement, for the period beginning on (date old Agreement ended.) and ending as provided in Section 4 hereof (the "Employment Period").

Section 2. Position and Duties. During the Employment Period, Executive will serve as Chief Accounting Officer of the Company and render such managerial, analytical, administrative, marketing, creative and other executive services to the Company and its Affiliates, as are from time to time necessary in connection with the management and affairs of the Company and its Affiliates, in each case subject to the authority of the Board (as defined below) of the Company to define and limit such executive services, including serving as an officer, manager, employee or in any other capacity for any Affiliate of the Company. Executive will devote his best efforts and all of his business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company and its Affiliates. Executive will perform his duties and responsibilities to the best of his abilities in a diligent, trustworthy, businesslike and efficient manner. Executive will be permitted to reside and perform Executive's duties in Louisville, Kentucky (other than typical travel that is required in the performance of such duties).

Section 3. Salary and Benefits.

(a) Salary. Executive's compensation consists of a salary and bonus as described below and as specifically outlined on Exhibit A to this Agreement. The Company will pay Executive salary at a rate equal to the amount reflected on Exhibit A (the "Salary"). Said amount may be adjusted from time to time. The Salary will be payable in regular installments in accordance with the general payroll practices of the Company. Executive will also be eligible for an annual salary review by the Company and the Salary may be adjusted by the Company based on the achievement of performance goals.

(b) Bonuses. During the Employment Period, the Company will establish cash and equity incentive bonus programs representing potential additional incentive

compensation for Executive. Specifically, you will be eligible to be considered for a performance based bonus as set forth on Exhibit A of this Agreement. The bonus program shall be administered and distributed under the sole direction of the Compensation Committee of the Board, taking into account the recommendations of senior management of the Company and the achievement of annual goals and objectives as established and approved by the Board. If the Employment Period during any fiscal year is less than the full fiscal year, the bonus amount paid to Executive, if any, attributable to any fiscal year shall be prorated for the actual number of days of the Employment Period that elapse during such fiscal year.

(c) Benefits. During the Employment Period, the Company will provide Executive with family health, dental and major medical, vision and disability coverage, as well as participation under such plans as the Board may establish or maintain from time to time for executive officers of the Company (collectively, the "Benefits"). Executive will be entitled to such paid vacation per annum as the Company shall establish as Company policy for all management of the Company.

(d) Reimbursement of Expenses. During the Employment Period, the Company will reimburse Executive for all reasonable out-of-pocket expenses incurred by him during the Employment Period in the course of performing his duties under this Agreement which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses. Specifically, you will be reimbursed for up to \$1,500 of annual membership dues to licensing and trade organizations of your designation.

Section 4. Termination.

(a) The Employment Period will continue until the earlier of:

(i) Executive's resignation

(A) for Good Reason on 30 days' written notice,

(B) for any other reason or no reason (a resignation described in this clause (i)(B) being a resignation by the Executive "Without Good Reason") or

(C) as a result of Executive's death or Disability, which resignation shall be deemed automatically tendered upon Executive's death or Disability; or

(ii) the giving of notice of termination by the Company

(A) for Cause or

(B) for any other reason or for no reason (a termination described in this clause (ii)(B) being a termination by the Company "Without Cause").

For purposes of this Agreement, "Cause" means

- (i) any willful or intentional act of Executive that has the effect of injuring the reputation or business of the Company or its Affiliates in any material respect,
- (ii) Executive's use of illegal drugs,
- (iii) that the Executive has materially failed to perform his duties hereunder and such failure continues uncured for 30 days after notice to Executive by the Company; provided, the foregoing notice shall only be required with respect to one material breach that occurs in any 12-month period, or
- (iv) Executive's indictment, conviction or a plea of guilty or no contest or similar plea with respect to, a felony, an act of fraud or embezzlement, a breach of fiduciary duty to the Company or any of its Subsidiaries, or a (v) breach of any of Sections 6, 7 or 8 of this Agreement.

For the purposes of this Agreement, "Good Reason" means

- (i) any substantial diminution in the Executive's professional responsibilities,
 - (ii) any intentional act which creates a workplace environment that, by duress or otherwise, makes it impossible for Executive to continue his employment,
 - (iii) a reduction in Salary or the overall level of other compensation and benefits to which Executive is entitled under this Agreement, or
 - (iv) the failure by the Company to pay the Executive any portion of the Executive's current compensation when due and such failure continues for 7 days after notice to Company from Executive provided that the foregoing notice shall only be required with respect to one such failure in any 12-month period. For avoidance of doubt, Executive hereby acknowledges that the Board may from time to time reorganize the operations of the Company resulting in a change in Executive's title or direct employer, which change alone shall not constitute Good Reason so long as any change in title or reporting responsibilities results in no substantial diminution in Executive's responsibilities and any new direct employer agrees to be bound by the terms and conditions of this Agreement, without modification other than to reflect the change in title and employer.
- (b) In the event the Employment Period is terminated by the Company Without Cause or the Executive resigns for Good Reason, then, so long as Executive continues to comply with Sections 6, 7 and 8 hereof, and so long as Executive executes and delivers to the Company immediately prior to the payment of such first installment a release in the form of

Exhibit B, then Executive will be entitled to receive an amount (the "Severance Amount") equal to twelve (12) months pay at the rate of Executive's Salary in effect at the Termination Date and payable in accordance with the Company's regular payment schedule in effect at the Termination Date. In addition, in connection with termination described in the preceding sentence, Executive shall be entitled to receive

(i) any incentive payments earned and accrued but not yet paid to Executive prior to the Termination Date,

(ii) continued medical coverage during the Severance Term pursuant to COBRA at the Company's expense; and

(iii) all accrued and unpaid Salary and unused vacation time through the Termination Date and all unreimbursed business expenses incurred through the Termination Date; provided, as a condition to receiving the Severance Amount or any payment or benefit described in paragraphs 4(b)(i) and 4(b)(ii).

(c) In the event the Employment Period is terminated due to the Executive's death, or resignation Without Good Reason or by the Company with Cause then, so long as Executive continues to comply with Sections 6, 7 and 8 hereof, Executive will be entitled to receive the items described in paragraphs 4(b)(i) and 4(b)(iii) above.

(d) In the event the Employment Period is terminated by the Executive or the Company due to the Executive's Disability, then the Executive shall receive his monthly Salary and benefits through the end of the calendar month in which such termination occurs and, so long as Executive continues to comply with Sections 6, 7 and 8 hereof, Executive will be entitled to receive the items described in Sections 4(b)(i),(ii) and (iii) above.

Section 5. Resignation as Officer or Director. Upon the Termination Date, Executive will be deemed to have resigned from each position (if any) that he then holds as an officer or director of the Company and each of its Affiliates, and Executive will take any and all reasonable action that the Company may request in order to confirm or evidence such resignation.

Section 6. Confidential Information. Executive acknowledges that the information, observations and data that may be obtained by Executive during his employment relationship with, or through his involvement as a consultant, contractor, representative, agent, officer, director, partner, member or stockholder of, the Company, any of its Subsidiaries or Affiliates thereof (each of the Company, any of its Subsidiaries or Affiliates being a "Related Company" and, collectively, the "Related Companies"), prior to and after the date of this Agreement concerning the business or affairs of the Related Companies (collectively, "Confidential Information") are and will be the property of the Related Companies ("Company Property"). Therefore, Executive agrees that he will not disclose to any unauthorized Person or use for the account of himself or any other Person any Company Property or Confidential Information without the prior written consent of the Company (by the action of the Board), unless and to the extent that such Company Property or Confidential Information has become generally known to and available for use by the public other than as a result of Executive's

improper acts or omissions to act, or is required to be disclosed by law. Executive will deliver or cause to be delivered to the Company at, or within two days of, the Termination Date, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) containing or relating to Company Property or Confidential Information or the business of any Related Company which Executive may then possess or have under his control.

Section 7. Non-Compete, Non-Solicitation.

(a) Non-Compete. Executive acknowledges that during his employment relationship with, or through his involvement as a consultant, contractor, representative, agent, officer, director, partner, member or stockholder of, the Company, any of its Subsidiaries, or any of their respective Affiliates or any predecessor thereof, Executive has and will become familiar with trade secrets and Confidential Information concerning such companies, and with investment opportunities relating to their respective businesses, and that Executive's services have been and will be of special, unique and extraordinary value to the foregoing entities. Therefore, Executive agrees that, during his employment with the Company and for one year after the Termination Date (the "Non-Compete Period"), unless otherwise agreed to in writing by the Parties to this Agreement, he will not, directly or indirectly, invest in, own, manage, operate, finance, control, or participate in the ownership, management, operation, financing, or control of, be employed by, render services to, or in any manner connected with any business (in each case including on his own behalf or on behalf of another Person), whose products, services or activities compete in whole or in part with the products, services or activities of the Company or its Affiliates, as they now exist or may exist during such one year period, anywhere within the United States; provided, however, that Executive may purchase or otherwise acquire up to (but not more than) 2% of any class of securities of any enterprise (but without otherwise directly or indirectly participating in the activities of such enterprise) if such securities are listed on any national or regional securities exchange or have been registered under Section 12(g) of the Securities Exchange Act of 1934. Executive agrees that this covenant is reasonable with respect to its duration, geographical area, and scope. By initialing in the space provided below, Executive acknowledges that he has read carefully and had the opportunity to consult with legal counsel regarding the provisions of this Section 7(a). /s/ RRM_ [initial].

(b) Non-Solicitation. During his employment with the Company and for one year thereafter, Executive will not directly or indirectly

- (i) induce or attempt to induce any employee or independent contractor of the Company or any Subsidiary, or their respective Affiliates to leave the employ or contracting relationship with such entity, or in any way interfere with the relationship between any such entity and any employee, or
- (ii) induce or attempt to induce any customer, supplier or other business relation of the Company or any Subsidiary, or their respective Affiliates, to cease doing business with such entity or in any way interfere with the relationship between any such customer, supplier or other business relation and such entity. By initialing in the space provided below,

Executive acknowledges that he has read carefully and had the opportunity to consult with legal counsel regarding the provisions of this Section 7(b). /s/ RRM_ [initial].

Section 8. Inventions and Patents. Executive acknowledges that all inventions, innovations, improvements, know how, plans, development, methods, designs, analyses, specifications, software, drawings, reports and all similar or related information (whether or not patentable or reduced to practice) which relate to any of the Company's actual or proposed business activities and which are created, designed or conceived, developed or made by Executive during Executive's past or future employment by the Company, or any Subsidiary, or any predecessor thereof ("Work Product") belong to the Company, or its Subsidiaries, as applicable. Any copyrightable work falling within the definition of Work Product shall be deemed a "work made for hire" and ownership of all right title and interest shall rest in the Company. Executive hereby irrevocably assigns, transfers and conveys, to the full extent permitted by law, all right, title and interest in the Work Product, on a worldwide basis, to the Company to the extent ownership of any such rights does not automatically vest in the Company under applicable law. Executive will promptly disclose any such Work Product to the Company and perform all actions requested by the Company (whether during or after employment) to establish and confirm ownership of such Work Product by the Company (including without limitation, assignments, consents, powers of attorney and other instruments.)

Section 9. Enforcement. The Company and Executive agree that if, at any time a court holds that anything stated in any Section of this Agreement is unreasonable under circumstances then existing, then the maximum period, scope or geographical area reasonable under such circumstances will be substituted for the stated period, scope or area. Because Executive's services are unique and because Executive has access to information of the type described in Sections 6, 7 and 8 hereof, the Company and Executive agree that money damages would be an inadequate remedy for any breach of Section 6, 7 or 8 hereof. Therefore, in the event of a breach of Section 6, 7 or 8 hereof, the Company and any Subsidiary thereof may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive relief in order to enforce, or prevent any violations of, the provisions of Section 6, 7 or 8 hereof. The provisions of Sections 6, 7 and 8 hereof are intended to be for the benefit of the Company and any Subsidiary thereof and their respective successors and assigns. Sections 6, 7 and 8 hereof will survive and continue in full force in accordance with their terms notwithstanding any termination of the Employment Period. By initialing in the space provided below, Executive acknowledges that he has read carefully and had the opportunity to consult with legal counsel regarding the provisions of this Section 9. /s/ RRM_ [initial].

Section 10. Representations and Warranties of Executive. Executive represents and warrants to the Company as follows:

(a) Other Agreements. Executive is not a party to or bound by any employment, noncompete, nonsolicitation, nondisclosure, confidentiality or similar agreement with any other Person which would affect his performance under this Agreement other than Executive's prior agreement with his current employer.

(b) Authorization. This Agreement constitutes the valid and legally binding obligation of Executive, enforceable against Executive in accordance with its terms.

Section 11. Survival of Representations and Warranties. All representations and warranties contained herein will survive the execution and delivery of this Agreement.

Section 12. Certain Definitions. When used herein, the following terms will have the following meanings:

“Affiliate” means, with respect to any Person, any other Person that, directly or indirectly through one or more of its intermediaries, controls, is controlled by or is under common control with such Person.

“Board” means the Board of Directors of the Company.

“Business Day” means a day that is not a Saturday, a Sunday or a statutory or civic holiday in the Commonwealth of Kentucky or in Louisville, Kentucky.

“Cause” has the meaning given in Section 4(a).

“Disability” means the failure by Executive (by reason of accident, illness, incapacity or other disability as determined by the Company) to perform his duties or fulfill his obligations under this Agreement on a “full time” basis for a cumulative total of 180 days, whether or not consecutive, within any 12-month period. The Company's determination as to whether Executive has incurred a Disability shall be made in good faith by the Board based on the opinion of a licensed physician selected by the Company or its insurers.

“Good Reason” has the meaning given in Section 4(a).

“Non-Compete Period” has the meaning given in Section 7.

“Person” means an individual, a partnership, a corporation, an association, a limited liability company, a joint stock company, a trust, a joint venture, an unincorporated organization or any other entity (including any governmental entity or any department, agency or political subdivision thereof).

“Subsidiaries” means, with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of such Person or entity or a combination thereof. For purposes hereof, a Person or Persons will be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons will be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or will

be or control any managing director, managing member, or general partner of such limited liability company, partnership, association or other business entity.

“Termination Date” means the date on which the Employment Period ends as determined by Section 4(a).

“Without Cause” has the meaning given in Section 4(a).

Section 13. Miscellaneous.

(a) Notices. All notices, demands or other communications to be given or delivered by reason of the provisions of this Agreement will be in writing and will be deemed to have been given (i) on the date of personal delivery to the recipient or an officer of the recipient, or (ii) when sent by telecopy or facsimile machine to the number shown below on the date of such confirmed facsimile or telecopy transmission (provided that a confirming copy is sent via overnight mail), or (iii) when properly deposited for delivery by a nationally recognized commercial overnight delivery service, prepaid, or by deposit in the United States mail, certified or registered mail, postage prepaid, return receipt requested. Such notices, demands and other communications will be sent to each party at the address indicated for such party below:

Notices to Executive, to:

Robert Mohr
2641 Whittier Avenue
Louisville, KY 40205

Notices to the Company, to:

Beacon Enterprise Solutions Group, Inc.
124 N. First Street
Louisville, KY 40202
Attn: Bruce Widener

with a copy (which will not constitute notice to the Company) to:

Frost Brown Todd LLC
400 West Market Street, 32nd Floor
Louisville, Kentucky 40202
Attn: William G. Strench

or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party.

(b) Consent to Amendments. No modification, amendment or waiver of any provision of this Agreement will be effective against any party hereto unless such modification, amendment or waiver is approved in writing by such party. No other course of dealing among

the Company and Executive or any delay in exercising any rights hereunder will operate as a waiver by any of the parties hereto of any rights hereunder.

(c) Successors and Assigns. All covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not.

(d) Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

(e) Counterparts. This Agreement may be executed simultaneously in two or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same Agreement.

(f) Descriptive Headings; Interpretation. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a substantive part of this Agreement. The use of the word “including” in this Agreement will be by way of example rather than by limitation.

(g) Governing Law. This Agreement shall be interpreted, enforced and governed by the laws of the Commonwealth of Kentucky. If, for any reason, any part(s) or language within any part(s) of this Agreement shall be deemed invalid or unenforceable, all remaining parts shall remain binding and in full force and effect.

(h) Jurisdiction. Each of the parties hereto (i) consents to submit itself to the personal jurisdiction of any federal or state court located in Jefferson County, Kentucky in the event any dispute arises out of this Agreement or any of the transactions contemplated hereby, (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (iii) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated hereby in any Court other than a federal or state court sitting in Jefferson County, Kentucky, as applicable.

(i) Entire Agreement. Except as otherwise expressly set forth in this Agreement, this Agreement and the other agreements referred to in this Agreement embody the complete agreement and understanding among the parties to this Agreement with respect to the subject matter of this Agreement, and supersede and preempt any prior understandings, agreements, or representations by or among the parties or their predecessors, written or oral, which may have related to the subject matter of this Agreement in any way.

(j) Attorney’s Fees. In the event that Company or Executive should bring suit against the other in respect to any matters provided for in this Agreement, the prevailing party shall be entitled to recover from the other party its reasonable attorney’s fees and costs in connection with such suit.

IN WITNESS WHEREOF, the parties hereto have executed this Executive Employment Agreement as of the date first written above.

BEACON ENTERPRISE SOLUTIONS GROUP, INC.

By: /s/ Bruce Widener
Name: Bruce Widener
Title: Chief Executive Officer

EXECUTIVE

/s/ Robert Mohr
Signature

Robert Mohr

**EXHIBIT A TO
ROBERT MOHR'S AGREEMENT**

1. Salary: \$150,000 per year.
 2. Bonus will be paid at 6% of Fiscal 2009 EBITDA.
 3. Grant of Options to Purchase 250,000 shares of Beacon Common Stock at \$1.19 per share.
-

EXHIBIT B

FORM OF RELEASE AGREEMENT

This Release Agreement (this "**Agreement**") constitutes the release referred to in that certain Executive Employment Agreement (the "**Employment Agreement**") dated as of December __, 2007, by and between Robert Mohr ("**Employee**") and Beacon Enterprise Solutions Group, Inc. (the "**Company**").

In consideration of the benefits set forth in the Employment Agreement, Employee hereby settles, waives, releases and discharges any and all claims, demands, actions or causes of actions, known or unknown, which Employee has or may have against the Company, its subsidiaries, affiliates, partners, directors, officers, shareholders, agents or employees.

Employee expressly acknowledges that the Agreement includes consideration for the settlement, waiver, release and discharge of any and all claims or actions arising from Employee's employment, the terms and conditions of Employee's employment or Employee's separation from employment with the Company, including claims of employment discrimination, wrongful termination or any claim arising under express or implied contract, tort, public policy, common law or any federal, state or local statute, ordinance, regulation or constitutional provision, including but not limited to the Age Discrimination in Employment Act, as amended to include the Older Workers Benefit Protection Act.

Employee hereby acknowledges that Employee has been advised to consult an attorney regarding any rights Employee may have under the Age Discrimination in Employment Act and that Employee has been given at least 21 days to consider the terms of this Agreement. Employee further acknowledges that Employee has also been advised that Employee may revoke this Agreement by advising the Company in writing of their desire to revoke within seven (7) days after the execution of this Agreement. Upon expiration of the seven (7) day period, this Agreement becomes irrevocable. In addition, in the event that Employee accepts and negotiates the check tendered with this Agreement prior to the deadlines set forth above, this Agreement becomes irrevocable.

Employee recognize that by signing this Release Agreement, Employee may be giving up some claim, demand or cause of action, which Employee now has or may have, of which Employee may be unaware. Employee also acknowledges that Employee is giving up any right to seek reemployment with the Company.

Employee agrees that Employee will keep the terms and conditions of this Agreement confidential and that Employee shall not disclose such terms to anyone, either within or outside the Company, except their attorney, spouse, accountant and/or financial advisor. In addition, by signing this Agreement Employee acknowledges that while employed with the Company Employee was exposed to confidential information including but not limited to information regarding employees and agents of the Company and information regarding the Company's policies and procedures all of which is confidential in nature. Employee agrees that Employee will not disclose any such information to any person or entity at any time for any reason. Employee understands further that disclosure of any such information will constitute a breach of

this Agreement and that the Company will have the right to pursue any and all remedies to which it may be entitled as a result of that breach. If the Company prevails in pursuing an action for breach of this Agreement against Employee, in addition to damages, Employee agrees to pay all costs incurred by the Company associated with any such action, including legal fees and costs.

It is understood that this Release Agreement shall in no way affect any claims Employee may have under laws relating to social security or unemployment benefits.

This Release Agreement will be governed by the laws of the Commonwealth of Kentucky.

Employee acknowledges that Employee has read and fully understands all of the provisions of this Release Agreement and that Employee is entering into this Agreement freely and voluntarily.

Executed on this _____ day of _____, _____.

Name:

STATE OF _____ §

§

COUNTY OF _____ §

BEFORE ME, the undersigned authority personally appeared _____, by me known or who produced valid identification as described below, who executed the foregoing instrument and acknowledged before me that he subscribed to such instrument on this _____ day of _____, _____.

NOTARY PUBLIC in and for the

State of _____

My Commission Expires: _____

Identification produced:

August 7, 2009

Dr. John D. Rhodes
John D. Rhodes Family Limited Partnership
916 Woodland Dr.

Dear Dr. Rhodes:

Beacon Enterprise Solutions Group, Inc., a Nevada corporation (the "Company") hereby agrees to make and issue a promissory note in the principal amount of \$500,000.00, bearing no interest and due on September 6, 2009 (the "Maturity Date"), to the John D. Rhodes Family Limited Partnership (the "Lender") in consideration of the loan of \$500,000.00 (the "Loan") made to the Company. The Company may prepay any or all of the principal amount under the Note at any time.

The Company agrees to pay the Lender a credit facility fee of \$25,000 to the Lender for the Loan, payment of which is tendered herewith, and issue warrants to purchase 25,000 shares of Common Stock to the Lender, at a purchase price of \$1.00 per share, with a five year exercise period and on the same other terms as the warrants issued in the ongoing common stock offering.

In the event that the Maturity Date is extended to October 6, 2009 at the election of the Company, the Company shall pay the Lender an additional credit facility fee of \$37,500 for such extension and issue warrants to purchase 37,500 shares of Common Stock to the Lender, at a purchase price of \$1.00 per share, with a five year exercise period and on the same other terms as the warrants issued in the ongoing common stock offering.

In the event that the Maturity Date is further extended to November 5, 2009 at the election of the Company, the Company shall pay the Lender an additional credit facility fee of \$50,000 for such extension and issue warrants to purchase 50,000 shares of Common Stock to the Lender, at a purchase price of \$1.00 per share, with a five year exercise period and on the same other terms as the warrants issued in the ongoing common stock offering.

In addition, each of Bruce Widener, Rick Mills and Rick Hughes shall make and issue a personal guaranty to the Lender of the obligations under the Loan, which guarantees are delivered herewith.

The Company intends to reserve fifty percent (50%) of the proceeds of the ongoing common stock offering for repayment of the Loan, until the Loan has been paid in full.

Sincerely,

/s/ Bruce Widener

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

ACKNOWLEDGED AND AGREED:

/s/ John D. Rhodes

John D. Rhodes, as _____

John D. Rhodes Family Limited Partnership

Cc: Bruce Widener
Richard C. Mills
Rick Hughes

PROMISSORY NOTE

\$500,000.00

August 7, 2009
Louisville, Kentucky

For value received, Beacon Enterprise Solutions Group, Inc., a Nevada corporation (the "Borrower") promises to pay to the order of John D. Rhodes Family Limited Partnership (the "Lender"), at 916 Woodland Drive, Elizabethtown, Kentucky 42701 or such other address as the holder hereof may direct, the principal sum of Five Hundred Thousand Dollars (\$500,000.00).

This Note shall not bear interest. The entire outstanding principal balance of this Note shall be due and payable on September 6, 2009 (the "Maturity Date"). All or any part of the outstanding principal amount of this Note may be prepaid at any time without penalty.

Failure of the holder of this Note to exercise any of its rights and remedies shall not constitute a waiver of any provision of this Note or of any of such holder's rights and remedies, nor shall it prevent the holder from exercising any rights or remedies with respect to the subsequent happening of the same or similar occurrences. All remedies of the holder hereof shall be cumulative to the greatest extent permitted by law. Time shall be of the essence for all payments hereunder.

This Note shall not be deemed to be in default until the holder makes written demand payment hereunder on or after the Maturity Date (as may be from time to time amended) and, upon the failure of the Borrower to pay the outstanding principal amount hereunder within five (5) business days of the receipt of such demand, the holder declares a default by written notice of such declaration to the Company. If there is any default under this Note, and this Note is placed in the hands of an attorney for collection, or is collected through any court, including any bankruptcy court, the Borrower promises to pay to the order of the holder hereof such holder's reasonable attorney's fees and court costs incurred in collecting or attempting to collect or securing or attempting to secure this note or enforcing the holder's rights with respect to any collateral securing this note, to the extent allowed by the laws of the Commonwealth of Kentucky or any state in which any collateral for this note is situated.

This Note has been delivered in, and shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

All parties to this instrument, whether makers, sureties, guarantors, endorsers, accommodation parties or otherwise, shall be jointly and severally bound, and jointly and severally waive presentment, demand, notice or dishonor, protest, notice of protest, notice of nonpayment or nonacceptance and any other notice and all due diligence or promptness that may otherwise be required by law, and all exemptions to which they may now or hereafter be entitled under the laws of the Commonwealth of Kentucky, of the United States of America or any state thereof. The holder of this instrument may whether one or more times, with or without notice to any party, and without affecting the obligations of any maker, surety, guarantor, endorser, accommodation party or

any other party to this note (1) extend the time for payment of either principal or interest from time to time, (2) release or discharge any one or more parties liable on this note, (3) suspend the right to enforce this note with respect to any persons, (4) change, exchange or release any property in which the holder has any interest securing this Note, (5) justifiably or otherwise, impair any collateral securing this note or suspend the right to enforce against any such collateral, and (6) at any time it deems it necessary or proper, call for and should it be made available, accept, as additional security, the signature or signatures of additional parties or a security interest in property of any kind or description or both.

/s/ Bruce Widener

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

EXHIBIT 2

Exhibit 31.1

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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) 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
 - (d) 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

Bruce Widener
Principal Executive Officer

Date: August 12, 2009

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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) 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
 - (d) 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/ Robert R. Mohr

Robert R. Mohr
Principal Financial Officer

Date: August 12, 2009

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 June 30, 2009, 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: August 12, 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 June 30, 2009, 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: August 12, 2009

/s/ Robert R. Mohr

Robert R. Mohr
Principal Financial Officer