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

FORM 10-Q

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

For the quarterly period ended December 31, 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.)

1311 Herr Lane, Suite 205, Louisville, KY 40223
(Address of principal executive offices)

502-657-3500
(Issuer's telephone number)

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

Yes ☑ No ☐

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

Yes ☐ No ☑

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 ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☑

As of February 16, 2009, Beacon Enterprise Solutions Group, Inc. had a total of 30,317,955 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 Balances Sheet

	December 31, 2009 (unaudited)	September 30 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,647,484	$ 264,338
Accounts receivable, net	2,847,849	3,980,715
Costs and estimated earning in excess of billings on uncompleted contracts	2,122,852	—
Inventory, net	508,356	604,622
Prepaid expenses and other current assets	624,938	397,319
Total current assets	8,751,479	5,246,994
Property and equipment, net	694,696	394,571
Goodwill	3,151,948	3,151,948
Other intangible assets, net	3,764,366	3,903,124
Other assets	126,110	117,111
Total assets	$ 16,488,599	$ 12,813,748
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short term credit obligations	$ —	$ 550,000
Convertible notes payable	74,499	297,999
Bridge notes (net of $9,193 and $33,123 discounts)	190,810	166,879
Current portion of long-term debt	418,445	475,348
Accounts payable	1,374,796	2,176,845
Income tax payable	133,083	97,581
Contingent consideration payable	145,189	145,189
Accrued expenses	6,188,271	2,644,280
Customer Deposits	238,573	160,368
Total current liabilities	8,763,666	6,714,489
Long-term debt, less current portion	689,824	802,335
Deferred tax liability	103,484	103,484
Derivative liability	5,745,486	
Total liabilities	15,302,460	7,620,308
Stockholders' equity		
Preferred Stock: $0.01 par value, 5,000,000 shares authorized, 3,436 shares outstanding in the following classes:		
Series A convertible preferred stock, $1,000 stated value, 4,121 shares authorized, 1,984 shares issued and outstanding, at December 31, and September 30, 2009, respectively, (liquidation preference $2,509,966)	1,984,074	1,984,074
Series A-1 convertible preferred stock, $1,000 stated value, 885 shares authorized, 752 shares issued and outstanding, at December 31, and September 30, 2009, respectively, (liquidation preference $964,188)	752,347	752,347
Series B convertible preferred stock, $1,000 stated value, 4,000 shares authorized, 700 shares issued and outstanding at December 31 and September 30, 2009, respectively (liquation preference $927,943)	700,000	700,000
Common stock, $0.001 par value 70,000,000 shares authorized, 28,483,490 and 24,655,990 shares issued and outstanding at December 31, and September 30, 2009, respectively	28,483	24,656
Additional paid in capital	19,712,346	17,977,046
Accumulated deficit	(21,985,803)	(16,254,545)
Accumulated other comprehensive (loss) income	(5,308)	9,862
Total stockholders' equity	1,186,139	5,193,440
Total liabilities and stockholders' equity	$ 16,488,599	$ 12,813,748

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

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

	For the three months ended December 31, 2009	For the three months ended December 31, 2008
Net sales	$ 8,569,644	$ 1,801,208
Cost of goods sold	5,433,914	663,874
Cost of Services	1,371,378	652,746
Gross profit	1,764,352	484,588
Operating expense		
Salaries and Benefits	1,311,032	904,296
Selling, general and administrative	1,238,485	675,430
Total operating expense	2,549,517	1,579,726
Loss from operations	(785,165)	(1,095,138)
Other (expenses) income		
Interest expense	(185,549)	(213,337)
Change in fair value of warrants	(23,716)	
Interest income	338	167
Total other (expenses)	(208,927)	(213,170)
Net (loss) before income taxes	(994,092)	(1,308,308)
Income taxes	36,611	—
Net (loss)	(1,030,703)	(1,308,308)
Series A, A-1 and B Preferred Stock:		
Contractual dividends	(47,596)	(125,152)
Deemed dividends related to beneficial conversion feature	(25,429)	(80,347)
Net (loss) available to common stockholders	$ (1,103,728)	$ (1,513,807)
Net loss per share to common stockholders — basic and diluted	$ (0.04)	$ (0.12)
Weighted average shares outstanding basic and diluted	26,156,058	12,556,459
Other Comprehensive income, net of tax		
Net Loss	$ (1,103,728)	$ (1,513,807)
Foreign currency translations adjustment	(15,170)	—
Comprehensive loss	$ (1,118,898)	$ (1,513,807)

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

	Series A Convertible Preferred Stock		Series A-1 Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	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, 2009	1,984	$ 1,984,074	752	$ 752,347	700	$ 700,000	24,655,990	$ 24,657	$17,977,046	$(16,254,545)	$ 9,862	$ 5,193,440
Cumulative effect of change in accounting principle — fair value of warrants with anti dilutive rights (unaudited)										(4,627,530)		(4,627,530)
Vested portion of share based payments to employee for services									245,057			245,057
Common Stock issued in private placement							3,727,500	3,726	$ 1,884,034			1,887,760
Private placement offering costs									(557,094)			(557,094)
Warrants issued for extension of non-interest bearing note									64,311			64,311
Warrants issued under consulting agreements									25,413			25,413
Common Stock issued												—
for investor relations agreement							50,000	50	44,450			44,500
Market value of common stock issued for services under investor relations agreement.							50,000	50	(50)			—
Amortization of share-based payment awards issued to non-employees for serrvices									3,750			3,750
Series A Preferred Stock contractual												—
dividends										(18,287)		(18,287)
Series A-1 Preferred Stock contractual												—
dividends										(18,809)		(18,809)
Series B Preferred Stock contractual												
dividends										(10,500)		(10,500)
Beneficial conversion feature — deemed preferred stock dividend									25,429	(25,429)		—

Net loss										(1,030,703)		(1,030,703)
Net change in accumulated other comprehensive income											(15,170)	(15,170)
Balance at December 31, 2009 (unaudited)	1,984	$ 1,984,074	752	$ 752,347	700	$ 700,000	$28,483,490	$ 28,483	$19,712,346	$(21,985,803)	$ (5,308)	$ 1,186,139

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

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

	For the Three Months Ended December 31, 2009	For the Three Months Ended December 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,030,703)	$ (1,308,308)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in reserve for obsolete inventory	11,655	15,711
Change in reserve for doubtful accounts	37,940	37,551
Depreciation and Amortization	192,074	152,289
Non-cash interest	88,243	162,936
Share based payments	318,720	52,088
Change in fair value of warrants with anti-dilution rights	23,716	
Changes in operating assets and liabilities:	—	
Accounts receivable	1,096,617	80,579
Estimated costs and earning in excess of billings on uncompleted contracts	(2,122,852)	80,579
Inventory	84,611	7,005
Prepaid expenses and other current assets	(232,284)	16,074
Accounts payable	(809,171)	276,810
Income tax payable	36,611	
Customer deposits	78,205	153,879
Other assets	(9,000)	9,589
Accrued expenses	3,483,499	(315,354)
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	1,247,882	(578,572)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(353,922)	(11,032)
NET CASH USED IN INVESTING ACTIVITIES	(353,922)	(11,032)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement of common offering units, net of offering costs	2,424,906	726,817
Proceeds from lines of credit	—	120,000
Repayment of short term credit obligations	(550,000)	
Repayment of convertble notes	(223,500)	
Payments of notes payable	(169,417)	(151,933)
Payments of capital lease obligation		(3,858)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,481,989	691,026
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	7,196	—
NET INCREASE IN CASH ANDCASH EQUIVALENTS	2,383,146	101,422
CASH AND CASH EQUIVALENTS — BEGINNING OF PERIOD	264,338	127,373
CASH AND CASH EQUIVALENTS — ENDING OF PERIOD	$ 2,647,484	$ 228,795
Supplemental disclosures		
Cash paid for:		
Interest	$ 24,357	$ 35,889
Income taxes	$ —	$ —

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 consolidated financial statements presented are those of Beacon Enterprise Solutions Group, Inc., a Nevada corporation and its subsidiaries, hereinafter referred to as the "Company," "Beacon," "we," us," or "ours."

Beacon provides global, international and regional telecommunications and technology systems infrastructure services, encompassing a comprehensive suite of consulting, design, installation, and infrastructure management offerings. Beacon's portfolio of infrastructure services spans all professional and construction requirements for design, build and management of telecommunications, network and technology systems infrastructure. Professional services offered include consulting, engineering, program management, project management, construction services and infrastructure management services. Beacon offers these services under either a comprehensive contract option or unbundled to some global and regional clients.

Symbiotec Solutions AG

On July 29, 2009, BESG Ireland Ltd., a wholly owned subsidiary of Beacon, acquired 100% of the outstanding shares of Symbiotec Solution AG (Symbiotec) in exchange for 400,000 shares of Beacon common stock issued as of the date of the acquisition, plus contingent consideration consisting of an additional 400,000 shares of Beacon common stock and up to $145,189 of cash subject to the attainment of certain contractually defined earnings targets that the Company believes are highly probably of being achieved. Aggregate purchase consideration net of cash acquired amount to approximately $1,012,000. The excess of the purchase price over net assets acquired, which amounted to approximately $921,000 was allocated to goodwill, customer relationships and covenants not to complete in the approximate amounts of $360,000, $349,000 and $212,000, respectively.

The unaudited financial information in the table below summarizes our combined results of operations on a pro-forma basis, as if we acquired Symbiotec on October 1, 2008.

	For the three months December 31, 2008 (unaudited)
Net sales	$ 1,950,478
Income (Loss) from operations	(1,082,718)
Net loss available to common stockholders —	$ (1,504,147)
Net loss per share — basic and diluted	$ (0.12)
Pro-forma weighted average shares outstanding	12,956,459

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

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements as of December 31, 2009 and 2008, and for the three months then ended have been prepared in accordance with the accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the instructions to Form 10-Q and Article 8 of Regulation S-X of the Securities and Exchange Commission ("SEC") and on the same basis as the annual audited consolidated financial statements. The unaudited condensed consolidated balance sheet as of December 31, 2009, condensed consolidated statements of operations and cash flows for the three months ended December 31, 2009 and 2008, and the condensed consolidated statement of stockholders' equity for the three months ended December 31, 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 period presented. The results for the three months ended December 31, 2009 are not necessarily indicative of results to be expected for the year ending September 30, 2010 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 December 29, 2009.

Principles of Consolidation

The consolidated financial statements include the accounts of Beacon Enterprise Solutions Group, Inc., a Nevada corporation and its wholly-owned subsidiaries including Beacon Solutions AG acquired on July 29, 2009 and BESG Ireland Ltd, which began operations November 1, 2009. All significant inter-company accounts and transactions have been eliminated in consolidation.

Revenue and Cost Recognition

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

In addition, our business and the nature of products and services we provide have become more diversified over time, including those that we offer as a result of having acquired Symbiotec (Note 1). Accordingly, it is our policy to determine the method of accounting for each of our contracts at the inception of the arrangement and account for similar types of contracts using consistent methodologies of accounting within the GAAP hierarchy. A discussion of our specific revenue recognition policies by category is as follows:

Construction Type Contracts

On November 6, 2009 we entered into a fixed price $25 million construction type contract, pursuant to which we have been engaged to act as the general contractor in the construction of a data center that we expect to complete in two phases through October 2010. The contract provides for a contingent penalty of 0.3% if the contract is not completed by an agreed upon date, not to exceed 10% of the total contract price. We evaluated this contract at the inception of the arrangement to determine the proper method of accounting based on the highest level of literature within the GAAP hierarchy. We determined that the nature of our work under this contact falls within the scope of a "construction type" contract for which revenue would most appropriately be recognized using the percentage of completion method of accounting.

During the three months ended December 31, 2009 we recognized approximately $5.5 million of revenues under the aforementioned contract including costs and estimated earnings in excess of billings of approximately $2.1 million. We measured our progress on this contract through December 31, 2009 under the percentage-of-completion method of accounting in which the estimated sales value is determined on the basis of physical completion to date (the total contract amount multiplied by percent of performance to date less sales value recognized in previous periods). We adopted this method of measurement because management considers this method the most objective measurement of progress in this circumstance. Total costs incurred under this contract amounted to approximately $5 million as of December 31, 2009 as compared to total estimated costs to complete the project of approximately $17.0 million.

When applicable we also record (i) liabilities at those times in which our billings exceed costs incurred plus estimated earnings on contracts in progress and (ii) losses on contracts in progress during the period in which is determined that a loss would be incurred on a construction type contract.

Two vendors providing materials to us under this contract requested that we direct our customer to remit payments for these materials, which amount to approximately $2.0 million, directly to them. Notwithstanding this arrangement, we are still the primary obligor to our customer and have general inventory for such purchases, which are being made under our purchase orders. Accordingly, we are recording all revenues under this contract gross as a principal.

Time and Materials Contracts

Our time and materials type contracts principally include business telephone and data system installation contracts completed in time frames of several weeks to 60 or 90 days. Under these types of contracts, we generally design the system using in-house engineering labor, provide non-proprietary materials supplied by an original equipment manufacturer (“OEM”) and install the equipment using in-house or subcontracted labor. We occasionally sell extended warranties on certain OEM supplied equipment; however the OEM is the primary obligor under such warranty coverage and the amount of revenue we receive from such warranties is insignificant to the arrangements. Our contracts clearly specify deliverables, selling prices and scheduled dates of completion. We also generally require our customers to provide us with a 50% deposit that we initially record as a liability and apply to subsequent billings. Title and risk of loss on materials that we supply to our customers under these arrangements is transferred to the customer at the time of delivery. Our contracts are cancelable upon 60 days notice by either party; however, completion of the work we perform under these contracts, which occurs in a predictable sequence, is within our control at all times. Amounts we bill for delivered elements are not subject to concession or contingency based upon the completion of undelivered elements specified in our contracts.

We account for voice and data installation contracts as multiple—deliverable revenue arrangements. Prior to October 1, 2009 we accounted for multiple-deliverable revenue arrangements using the relative fair value method of accounting, which requires companies to have vendor specific objective evidence (“VSOE”) of fair value in order for deliverables to be considered a unit of accounting and to use the residual method of allocating arrangement consideration to undelivered elements. We recognize revenue for delivered elements under these arrangements based on the amount of arrangement considered allocated to the delivered element once all of the criteria for revenue recognition have been met

In October 2009, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2009-13 *Revenue Recognition (ASC Topic 605) Multiple-Deliverable Revenue Arrangements — a consensus of the FASB EITF 00-21-1* (“ASU 2009-13”). ASU 2009-13, requires the use of the relative selling price method of allocating arrangement consideration to units of accounting in a multiple-deliverable revenue arrangement and eliminates the residual method. This new accounting principle establishes a hierarchy to determine the selling price to be used for allocating arrangement consideration to deliverables as follows: (i) vendor-specific objective evidence of selling price (“VSOE”), (ii) third-party evidence of selling price (“TPE”), and (iii) best estimate of the selling price (“ESP”). ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010; however, companies may elect to apply this guidance retrospectively or early adopt this guidance subject to the transition and disclosure guidelines specified in ASC 605-25-65-1.

Effective October 1, 2009, we elected early adopt ASU No. 2009-13 for all multiple-element revenue arrangements entered into on or after October 1, 2009. Using this method, we designate deliverables within the arrangement as units of accounting when they are (a) deemed to have stand alone and (b) if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered items is considered probable and substantially in our control. ASU No. 2009-13 no longer requires companies to have VSOE of fair value in order for a deliverable to be considered a unit of accounting. The adoption of ASU No. 2009-13 has not had a material effect on the manner in which we designate units of accounting or allocated arrangement consideration to such units because the selling prices of our deliverables, which is the principal factor that differentiates the two accounting standards, generally approximates fair value.

We recognized approximately $1.7 million and $1.1 million from multiple element arrangements for the three months ended December 31, 2009 and 2008 respectively including $175,000 for contracts we entered into prior to October 1, 2009 that we completed during the three month period ended December 31, 2009.

Professional Services Revenue

We generally bill our customers for professional telecommunications and data consulting services based on hours of time spent on any given assignment at our hourly billing rates. As it relates to delivery of these services, we recognize revenue under these arrangements as the work is performed and the customer has indicated their acceptance of services by approving a completion order. We generated approximately $1,300,000 and $667,000 of professional services revenue during the three months ended December 31, 2009 and 2008 respectively.

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

Warranties

Beacon warranties all phone system installations for 1 year. We have a low rate of claims with respect to warranties. Accordingly we have accrued $50,000 and $65,000 as of the three months ended December 31, 2009 and 2008.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ 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. Certain of our estimates, including accounts receivable and inventory reserves and the carrying amounts of intangible assets could be affected by external conditions such as the current national and global economic downturn. It is at least reasonably possible that these external factors could have an effect on our estimates that could cause actual results to differ from our estimates. We intend to re-evaluate all of our accounting estimates at least quarterly based on these conditions and record adjustments, when necessary; however, we are currently unable to determine whether adjustments due to changes in our estimates would be material.

Fair Value of Financial Assets and Liabilities

The carrying amounts of cash and cash equivalents, accounts payable and accrued liabilities are approximate fair value due to the short-term nature of these instruments. The carrying amounts of our short term credit obligations approximate fair value because the effective yields on these obligations, which include contractual interest rates taken together with other features such as concurrent issuance of warrants and/or embedded conversion options are comparable to rates of returns for instruments of similar credit risk.

The Company measures the fair value of financial assets and liabilities based on the guidance of ASC 820 “Fair Value Measurements and Disclosures” which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 — quoted prices in active markets for identical assets or liabilities

Level 2 — quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 — inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

Financial liabilities measured at fair value on a recurring basis are summarized below:

	December 31, 2009	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities:				
Fair value of warrant obligations	5,745,486	—	5,745,486	—

The fair value of the warrant liability was calculated using the Black Scholes Option Pricing Models with weighted average assumption more fully described in Note 7.

Foreign Currency Reporting

The consolidated financial statements are presented in United States Dollars in accordance with ASC 830, “Foreign Currency Matters”. Accordingly, the Company’s subsidiaries, BESG Ireland Ltd and Beacon AG use the local currency (Euros and Swiss Francs, respectively) as its functional currency. Assets and liabilities are translated at exchange rates in effect at the balance sheet date, and revenue and expense accounts are translated at average exchange rates during the period. Resulting translation adjustments of $(5,308) and $9,862 were recorded in accumulated other comprehensive income in the accompanying consolidated balance sheets at December 31, and September 30, 2009.

Net Loss Per Share

Basic net loss per share is computed by dividing net loss per share available to common stockholders by the weighted average shares of common stock outstanding for the period and excludes any potentially dilutive securities. Diluted earnings per share reflect 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 years ended December 31, 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 December 31, 2009 are as follows:

	Stock Options and Warrants	Common Stock Equivalents	Total Common Stock Equivalents
Series A Convertible Preferred Stock	2,666,666	2,645,431	5,312,097
Series A-1 Convertible Preferred Stock	533,333	1,003,134	1,536,467
Series B Convertible Preferred Stock	350,000	875,000	1,225,000
Common Stock Offering Warrants	6,100,964		6,100,964
Placement Agent	2,967,664		2,967,664
Affiliate Warrants	55,583		55,583
Bridge Financings	1,348,500	333,333	1,681,833
Convertible Notes Payable	50,000	99,332	149,332
Compensatory	300,000		300,000
Equity Financing Arrangements	766,663		766,663
Consulting Warrants	2,500,000		2,500,000
Employee Stock Options	3,200,900		3,200,900
Non-employee Stock Options	100,000		100,000
	20,940,273	4,956,230	25,896,503

Subsequent Events

Management has evaluated all subsequent events or transactions occurring through February 16, 2010, the date the financial statements were issued.

Recent Accounting Pronouncements

In December 2007, the FASB issued new accounting guidance, under ASC Topic 805 on business combinations, which established principles and requirements as to how acquirers recognize and measure in these financial statements the identifiable assets acquired, the liabilities assumed, non-controlling interests and goodwill acquired in the business combination or a gain from a bargain purchase. This guidance is effective for business combinations with an acquisition date on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. This guidance will have an impact on the Company's accounting for any future business acquisitions.

In December 2007, the FASB issued new accounting guidance, under ASC Topic 810 on consolidations, which establishes the accounting for non-controlling interests in a subsidiary and the deconsolidation of a subsidiary. This guidance requires (a) the ownership interest in the subsidiary held by parties other than the parent to be clearly identified and presented in the consolidated balance sheet within equity, but separate from the parent's equity, (b) the amount of consolidated net income attributable to the parent and to the non-controlling interest to be clearly identified and presented on the face of the consolidated statement of operations and (c) changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary to be accounted for consistently. Entities must provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. This guidance is effective for financial statements issued for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. This guidance will have an impact on the Company's accounting for any future business acquisitions involving non-controlling interest and deconsolidation of subsidiaries.

In December 2008, the FASB issued ASC 815-40 “Contracts in Entity’s own Equity”. 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. Under this guidance, instruments which do not have fixed settlement provisions are deemed to be derivative instruments. The effects of having adopted this pronouncement effective October 1, 2009 are discussed in Note 7.

In June 2008, the FASB issued new accounting guidance, under ASC Topic 260 on earnings per share, related to the determination of whether instruments granted in share-based payment transactions are participating securities. This guidance clarifies that all outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends participate in undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class method of computing basic and diluted earnings per share must be applied. This guidance is effective for financial statements issued for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. The adoption of this guidance did not have a material effect on the Company’s consolidated financial statements.

In November 2008, the FASB issued new accounting guidance, under ASC Topic 323 on investments— equity method and joint ventures, relating to the accounting for equity method investments. This guidance addresses how the initial carrying value of an equity method investment should be determined, how it should be tested for impairment, and how changes in classification from equity method to cost method should be treated. This guidance is effective on a prospective basis in fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. The Company expects this guidance to have an impact on its accounting for any future investments in joint ventures or other investments using the equity method of accounting..

In July 2009, the FASB issued ASC 105, “Generally Accepted Accounting Principles” (“ASC 105”). ASC 105 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with Generally Accepted Accounting Principles (“GAAP”) in the United States (the GAAP hierarchy). ASC 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Adoption of the standard did not have an impact on the Company’s condensed consolidated financial statements.

In August 2009, the FASB issued ASU No. 2009-05, Fair Value Measurements and Disclosures (Topic 820) — Measuring Liabilities at Fair Value. This Accounting Standards Update amends Subtopic 820-10, Fair Value Measurements and Disclosures Overall, to provide guidance on the fair value measurement of liabilities. The adoption of ASU 2009-05 is not expected to have a material impact on our condensed consolidated financial statements.

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

NOTE 2 — LIQUIDITY, FINANCIAL CONDITION AND MANAGEMENT’S PLANS

We incurred a net loss of approximately $1 million and generated cash from operations of approximately $1.3 million for the three months ended December 31, 2009. Our accumulated deficit amounted to approximately $23.0 million which includes a reclassification of approximately $4.6 million the fair value of common stock purchase warrants that we were required to record as liabilities upon the adoption of certain changes in derivative accounting rules. We had cash of $2.6 million and a working capital deficit of approximately $11,000 at December 31, 2009.

The results for the three months ended December 31, 2009 contain a full quarter of results from our European operations which generated sales of approximately $6.3 million with a gross margin of 15%. The European margin is less than our traditional North American segment and margin because it represents a new service offering, project management of the design and construction of a data center.

Our operations in the US grew 26% for the three months ended December 31, 2009 versus 2008 with the growth lead by our Information Transport Systems Managed Services, which is included with the Time and Material Contracts in Note 1, accounting for revenue of approximately $.9 million. This also contributed to our North American gross margin growth to 37% from 27% for the three months ended December 31 2009 and 2008, respectively. The North American margin gain can be attributed to changing our product mix away from branch based phone and data systems sales and support, which are material and installation labor intensive, to higher margin telecommunications and technology systems infrastructure and managed services projects, which involve a higher level of professional time.

Based on the recent progress we made in the execution of our business plan, we believe that our currently available cash, the proceeds of our equity financing activities, and funds we expect to generate from operations will enable us to sustain operating through at least January 1, 2011. However, we will require additional capital in order to execute our long term business plan. If we are unable to raise additional capital, or encounter unforeseen circumstances that place constraints on our capital resources, 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 — CONDENSED CONSOLIDATED BALANCE SHEET

Accounts Receivable

Accounts receivable consists of the following:

	As of December 31, 2009	As of September 30, 2009
Accounts receivable	$ 3,043,560	$ 4,138,486
Less: Allowance for doubtful accounts	(195,711)	(157,771)
Accounts receivable, net	$ 2,847,849	$ 3,980,715

Additions and charges to the allowance for doubtful accounts consist of the following:

	As of December 31, 2009	As of September 30, 2009
Opening balance	$ (157,771)	$ (50,000)
Add: Additions to reserve	$ (37,940)	$ (151,888)
Less: charges		44,117
Ending balance	$ (195,711)	$ (157,771)

Our accounts receivable include concentration of receivables from Johnson & Johnson of $1.4 million and Strategic Communications, a related party of $0.4 million.

Inventory

Inventory consists of the following:

	As of December 31, 2009	As of Setember 30, 2009
Inventory (principally parts and system components)	$ 680,510	$ 765,121
Less: reserve for obsolete inventory	(172,154)	(160,499)
Inventory, non-current	$ 508,356	$ 604,622

Additions and charges to the reserve for obsolete inventory:

	As of December 31, 2009	As of Setember 30, 2009
Opening balance	$ (160,499)	$ (35,058)
Less: charges	11,655	19,218
Add: additions to reserve	(23,310)	(144,659)
Ending balance	$ (172,154)	$ (160,499)

Prepaid and other current assets

Prepaid and other current assets consist of:

	As of December 31, 2009	As of September 30, 2009
Investor relations	245,000	320,000
Prepaid VAT	169,067	5,667
Prepaid rent	28,887	
Trade credits	23,991	24,689
Other	157,993	46,963
Ending balance	$ 624,938	$ 397,319

In January 2009, we entered into a 36 month investor and corporate finance advisory services agreement with an advisor to our firm. Compenation payable to the advisort under this agreement amounts to $25,000 per month. We made approximately $543,000 of advances to this advisor during the year ended September 30, 2009, which we are amortizing over the term of the agreement. We recorded $75,000 of expense under this agreement during each of the three month periods ended December 31, 2009 and 2008, respectively

In September 2009, the advisor entered into a private transaction in which he purchased a $250,000 note payable from one of directors convertible into 416,667 shares of our common stock. The advisor exercised the entire conversion option under this note on September 15, 2009.

Other Intangible Assets

Other Intangible Assets consists of the following:

	As of December 31, 2009 Total Consideration	As of September 30, 2009 Total Consideration
Customer relationships	4,153,174	4,223,174
Covenants not to compete	712,300	642,300
	4,865,474	4,865,474
Less: Accumulated amortization	(1,101,108)	(962,350)
Intangibles, net	3,764,366	3,903,124

Amortization expense for the three months ended December 31, 2009 and 2008 was approximately $139,000 and $115,000, respectively.

Accrued Expenses

Accrued expenses consist of:

	As of December 31, 2009	As of September 30, 2009
Goods received not invoiced	$ 4,814,733	$ 1,092,042
Compensation related	376,148	559,782
Severance and related	46,712	156,248
Interest	79,160	122,660
Sales taxes payable	263,140	66,798
Warranty reserve	50,072	65,072
Preferred stock dividends	85,257	37,962
Other	473,049	543,716
	$ 6,188,271	$ 2,644,280

Debt

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

	As of December 31, 2009	As of September 30, 2009
Lines of Credit and Short-Term Notes		$ 550,000
Convertible Notes Payable	$ 74,499	$ 297,999
Bridge Note	$ 190,810	$ 166,879
Integra Bank	410,975	439,367
Acquistion notes (payable to the sellers of the acquired businesses)		
ADSnetcurve	59,867	80,922
Bell-Haun	—	43,985
CETCON	378,500	416,404
Strategic Secured Note	258,927	297,005
	1,108,269	1,277,683
Less: current portion	(418,445)	(475,348)
Non-current portion	$ 689,824	$ 802,335

Lines of Credit and Short-Term Notes

During the three months ended December 31, 2009 we repaid the remaining principal balance of $50,000 due under a line of credit with a maturity date previously extended through December 30, 2009. We recorded $333 and $4,000 of interest expense under this note during the three months ending December 31, 2009 and 2008, respectively.

On August 7, 2009, we entered into a non-interest bearing note with one of our directors in the amount of $500,000 with a due date of September 9, 2009. The note contained a provision requiring written demand for repayment on or after the maturity date, as of December 31, 2009 no written demand was received. During the three months ended December 31, 2009 we exercised a contractual right to convert the note into a demand obligation that would become payable within a 5 day period following written notice of such demand. We paid a fee equal to $87,500 in cash and issued an additional 112,500 common stock purchase warrants exercisable for $1.00 per share to the lender upon the occurrence of this event, for which we recognized non-cash interest of $64,311 for the fair value of the warrants. The note was paid in full on December 17, 2009.

Vesting Date	Quantity Vested	Expected Life (days)	Strike Price	Fair Value of Common Stock	Volatility Rate	Dividend Yield	Risk-Free Interese Rate	Value per Warrant	Charge to Interest Expense
10/1/2009	25,000	1,825	$ 1.00	$ 1.22	66.34%	0%	2.84%	$ 0.75	$ 18,845
10/6/2009	37,500	1,825	$ 1.00	$ 0.95	66.34%	0%	2.36%	$ 0.53	$ 19,796
11/5/2009	50,000	1,825	$ 1.00	$ 0.93	66.34%	0%	2.31%	$ 0.51	$ 25,670
	112,500								$ 64,311

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. The Notes had an original maturity date of July 21, 2009 with interest payable at a fixed annual rate of 12.5% due monthly. The maturity date of the Notes was extended to January 21, 2010 with interest payable at a fixed annual rate of 15% per annum on the unpaid balance due on the note, which amounted to 297,999 at September 30, 2009. During the three months ended December 31, 2009 we repaid $223,500 in principal and recognized $1,218 of interest expense. The remaining balance of the note was repaid in January 2010.

Bridge Notes

On November 15, 2007, we issued $200,000 of convertible notes payable (the "Bridge Notes") in a separate debt financing. Of this amount, $100,000 of the Bridge Notes was issued to one of the directors of Beacon. The holders of the Bridge Notes also agreed, on December 28, 2007, not to demand repayment of these notes before the completion of the Private Placement described in or December 31, 2008, whichever came first. On March 15, 2008, the note-holders agreed not to demand repayment of the notes before the completion of an offering in which the Company raises at least $3 million of additional equity financing or April 1, 2009, whichever comes first. On November 20, 2008, the note-holders agreed unconditionally not to demand repayment of the notes before June 30, 2010. Accordingly, the notes are included in current liabilities at December 31, 2009.

We recorded contractual interest expense of approximately $1,600 and $6,900 while paying $3,100 and $5,000 for the three months ended December 31, 2009 and 2008, respectively. Further, we recorded aggregate accretion of the discount on these notes of approximately $24,000 and $7,900 for the three months ended December 31, 2009 and 2008, respectively which is classified as a component of interest expense in the accompanying Statement of Operations. The unamortized discount relating to the discount amounts to $9,193 and $33,123 as of December 31, 2009 and 2008 respectively.

Term Debt

During the three months ended December 31, 2009, Beacon paid approximately $170,000 of principal due on our term debt. We recorded interest expense of approximately $21,000 and $37,500 for the three months ended December 31, 2009 and 2008, respectively.

NOTE 5 — RELATED PARTY TRANSACTIONS

The Company has obtained insurance through an agency owned by one of its founding stockholders/directors. Insurance expense paid through the agency for the three months ended December 31, 2009 and 2008 was approximately $45,000 and $49,000, respectively, and is included in selling, general and administrative expense in the accompanying condensed consolidated statement of operations.

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 $4,300 and $364,000 for procurement and installation services provided under this marketing agreement for the three months ended December 31, 2009 and 2008, respectively and had accounts receivable of approximately $383,000 and $137,000.

NOTE 6 — COMMITMENTS AND CONTINGENCIES

Employment Agreements

The Company has entered into at will employment agreements with four of its key executives with no specific expiration dates that provide for aggregate annual compensation of $696,000 and up to $1,170,000 of severance payments for termination without cause.

Operating Leases

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

2010	136,182
2011	98,684
2012	15,957
2013	15,957
2014	15,957
	$282,737

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. On June 5, 2009 our Board of Directors authorized us to issue 150,000 shares of common stock to the same investor relations firm subject to the attainment of certain performance conditions. The performance based share arrangement supersedes the previous agreement entered into on January 20, 2009. For the three months ended December 31, 2009 50,000 shares with an aggregate fair value of $44,550 were deemed to have been earned as of the date of issuance. The common stock issued under this agreement was recorded as professional fees expense using the measurement principles enumerated under ASC 505 "Equity-Based Payment to Non-Employee". The contract has a 12 month term and can be terminated upon 30 days notice.

On December 17, 2009, we engaged another investor relations firm for a twenty four month period providing for compensation payable in common shares. During the three months ended December 31, 2009 we issued 50,000 shares of fully vested non forfeitable common stock under this agreement with an aggregate fair value of $45,000 for which we recorded a charge of $3,750.

Consulting Agreement

On December 1, 2009 we entered into two 36 month consulting agreements issuing an aggregate of 2,500,000 consulting warrants. The warrants, issued on December 1, 2009 were fully vested upon issuance and have a fair value of $914,875, as determined using the Black Scholes model with following assumptions indicated in the table below, as of December 31, 2009 of which we will recognize investor relations expense ratably over 36 month term. For the three months ended December 31, 2009 we recorded a $25,413 investor relation expense.

Issuance Date	Quantity Vested	Expected Life (days)	Strike Price	Fair Value of Common Stock	Volatility Rate	Dividend Yield	Risk-Free Interese Rate	Value per Warrant	Charge to Interest Expense
12/1/2009	1,500,000	1,825	$ 1.00	$ 0.81	66.34%	0%	2.03%	$ 0.42	$627,600
12/1/2009	250,000	1,825	$ 1.50	$ 0.81	66.34%	0%	2.03%	$ 0.34	$ 85,525
12/1/2009	250,000	1,825	$ 2.00	$ 0.81	66.34%	0%	2.03%	$ 0.29	$ 72,275
12/1/2009	250,000	1,825	$ 2.25	$ 0.81	66.34%	0%	2.03%	$ 0.27	$ 67,025
12/1/2009	250,000	1,825	$ 2.50	$ 0.81	66.34%	0%	2.03%	$ 0.25	$ 62,450
	2,500,000								**914,875**

NOTE 7— STOCKHOLDERS EQUITY

Authorized Capital

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

Preferred Stock

Each share of Series A, Series A-1 and Series B preferred has voting rights equal to an equivalent number of common shares into which it is convertible. The holders of the Series A and Series A-1 are entitled to receive contractual cumulative dividends in preference to any dividend on the common stock at the rate of 10% per annum on the initial investment amount commencing on the date of issue. The holders of the Series B are entitled to receive contractual cumulative dividends in preference to any dividend on the common stock (but subject to the rights of the Series A and Series A-1) at the rate of 6% per annum on the initial investment amount commencing on the date of issue. Such dividends are payable on January 1, April 1, July 1 and October 1 of each year. Dividends payable on October 1, 2009 and 2008 are $18,287 and $100,000 for Series A, $18,809 and $20,000 for Series A-1 and $10,500 and $5,152 for Series B, respectively and are presented as an increase in net loss available to the common stockholders of $47,596 in the Statement of Operations.

The Series A, A-1 and B Preferred Stock also contains a right of redemption in the event of liquidation or a change in control. The redemption feature provides for payment of 125% of the face value and 125% of any accrued unpaid dividends in the event of bankruptcy, change of control, or any actions to take the Company private. The amount of the redemption preference is $2,509,966, $964,188 and $927,943 for the Series A, A-1, and B preferred, respectively, as of December 31, 2009.

The Company applies the classification and measurement principles enumerated in ASC 815 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.

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

Preferred Stock Dividend

We follow the guidelines of ASC 505 Dividends and Stock Splits when accounting for pay-in-kind dividends that are settled in convertible securities with beneficial conversion features. Therefore, we recorded $25,429 and $80,347 as deemed dividends for the three months ended December 31, 2009 and 2008, respectively, related to the conversion feature based on the difference between the effective conversion price of the conversion option and the fair value of the common stock on the election dates.

Completion of Common Stock and Warrant Offering

On September 18, 2009 Beacon commenced a Private Placement of up to $3,000,000 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, a "Common Offering Warrant") at a purchase price of $1.00 per share (collectively the "Common Offering"). In the event that the Common Offering is oversubscribed, we may sell and issue up to an additional 1,250,000 Common Units.

The September Common Offering expired on December 15, 2009. During the three months ended December 31, 2009, we sold 3,727,500 Common Units to accredited investors for net proceeds of $2,424,906 (gross proceeds of $2,982,000 less offering costs of $557,094). We issued to certain agents who represented us in sales of the units, warrants to purchase 448,500 shares of our common stock.

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

Derivative Financial Instruments

As described in Note1, we were required to adopt certain changes in the derivative accounting rules that required to (i) reclassify certain common stock purchase warrants we issued in financing transaction completed prior to October 1, 1009 from stockholders equity to liabilities at fair value as of October 1, 2009, (ii) record all new issuances of derivatives that do not have fixed settlement provisions as liabilities and (iii) mark to market all such derivatives to fair value as of December 31, 2009.

Effective October 1, 2009 the Company reclassified the fair value of all common stock purchase warrants issued prior to October 1, 2009 from equity to liabilities at their aggregate fair value of $4,627,530. We recorded a corresponding charge to the accumulated deficit to recognize the cumulative effects of having adopted this accounting policy. We calculated the fair value of the derivative liability using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2009	**October 1, 2009**
Expected Life	4.90 years	3.72
Risk-free interest rate	2.69%	2.20%
Dividend Yield	0%	0%
Volatility	66.34%	66.34%
No. of warrants	12,291,827	9,979,577
Fair value of warrants	$ 5,745,486	$4,627,530

We also performed a classification assessment of the common purchase warrants issued to investors and agents in the common units offering described above on their respective dates of issuance. We determined that the common stock purchase warrants do not contain fixed settlement provisions because the strike price is subject to adjustment in the event we subsequently issue equity securities or equity linked securities with exercise prices lower than the exercise price in these warrants. Accordingly, we allocated $1,094,240 of the offering proceeds to the fair value of the warrants on their respective dates of issuance and classified them as liabilities in the accompanying condensed consolidated balance sheet at December 31, 2009. We calculated the fair value of the derivative liability using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected Life	5 years
Risk-free interest rate	2.69%
Dividend Yield	0%
Volatility	66.34%
Weighted Average Unit Fair Value	$ 0.47

The fair value of all such common stock purchase warrants increased to $5,745,486 as of December 31, 2009. Accordingly, the Company increased the derivative liability by $23,716 to reflect the change in fair value for the three months ended December 31, 2009. This amount is included as charge for the change in fair value of warrants in the accompanying condensed consolidated statement of operations for the three months ended December 31, 2009. We calculated the fair value of the derivative liability using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2009	October 1, 2009
Expected Life	4.90 years	3.72
Risk-free interest rate	2.69%	2.20%
Dividend Yield	0%	0%
Volatility	66.34%	66.34%

Issuance of non-employee compensatory options

On November 12, 2009 in consideration for retaining an outside consultant to support the company's Human Resource department, we granted an option to purchase 100,000 shares of Common Stock, vesting ratably over a 20 month period, to the consultant. We calculated the fair value of the options using the Black-Scholes option pricing model with the following assumptions: Stock price — $.90, Volatility — 66.34%, Risk —free interest rate — 2.28%, Expected life — 120 months and Dividend yield — 0.00%, resulting in a fair value determination of $30,480, to be recognized over a 20 month period. For the three months ending December 31, 2009 we recognized share based compensation expense of $3,750 related to these options.

NOTE 8 — INCOME TAXES

We calculate our interim tax provision in accordance with the provisions of ASC 740-270, "Income Taxes; Interim Reporting." For interim periods, we estimate our annual effective income tax rate and apply the estimated rate to our year-to-date income or loss before income taxes. We also compute the tax provision or benefit related to items we report separately and recognize the items net of their related tax effect in the interim periods in which they occur. We also recognize the effect of changes in enacted tax laws or rates in the interim periods in which the changes occur.

In computing the annual estimated effective tax rate we make certain estimates and judgments, such as estimated annual taxable income or loss, the nature and timing of permanent and temporary differences between taxable income for financial reporting and tax reporting, and the recoverability of deferred tax assets. Our estimates and assumptions may change as new events occur, additional information is obtained, or as the tax environment changes.

In accordance with ASC 740, "Income Taxes," we recognize deferred tax assets for temporary differences that will result in deductible amounts in future years and for net operating loss and credit carryforwards. ASC 740 requires recognition of a valuation allowance to reduce deferred tax assets if, based on existing facts and circumstances, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. During the three months ended December 31, 2009, we evaluated our assumptions regarding the recoverability of our deferred tax assets. Based on all available evidence we determined that the recoverability of our deferred tax assets is more-likely-than-not limited to our available tax loss carryforward. Accordingly, we established a valuation allowance against our net deferred tax assets. In future periods we will continue to recognize a valuation allowance until such time as the certainty of future tax benefits can be reasonably assured. Pursuant to ASC 740, when our results of operations demonstrate a pattern of future profitability the valuation allowance may be adjusted, which would result in the reinstatement of all or a part of the net deferred tax assets.

As of September 30, 2009, we have approximately $10.6 million of federal and state net operating loss carryforwards, available to offset future taxable income, if any. These carryforwards expire in 2023 through 2029. Deferred tax liabilities represent the difference between the financial reporting and income tax bases of the tax deductible goodwill, which is an asset with an indefinite life and therefore cannot be used to offset net deferred tax assets for purposes of establishing a valuation allowance.

For the three months ended December 31, 2009 we recorded a net income tax expense of $36,611 comprised of the following:

	Beacon North America	BESG Ireland Ltd	Beacon AG	Consolidated
Net (loss) income before income tax	(1,138,844)	155,302	(10,550)	(994,092)
Effective tax rate	0%	25%	21%	
Tax expense (benefit)	—	38,827	(2,216)	36,611

For Beacon North America we did not recognize a tax benefit due to the aforementioned net operating loss carryforwards and related valuation allowance.

NOTE 9 — EMPLOYEE BENEFIT PLANS

Stock Options and Other Equity Compensation Plans

We recognized non-cash share-based compensation expenses as follows:

	Three Months Ended December 31, 2009	Three Months Ended December 31, 2008
Non-Cash Share-Based Compensation Expense		
Restricted Stock	$ 45,101	$ 45,101
Stock Options	199,956	6,987
Total Stock Compensation Expense	$ 245,057	$ 52,088

A summary of the status of our stock option plan and the changes during the three months ended December 31, 2009 is presented in the table below:

	Number Of Options	Weighted Average Exercise Price	Intrinsic Value	Weighted Average Remaining Contractual Life
Options Outstanding at October 1, 2009	3,200,900	$ 1.19		
Granted	—			
Forfeited	—			
Options Outstanding at December 31, 2009	3,200,900	$ 1.19	0.12	9.56
Exercisable, December 31, 2009	113,633	$ 1.09	0.08	8.53

We value stock options using the Black-Scholes option-pricing model. In determining the expected term, we separate groups of employees that have historically exhibited similar behavior with regard to option exercises and post-vesting cancellations. The option-pricing model requires the input of subjective assumptions, such as those listed below. The volatility rates are based on historical stock prices of similarly situated companies and expectations of the future volatility of the Company's common stock. The expected life of options granted are based on historical data, which to date 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.

Shares granted vest 33% annually as of the anniversary of the grant through 2011 and carry a ten year contractual term, as of December 31, 2009 117,300 shares were vested. As of December 31, 2009, there was approximately $2,000,000 in non-cash share-based compensation cost related to non-vested awards not yet recognized in our consolidated statements of operations. This cost is expected to be recognized over the weighted average remaining vesting period of 2.3 years. For the three months ended December 31, 2009 and 2008 no shares were forfeited and no options were exercised.

Restricted Stock

Prior to adoption of the 2008 Incentive Plan, on December 5, 2007, we issued 782,250 shares of restricted common stock with an aggregate fair value of $666,873 to our president in exchange for $156. Immediately upon the sale 150,000 shares vested with the remaining shares vesting in quantities of 210,750 shares on each of December 20, 2008, 2009 and 2010. We recognized $45,101 of share-based compensation expense during the three months ended December 31, 2009 and 2008, respectively, in connection with this grant. Unamortized compensation under this arrangement amounted to $175,991 as of December 31, 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.

Note 10 — Segment Reporting

In accordance with ASC 280 "Segment Reporting," our operating segments are those components of our business for which separate and discreet financial information is available and is used by our chief operating decision makers, or decision-making group, in making decisions on how we allocate resources and assess performance.

Prior to our acquisition of Symbiotec (Note 1) we operated as a single segment. In accordance with ASC 280, the Company reports three operating segments, as a result of having complete the Symbiotec acquisition on July 29, 2009 and opening the BESG Ireland Ltd office. The Company's chief decision-makers review financial information presented on a consolidated basis, accompanied by disaggregated information about revenue and operating profit each year by operating segment. This information is used for purposes of allocating resources and evaluating financial performance.

The accounting policies of the segments are the same as those described in the "Summary of Significant Accounting Policies." Segment data includes segment revenue, segment operating profitability, and total assets by segment. Shared corporate operating expenses are reported in the U.S. segment.

The Company is organized primarily on the basis of operating units which are segregated by geography in the United States ("U.S.") and Europe as follows effective July 29, 2009.

	United States	Europe	Total
Revenue	2,260,946	6,308,698	8,569,644
(Loss) Income form Operations	(929,946)	144,781	(785,165)
Interest Expense	(185,182)	(367)	(185,549)
Interest Income	—	338	338
Depreciation and Amortization	(163,112)	(28,962)	(192,074)
Net (Loss) Income	(1,138,845)	108,142	(1,030,703)
Assets	10,048,699	6,439,900	16,488,599
Goodwill	2,791,648	360,300	3,151,948
Intangible Assets	3,226,476	537,890	3,764,366

In our European operations 89% of the revenue was generated by one customer for the three months ended December 31, 2009, while in North America one customer accounted for approximately 53% of revenue.

NOTE 17 — SUBSEQUENT EVENTS

Preferred Stock Conversion to Common Stock

Subsequent to December 31, 2009, holders of our Preferred Stock converted 1,329.31 shares of Series A and 46.54 A-1 Preferred Stock into 1,772,408 and 62,057 shares of our common stock, respectively.

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 provider of global, international and regional telecommunications and technology systems infrastructure services, encompassing a comprehensive suite of consulting, design, installation, and infrastructure management offerings. Beacon's portfolio of infrastructure services spans all professional and construction requirements for design, build and management of telecommunications, network and technology systems infrastructure. Professional services offered include consulting, engineering, program management, project management, construction services and infrastructure management services. Beacon offers these services under a comprehensive contract vehicle or unbundled to some global and regional clients. Beacon also offers special services in support of qualified projects in the smart buildings/campuses/cities and data center verticals. Finally, Beacon provides managed information technology and telecommunications services in selected local markets. 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

Beacon was 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 "SME Market"). The Company was originally formed to acquire companies that would allow it to serve the SME Market on an integrated, turn-key basis from system design, procurement and installation through all aspects of providing network service and designing and hosting network applications. In response to identification of a significant un-served market, our business strategy has shifted to become a leading provider of global, international and regional telecommunications and technology systems infrastructure services, encompassing a comprehensive suite of consulting, design, installation, and infrastructure management offerings, while continuing to provide managed information technology and telecommunications services in selected local markets.

Acquisition Growth Strategy

We are continuing to pursue mergers and acquisitions for a portion of our growth.

On July 30, 2009 we completed the acquisition of Symbiotec Solutions AG located outside Zurich Switzerland. This has been renamed Beacon Solutions AG, relocated to a new facility in Altendorf, and engaged in a number of projects supporting our global accounts.

A key component of our growth strategy is through strategic acquisitions. These potential acquisition candidates must meet specific criteria including the following;

- Accretive to earnings in the first year.
- Strategic locations throughout the US and Europe where we have significant concentrations of demand for our service offerings.
- Highly trained technical staff that can meet our internal requirements and the requirements of our Global customers.

We may not continue to be successful in our search for potential acquisition candidates that are acceptable for our business model, or we may not be successful in our attempts to acquire new businesses that we have identified as attractive acquisition candidates.

Organic Growth Strategy

With respect to our plans to increase revenue organically, we have identified, and are currently pursuing, several significant strategies;

- The first strategy is to expand the a la carte services offered to existing major national, multi-national and global clients who have not already signed an infrastructure managed services agreement. This has been initiated by the hiring of branch level account managers focused on the sale of individual infrastructure services and the global managed services offering. With reorganization of the professional services team structure, it permits Beacon to accommodate branch level services delivery to potential global clients.
- The second strategy is to continue to add regional branches to the existing branches in Columbus and Cincinnati, Ohio, Louisville, Kentucky and Raritan, NJ. The additional branches will be strategically located to provide regional coverage and depth of resources to support global client demand.
- The third strategy is to add regional and major account sales resources in each new branch. This will facilitate the introduction of Fortune 1000, Global 2000 and qualifying multi-national firms. We refer to these current and future clients as Fortune 10000.

Results of Operations

For the three months ended December 31, 2009 and 2008

Operations for the three months ended December 31, 2009 include our fully consolidated European operations, which began in the fourth quarter of the fiscal year ended September 30, 2009. In order to best discuss and compare operations for the three month periods ended December 31, 2009 and 2008, the following table presents a condensed consolidating financial information for our North American and European Operations. A discussion of our result of operations by operating segment is as follows:

	North America	Europe	Total
Revenue	2,260,946	6,308,698	8,569,644
Cost of Goods Sold	482,805	4,951,109	5,433,914
Cost of Services	941,469	429,909	1,371,378
Gross Margin	836,672	927,680	1,764,352
Operating expense			
Salaries and Benefits	1,040,631	270,401	1,311,032
Selling, General and Administrative	725,988	512,497	1,238,485
(Loss) Income from Operations	(929,946)	144,781	(785,165)
Interest Expense	(185,182)	(367)	(185,549)
Change in Fair Value of Warrants	(23,716)		(23,716)
Interest Income	—	338	338
Net (Loss) Income before taxes	(1,138,844)	144,752	(994,092)
Income taxes		36,611	36,611
Net (Loss) Income	(1,138,844)	108,141	(1,030,703)

North American Operations

Revenue from our North American operations the three months ended December 31, 2009 and 2008 was approximately $2,260,000 and $1,801,000, consisting of approximately $367,000 and $440,000 of engineering and design services, $315,000 and $228,000 of managed services, and $1,500,00 and $1,101,000 of business telephone and data system installations, infrastructure, Information Transport Systems Managed Services, and time and materials services.

Cost of goods sold for the three months ended December 31, 2009 and 2008 amounted to approximately $1,424,000 and $1,317,000, and consisted of approximately $480,000 and $644,000 of equipment and materials used in business telephone systems installations, infrastructure, I3MAC and time and material parts used in services, $570,000 and $467,000 of direct labor, $141,000 and $95,000 of direct project related costs, and $230,000 and $91,000 of subcontractor fees incurred in providing services. The cost of goods sold components comparison displays the changing product mix in North America from high cost, labor intensive regional phone system sales, installation and support to a infrastructure and Information Transport Systems product offering, accounted for as Time and Material Contracts. The result being lower cost of goods sold and margin gain.

Salaries and benefits of approximately $1,000,000 and $904,000 for the three months ended December 31, 2009 and 2008 consisted of salaries and wages of approximately $600,000 and $643,000, commissions and bonuses of $46,000 and $59,000, benefits of $65,000 and $90,000, payroll taxes of $84,000 and $75,000 and the company match of employee contributions to the 401k plan of $0 and $37,000. Non-cash share-based compensation of $245,000 and $52,000 related primarily to stock options granted during the period is included in salaries and wages.

Selling, general and administrative expense for the three months ended December 31, 2009 and 2008 of approximately $726,000 and $523,000 include approximately $348,000 and $176,000 of accounting, investor relations and professional fees, charge for bad debt expense of $36,000 and $38,000, $48,000 and $50,000 of rent expense, $87,000 and $53,000 of telecommunications and data related expenses, $37,000 and $45,000 of travel related expenses, $17,000 and $12,000 of recruiting expense, $11,000 and $12,000 for fuel expenses, and approximately $45,000 and $42,000 of expenses related to business insurance, $15,000 and $9,000 of miscellaneous outside services and $114,000 and $86,000 of other administrative services.

Interest expense of approximately $185,000 and $213,000 for the three months ended December 31, 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 and $73,000 and $163,000 for the three months ended December 31, 2009 and 2008. Additionally we recognized approximately $24,000 of non-cash expense related to the change in fair value of warrants with anti-dilution features.

Contractual dividends on our Series A, A-1, and B Preferred Stock amounted to approximately $48,000 and $125,000 for the three months ended December 31, 2009 and 2008 and are included in accrued expenses. Deemed dividends related to the beneficial conversion feature embedded in our Series A, A-1, and B Preferred Stock of approximately $25,000 and $80,000 was recognized during the three months ended December 31, 2009 and 2008.

European Operations

Our expansion into Europe, which began in the fourth quarter of the fiscal year ended September 30, 2009, has generated revenue of approximately $6,300,000 for the three months ended December 31, 2009 consisting of approximately $5,500,000 of construction type contacts accounted for using the percentage of completion method of accounting, $600,000 of professional services, and $157,000 of time and material services.

Cost of goods sold for the three months ended December 31, 2009 amounted to approximately $5,400,00 and consisted of primarily of materials costs of approximately $5,000,000 and direct project related costs of $400,000

Salaries and benefits of approximately $270,000 for the three months ended December 31, 2009 consisted of salaries and related benefits

Selling, general and administrative expense for the three months ended December 31, 2009 of approximately $512000, include approximately $150,000 of accounting and professional fees primarily related to the organization of the European operations, $60,000 of travel related expenses, $32,000 or rent and other office related supplies, $186,000 miscellaneous other expenses incurred to establish operations.

- Management makes certain estimates in the course of operations to anticipate business situations; these include the following with a brief discussion of the basis of the estimate used Revenue Recognition — We use information attained from the field engineers, project managers, etc. to provide an estimate of the percentage completion for relevant construction-type projects
- Reserve for obsolete inventory — We use a percentage of new material purchases as a basis for establishing a reserve for obsolete inventory as the phone systems for which we carry spare parts are discontinued and diminish in value to the marketplace.
- Allowance for doubtful accounts — We have a policy of reserving for uncollectible accounts based on its best estimate of the amount of probable credit losses based on, among other things, historical collection experience, a review of the current aging status of customer receivables, a review of specific information for those customers deemed to be higher risk and other external factors including the current economic environment and conditions in the credit markets could affect the ability of our customers to make payments. We evaluate the adequacy of the allowance for doubtful account at least quarterly.
- Intangible assets — 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. We are amortizing customer relationships on a straight line basis over a 15 year estimated useful life. The covenants not to compete have been amortized on a straight line basis over an estimated useful life of either twenty-four or thirty-six months depending on the term specified in the covenant.

Liquidity and Capital Resources

We incurred a net loss of approximately $1 million and had generated cash from operations of approximately $1.3 million for the three months ended December 31, 2009. Our accumulated deficit amounted to approximately $23 million which includes a reclassification of approximately $5.7 million for adoption of ASC 815 as of October 1, 2009 (see Note 1 for more information), and we had cash of $2.6 million and a working capital deficit of approximately $11,000 at December 31, 2009.

The results for the three months ended December 31, 2009 contain a full quarter of results from our European operations which generated sales of approximately $6.3 million with a gross margin of 15%. The European margin is less than our traditional business as it represents a new service offering, project management of the design and construction of a data center, within our professional services segment.

Operations in the US grew 26% for the three months ended December 31, 2009 versus 2008 with the growth lead by our Information Transport Systems Managed Services, which is included with the Time and Material Contracts in Note 1, accounting for revenue of approximately $.9 million. This also contributed to our North American gross margin growth to 37% from 27% for the three months ended December 31 2009 and 2008, respectively. The North American margin gain can be attributed to changing our product mix away from branch based phone and data systems sales and support, which are material and installation labor intensive, to higher margin telecommunications and technology systems infrastructure and managed services which involve a higher level of professional services.

For the three months ended December 31 2009, net cash provided by operating activities of approximately $1,250,000 consisted primarily of a net loss of approximately ($1,030,000) and a net decrease in cash of approximately ($1,000,000) due to payments of accounts payable and prepaid expenses in addition to estimated costs and earnings in excess of billings for construction type contracts entered into during the period of approximately $2,100,000, representing unbilled accounts receivable (see Note 1 for more details). These amounts were offset by increases in cash due to accrued expense increase of approximately $3,400,000 primarily related to the associated costs of the construction type contract recorded on the percentage of completion

method. Finally, cash used in operations was impacted by non-cash share based payments of approximately $289,000, depreciation and amortization of $192,000 and other non-cash charges of $187,000.

Cash used in investing activities of approximately $350,000 consisted of capital expenditure related to our European expansion.

Cash provided by financing activities of approximately $2,400,000 was derived primarily from approximately $2,400,000 of net proceeds from the sale of common stock (gross proceeds of approximately $3,000,000 less placement costs of approximately $550,000) raised in our common stock offerings offset by repayments of notes payable of ($940,000).

We completed our acquisition of Symbiotec AG (Note 4), on July 29, 2009, subsequently executing certain commercial agreements that we believe represent significant milestones in the execution of our business plan. As a result we anticipate being able to generate positive cash flows in our operating activities during the year end September 30, 2010.

On October 19, 2009, we announced an authorization to proceed with providing global network infrastructure services to one of our Fortune 100 customers under a three year agreement worth approximately $27 million in revenue, of which we have received a customer deposit of approximately $0.4 million related to initiation of the project that began early in the fourth quarter of fiscal 2009.

On November 11, 2009, we announced a $24.8 million data center construction management engagement beginning immediately with the first phase, worth approximately $13.0 million in revenue, due to complete on or before September 30, 2010. As of December 10, 2009, we have received customer deposits of approximately $3.7 million to fund the project.

Based on the recent progress we made in the execution of our business plan, we believe that our currently available cash, the proceeds of our equity financing activities, and funds we expect to generate from operations will enable us to effectively operate our business and repay our debt obligations as they become due through January 1, 2011. However, we will require additional capital in order to execute our long term business plan. If we are unable to raise additional capital, or encounter unforeseen circumstances that place constraints on our capital resources, 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 December 31, 2009

The following is a summary of our contractual obligations as of December 31, 2009:

Contractual Obligations	Total	Years 2011	Years 2012	2013	2014	Thereafter
Long-term debt obligations	$689,824	$386,140	$269,997	$ 33,687	$ —	
Interest obligations (1)	49,372	37,074	11,951	347	—	
Operating lease obligations (2)	146,555	98,684	15,957	15,957	15,957	
	$885,751	$521,898	$297,905	$ 49,991	$ 15,957	$ —

(1) Interest obligations assume Prime Rate of 3.25% at December 31, 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.

Dividends on Series A and A-1 Preferred Stock are payable quarterly at an annual rate of 10% and Series B Preferred Stock is payable quarterly at an annual rate of 6%, in cash or the issuance of additional shares of Series A, A-1, and B Preferred Stock, at our option. If we were to fund dividends accruing during the twelve months ended December 31, 2010 in cash, the total obligation would be $344,000 based on the number of shares of Series A, A-1 and B Preferred Stock outstanding as of December 31, 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 December 31, 2010 and can be curtailed based on actual results of operations.

Working Capital

As of December 31, 2009, our current liabilities exceed current assets by approximately $11,000. Certain vendors have agreed to defer payment or agreed to payment plans or to accept common stock in exchange for settlement of their outstanding balance. Our working capital deficit has decreased by approximately $1,450,000 during the three months ended December 31, 2009. We can give no assurance that we will continue to be successful in our efforts to negotiate favorable terms with our vendors.

Customers

Because Beacon provides infrastructure management services to global and multi-national clients, the primary target clients can be defined as the Fortune 1000, or the broader Forbes Global 2000. Global clients may also elect to use Beacon’s services in an a la carte fashion, typically using Design & Engineering services which are more portable when used outside of an infrastructure managed services contract vehicle. The business model for global, multi-national and regional clients who use one or more unbundled services allows for migration to a fully managed services offering where all services are offered under a single contractual umbrella. At the beginning of FY 2010, Beacon unveiled a regional branch business model that allowed larger local companies, especially those with multiple sites to leverage the same consulting, design, contracting, project management or even infrastructure management services offered to our global clients. This regional branch model allows smaller companies who have no interest in global managed infrastructure services, or who want to sample Beacon’s services to do so with minimal risk associated with a long term contract. Further, this regional branch model allows Beacon to increase the depth of resources across a given country or region, adding scalability to global and multi-national service delivery, while providing an intake vehicle for future global clients.

Competition

Beacon's service delivery offerings, and therefore its competitors, can be divided into two broad categories. First, services that are offered individually, generally in response to the client needs for a single service within a single project and secondly, services that are offered as a single source package (managed services and outsourcing) and delivered as part of a regional, national, multi-national or global contract, generally with a specified window of time vs. for a single project or task. When offering a single service in response to a single project, there are numerous competitors. These mid to small-sized competitors tend to be single site or confined to small geographic regions and generally aggressively compete for private or publicly announced work. Further, they typically specialize in and are good at only one service out of the 5 or 6 that the client may actually need. These smaller, single service competitors are generally viewed as being commoditized. Beacon's Branch model allows us to successfully leverage the bigger managed services offering and introduce scalability by allowing our clients the option to expand the number of services offered and the geography over which the service is delivered. By removing the business risk associated with having only a single service to offer to new and existing clients, it further allows Beacon to differentiate itself by offering a higher level of service with a more predictable price. So by leveraging the multi-service, global capabilities of Beacon, this provides a significant competitive edge for the first category of competitors, but reduces the pool of competitors for the full-spectrum managed infrastructure services offered across broad geographic areas. There are several national infrastructure firms, such as Black Box and Netversant that have the size and possibly the funding to become direct competitors, but by nature of their size and current business models they would experience significant internal resistance to change. Their past successes in the narrowly focused services arena, combined with their size would provide internal and external barriers to entry, and may well convert many potential competitors into clients as the value of the expanded Beacon managed services model gains wider recognition and market share.

Employees

Beacon currently employs approximately 91 people, 87 full time and 4 part time, in the Columbus, OH, Louisville, KY, Raritan , NJ and Cincinnati, OH markets. Beacon currently employs 7 people in Siebnen, Switzerland. None of Beacon's employees is subject to a collective bargaining agreement.

Facilities

Beacon's executive offices are located at 1311 Herr Lane, Suite 205, Louisville, KY 40222 in 2,142 square feet of office space leased through March 30, 2010. Additionally, we have offices in Louisville, KY consisting of 8,150 square feet of office space leased through December 31, 2010, Cincinnati, OH consisting of 3,675 square feet of office space leased through October 31, 2010, Columbus, OH consisting of 7,018 square feet leased through December 31, 2014, and Siebnen, Switzerland consisting of approximately 1,100 square feet leased on a month to month basis. We believe our facilities are adequate for the continuing operations of our existing business.

Certain Relationships and Related Party Transactions

The Company has obtained insurance through an agency owned by one of its founding stockholders/directors. Insurance expense paid through the agency for the three months ended December 31, 2009 and 2008 was approximately $45,000 and $49,000, respectively, and is included in selling, general and administrative expense in the accompanying condensed consolidated statement of operations.

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 $4,300 and $364,000 for procurement and installation services provided under this marketing agreement for the three months ended December 31, 2009 and 2008, respectively.

Filing Status

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

ITEM 4(T). CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported within the periods specified in the rules and forms of the SEC. This information is accumulated and communicated to our executive officers to allow timely decisions regarding required disclosure. As of December 31, 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 December 31, 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.

Through September 30, 2009, management of our Company had reported at previous dates of assessment that we identified various deficiencies in our accounting processes and procedures that constitute a material weakness in internal control over financial reporting and disclosure controls. We have taken certain steps during the year ended September 30, 2009 to correct previously reported material weaknesses that include, among other things, consolidating all legacy systems into a single unified accounting systems, hiring additional personnel and undertaking the process of documenting our controls; however, we still need to make substantial progress in these areas before we can definitively conclude that we have remediated our material weaknesses.

Management has specifically observed that the Company’s accounting systems and current staffing resources in the Company’s finance department are currently insufficient to support the complexity of our financial reporting requirements. The Company has in the past, and is continuing to experience difficulty in (i) closings its books and records at quarterly and annual reporting periods on a timely basis, (ii) generating data in a form and format that facilitates the timely analysis of information needed to produce financial reports and (iii) applying complex accounting and financial reporting disclosure rules as required under various aspects of GAAP and SEC reporting regulations such as those relating to accounting for business combinations, stockholders equity transactions, derivatives and income taxes. The Company also has limited segregation of duties and it is becoming increasingly necessary for the Company to divide certain custodial, recordkeeping and authorization functions between its Chief Financial Officer, Controller/Accounting Manager and supporting staff to mitigate the risk of material misstatements. Our Chief Accounting Officer was our only employee with SEC reporting experience as of the date of this Quarterly Report on Form 10-Q.

We believe that our internal control risks are sufficiently 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 in part to the fact that we are an emerging business with limited personnel. Management and the audit committee of the Board of Directors believe that the company must allocate additional human and financial resources to address these matters. Accordingly, the company has begun the process of monitoring its current reporting systems and its personnel and recently engaged an external specialist to support the company in its compliance process. The company intends to continue making necessary changes until its material weaknesses are remediated.

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.

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PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

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

None.

ITEM 6. EXHIBITS

10.1 Project Management Services Agreement dated November 6, 2009, by and between the Company and Interxion.*

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.**

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

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

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.

Date: February 16, 2009

Beacon Enterprise Solutions Group, Inc.

By: */s/ Bruce Widener*
Bruce Widener
Chief Executive Officer and Chairman of the Board of Directors

and

Date: February 16, 2009

By: */s/ Robert Mohr*
Robert Mohr
Principal Financial Officer

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

AGREEMENT

BY AND BETWEEN

INTERXION (SCHWEIZ) AG
SÄGEREISTRASSE 29
8152 GLATTBRUGG

AND

BEACON SOLUTIONS AG
GLARNERSTRASSE 88
8854 SIEBNEN SZ

FOR DESIGN AND CONSTRUCTION

OF

THE DATA CENTER “ZUR 1.3”

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

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This **AGREEMENT** (hereinafter referred to as "the **Agreement**") made on this 5th November 2009 at Zurich, Switzerland, is entered into

BY AND BETWEEN

Interxion (Schweiz) AG a company organised and existing under the laws of Switzerland having its registered office at Sägereistrasse 29, 8152 Glattbrugg, Schweiz, represented in this act by its duly authorised legal representative, **{*.}**

(Hereinafter referred to as the **"Employer"**)

— AND —

BEACON Solutions AG, a company organised and existing under the laws of Switzerland, having its registered office at Glarnerstrasse 88, 8854 Siebnen SZ represented in this act by its duly authorised legal representatives, **{*.}**

(Hereinafter referred to as the **"Contractor"**)

(Hereinafter Employer and Contractor are collectively referred to as the **"Parties"**)

WHEREAS:

a) The Employer wishes to have performed certain Works (as defined below) for the construction of a Data Center (as defined below) at Sägereistrasse 29, 8152 Glattbrugg, Switzerland (also named "Zur1.3") for which he has issued to the Contractor his requirements (as reflected in Appendix 1 "Employer's Requirements") for the design, performance and the completion of the Works;

b) The construction of the Data Center will be subdivided into two phases:

   (i) Phase 1 (as defined below); and

   (ii) Phase 2 (as defined below)

c) The Employer wants to have certainty about the total cost of the Works prior to commencing the Works, as well as about the time of completion of the Works and is therefore only interested in the performance and completion of the Works by the Contractor if the Contractor can warrant that performance and completion of the Works will be done for the Lump Sum Price, in accordance with the Time Schedule and in accordance with the maximum agreed PUE Factor of **{*}** (as defined below);

d) The Contractor, having received the Employer's Requirements (as defined below), has submitted to the Employer a Proposal (as defined below) to perform and complete the Works in accordance with these requirements and the Floor Plan (as defined below).

THEREFORE THE PARTIES AGREE AS FOLLOWS

0. Definitions and interpretation

Changes:	The alteration or modification of or the addition to the scope of the Works, including but not limited to: • the addition, omission or substitution of (any part of) the Works; • the alteration of the nature or standard of any materials or goods to be used in the performance and completion of the Works; • the removal from the Site of (any part of) the Works or materials or goods brought thereon by the Contractor for the purposes of the Works.
Change Request:	A written request from Employer for an offer from Contractor to perform certain Changes, a copy of which is attached as Appendix 8.
Contract Commencement Date:	The signing date of this Agreement.
Contract Documents:	This Agreement together with the Appendices as listed in the Agreement.
Construction Period:	The Period starting on the Contract Commencement Date and ending on the Practical Completion of Phase 2.
Contractor's Representative:	The person, named in clause 24.3 of the Agreement, employed, or otherwise engaged by the Contractor for the purpose of receiving of issuing of all applications, consents, instructions, notices, requests or statements or other acts with regard to the Agreement, in accordance with clause 9, or such other person as the Contractor may appoint in his place.
Data Centre:	The combination of the Site, structural and electrical infrastructure and operational management at the Site necessary for Employer to provide his services to his customers.

Design Documents:	A set of documents, including the Employer's Requirements and the drawings and specifications as prepared by the Contractor prior to the commencement of the Works showing the detailed structural design of the Works, the mechanical and electrical design, as well as the product specifications of all the equipment installed by the Contractor as part of the Works.
Defect Liability Period:	A period starting, for each of the two Phases separately, on the date of the Practical Completion Certificate for the relevant Phase and ending in accordance with clause 15 below, for the duration of which the Contractor guarantees all Works of the relevant Phase to be free from any defects.
Electronic Message:	A set of segments, prepared in a computer readable format and capable of being automatically and unambiguously processed, sent through the internet.
Employer's Representative:	The person, named in clause 24.3 of the Agreement, employed, or otherwise engaged by the Employer for the purpose of receiving or issuing of all applications, consents, instructions, notices, requests or statements or other acts with regard to the Agreement, in accordance with and subject to clause 10, or such other person as the Employer may appoint in his place.
Employer's Requirements:	Appendix 1 to the Agreement.
Floor Plan:	Appendix 6 to the Agreement, outlining the basic structural design of the Site as well as its sizing.
Insurance Certificate:	Appendix 11 to this Agreement.
Insured Risks:	Loss or damage by dust, water, vibration, fire, storm, lightning, flood, earthquake, explosion, non-hostile aircraft and parts of aircraft and articles dropped from such aircraft, riot and civil commotion, malicious damage, bursting and overflowing of water pipes, tanks and other apparatus and impact by road vehicles, and such other risks as would be prudent for a Contractor, acting reasonably and in accordance with industry standards, to insure against.

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

Lump Sum Price:	The total and exclusive compensation for the performance, completion and handing over of the Works and all relating services by the Contractor, including any duties payable to local or national authorities, and composed of a lump sum amount for Phase 1 and a lump sum amount for Phase 2.
Minor Defects:	Defects in the Works that are of trivial nature only and that do not prevent Practical Completion, and do not have any adverse effect on the ability of the Employer to commence the commissioning of and/or to operate the Data Centre.
Operating and Maintenance Documentation and as-Built drawings:	Appendix 13 to this Agreement.
Payment Schedule:	Appendix 5 to the Agreement.
Phase 1:	The phase including the design, preparation, performance, completion and inspection of such part of the Works as further described in Appendix 1, including all relating ancilliary or completing works and services, and as to be rendered by the Contractor in observance of the Practical Completion Date for Phase 1 as set forth in the Time Schedule, with the following material contents: **{*}**
Phase 2:	The phase including the design, preparation, performance, completion and inspection of such part of the Works as further described in Appendix 1, including all relating ancilliary or completing works and services, and as to be rendered by the Contractor in observance of the Practical Completion Date for Phase 2 as set forth in the Time Schedule, with the following material contents: **{*}**
PUE Factor:	Yearly average power usage efficiency factor designating the ratio of total amount of power used by the Data Centre facility to the power delivered to the IT equipment and to be measured in accordance with the specification and procedure as set forth in clause 14 of the Agreement.
Proposal:	The offer, attached as Appendix 2, of the Contractor for performing and completing the Works as per the Employer's Requirements.

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Practical Completion:	Means that the Works for the relevant Phase (i.e., as applicable, Phase 1 or Phase 2) have been carried out to such a stage and degree that they can be taken over and that such Works and the Data Center can be fully used by the Employer for their intended purpose and that any items of work or supply then outstanding or any defects then patent are of a trivial nature only and are such that their completion or rectification does not interfere with or interrupt the commissioning and the use of the Works and/or the Data Center.
Practical Completion Certificate:	The certificate issued by the Employer as per clause 13.8 of the Agreement.
Practical Completion Date:	The relevant date on which all the Works for the individual Phase (i.e., as applicable, Phase 1 or Phase 2) necessary to achieve Practical Completion should be completed by the Contractor as agreed by the Parties and stipulated in the Time Schedule (as set out in Appendix 3). Both the Practical Completion Date for Phase 1 and the Practical Completion Date for Phase 2 are binding for the Contractor.
Purchase Order:	The document used by the Employer to accept the offer from the Contractor to perform additional work or charges, a copy of which is attached as Appendix 9.
Retention Sum:	**{*}** of each amount due pursuant to the Payment Schedule.
Site:	Location where the Works are performed; being **{*}** (Zur1.3).
Site's access procedure	Appendix 12 to this Agreement.
Time Schedule:	Appendix 3 to the Agreement.
Works:	Any demolition and construction works or other services necessary to construct a Data Centre at the Site in accordance with the specifications in the Design Documents and the Employer's Requirements.

(1) The headings to clauses and Appendices to this Agreement are inserted for convenience only and shall not affect the interpretation or construction of this Agreement.

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(2) Words and definitions importing the singular shall include the plural and vice versa.

(3) References to clauses and Appendices are references to the relevant clauses in and Appendices to this Agreement.

(4) No general terms and conditions of the Contractor are applicable as between the Parties.

1. Order of Precedence

1.1 If there is any discrepancy between the Contract Documents, the order of precedence is: (1) this Agreement, (2) Employer's Requirements (Appendix 1), (3) the Design Documents; and (4) all other Appendices.

2. Object of agreement

2.1 The object of the Agreement is 1) the performance and completion by the Contractor of the Works and 2) the payment of the Lump Sum Price by the Employer; all in accordance with the terms as set forth in the Contract Documents and any alterations thereof pursuant to the issuance by the Employer and the acceptance by the Contractor of Purchase Orders.

3. Preparation of the Works

3.1 The Contractor undertakes to prepare and finalise the Design Documents for approval by the Employer and deliver the same to the Employer in accordance with the Time Schedule. The Design Documents will be based on and comply with the Employer's Requirements, the Proposal and the Time Schedule and will contain, among other things, a factual build out specification for the Site.

3.2 Instruction by the Employer, including the Employer's Requirements, shall not relieve the Contractor from his duty to verify these instructions for correctness, conformity with the Proposal and expediency in accordance with the Time Schedule or from the responsibility for his Works. Consequently, if the Contractor has any doubts with respect to the instructions received, including the Employer's Requirements, or with the manner in which they are carried out, then he shall inform the Employer and submit counter-proposals within **{*}** working days.

3.3 The Employer shall review the Design Documents and notify the Contractor of its written objections within **{*}** working days of receipt of the Design Documents as finalised by the Contractor. The review of the Design Documents by the Employer does not release the Contractor from his liability for any errors, miscalculations or other mistakes in the Design Documents.

3.4 The Contractor shall within **{*}** working days of receipt of the objections of the Employer to the Design Documents notify the Employer in writing either that it will comply with the recommendations, if any, made by the Employer or of its further proposals. Upon receipt by the Employer of such notification, the procedure of clause 3.3 shall be followed.

3.5 On approval by the Employer of the completed Design Documents, the Employer and the Contractor shall jointly sign off the completed Design Documents. The review and approval of the Design Documents by the Employer does not release the Contractor from its obligation to perform and execute the Works in full compliance with this Agreement, including the Employer's Requirements and the Time Schedule, and in accordance with the newest state of the technology.

3.6 Except in so far as already applied for by the Employer and/or in so far the Employer by law is obliged to apply, the Contractor shall obtain all necessary planning permissions, approvals or equivalent consents, authorisations or licenses required by local laws, rules and regulations for the performance and completion of the Works according to the Time Schedule. The Employer or the Contractor, respectively shall at all times insure receipt of these approvals at such time that this does not create delays in relation to the Time Schedule.

4. Performance and completion of the Works

4.1 The Contractor shall perform and complete the Works in accordance with the Agreement in general and the approved Design Documents and the Time Schedule in particular. The Works must comply with all known scientific and technological standards, knowledge and procedures with due regard to an economic mode of operation.

4.2 The Contractor shall perform and complete the Works in accordance with the Contract Documents and all applicable local laws, rules, regulations and codes of practice as applicable from time to time during the Construction Period and shall ensure that the Site complies with all applicable local laws, rules, regulations and codes of practice during the Construction Period as well as at Practical Completion.

4.3 The Contractor shall perform and complete the Works in a good and workmanlike manner, in accordance with the newest state of the technology and using only suitable good quality materials and equipment. He warrants that his employees, representatives and sub-contractors are qualified and of good reputation;

4.4 The Contractor will immediately notify the Employer if he detects any defaults, mistakes, errors in the design, in the Design Documents, in Employer's Requirements or in the performance and completion of the Works.

4.5 In the performance and completion of the Works, the Contractor shall:

4.5.1 at all times comply with the Time Schedule, subject only to the extensions permitted under clause 7;

4.5.2 Co-operate and procure that his employees, representatives and subcontractors will co-operate with the Employer's Representative.

4.6 The Contractor shall perform and complete the Works in accordance with the Time Schedule.

4.7 In case of any additions or alterations to the Works (irrespective of whether this is the result of a Purchase Order), the Contractor shall provide marked up drawings to the Employer' Representative.

4.8 The Contractor shall prepare a full architectural and technical documentation both in German and one in English, including drawings and descriptions.

4.9 The Contractor is responsible for the security on-site with regard to the Site, all materials, tools and equipment used for the performance and completion of the Works and the safety of all persons present at the Site, until the Practical Completion and subject to Appendix 12.

4.10 The Contractor has to provide for and use its own power supply during the construction. Water will be provided by the Employer, or its Landlord, at the Contractor's expense. Use of the sewage system during construction will be made available by the Employer or its landlord. Toilettes or latrines will be provided by the Employer. However, it is the Contractor's responsibility to provide for the cleaning of such facilities.

4.11 At any time during the Construction Period, the Contractor is not allowed to use the Employer's facilities for its own benefit and staff. The Contractor shall see to it that its employees, representatives, subcontractors and suppliers will have a site hut at the building Site for their use, which is in accordance with local regulations.

4.12 The Contractor shall keep the Site clean during the performance and completion of the Works. Upon Practical Completion, the Contractor shall clean the Site and shall ensure that all packaging material and remainder of material used during the performance and completion of the Works is removed. All other materials shall be stored outside the Site.

4.13 The Contractor shall at its own costs apply for, possess and maintain any authorization, license, registration, and/or permit which is required to enable it to perform the Works. The Contractor shall comply with the conditions as set forth in such authorization, license or permit and shall indemnify and keep indemnified the Employer for any claim by a third party in respect of damages, losses or costs suffered, or for such other costs as incurred by the Employer, due to the Contractor's non-compliance with the aforementioned obligations. Solely the Contractor shall be responsible for all matters concerning his personnel, such as, but not limited to, engagement, dismissal,

remuneration, holiday pay and sickness benefits, insurances, including social insurances, taxes transport to and from the Site, board and lodging, etc.

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5. Changes to the Works

5.1 The Employer has the right, subject to the provisions of this clause and to the Contractor's right of objection on reasonable grounds, to issue a request effecting a Change.

5.2 Requests for a Change will be made through a Change Request.

5.3 The Contractor shall within **{*}** working days after receiving a Change Request notify the Employer in writing whether he has any objection to the Change. In the absence of such notification by the Contractor, it shall be deemed to have no objections against the Change and the Contractor shall provide the Employer within **{*}** working days from receipt of the Change Request with an offer to perform the Change, containing:

- The period of time required for the performance and completion of the Change;
- A cost estimate detailing all specific items related to the Change, including the pricing for each item required to perform and complete the Change;
- Confirmation whether the performance and completion of the Change will have an impact on the relevant Practical Completion Date, and if so what that impact will be.

5.4 Subsequent to receipt of the offer from the Contractor, the Parties will use every effort to agree on the conditions and a fixed price under which the Change can be performed. The Parties will also discuss impact of the Change on the relevant Practical Completion Date.

5.5 If the Parties come to an agreement, the Employer will provide the Contractor with a Purchase Order reflecting the Change, the agreed fixed price and, if applicable, the new Practical Completion Date. If the Parties do not come to an agreement or if the Employer does not provide the Contractor with a Purchase Order within **{*}** calendar days from receipt of the offer, the Change is deemed not to have been accepted.

5.6 If the Contractor has performed and completed the Change and the actual costs exceed the lump sum price for the same as reflected in the Purchase Order, the Employer shall not be responsible for such excess, which shall be borne by the Contractor.

5.7 The Contractor shall use reasonable endeavors to re-use where possible items previously charged by the Contractor in relation to the performance and completion of the Works and/of any prior Changes.

5.8 The Contractor shall perform and complete the Change by the date as reflected in the Purchase Order.

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5.9 If the Contractor does not submit to the Employer an offer for the Change within the time-period specified in clause 5.3 or if the Change has not been accepted by the Contractor or if the Parties do not come to agreement, the Employer can involve a third party to perform the Change, provided that such third party undertakes to perform its works in full compliance with all terms and conditions of this Agreement. The Contractor and the Contractor's Representative will use best efforts to facilitate the third party and will procure that their employees, representatives and sub-contractors will do the same.

6. Lump Sum Price and payment for Changes

6.1 The Lump Sum Price is CHF 25.000.000 (twenty-five million Swiss franc), exclusive of Value Added Tax. The Lump Sum Price is made up of the following amounts per the individual phase:

- Phase 1: **{*}**;
- Phase 2: **{* }**.

It is explicitly agreed by the Parties that in case that the Employer elects to terminate this Agreement in accordance with clause 22.4, the entire and exclusive compensation payable to the Contractor is the lump sum of **{* }**, subject only to such additional payment as owed by the Employer under a Purchase Order for an agreed Change as per clause 5.5.

6.2 The Lump Sum Price is the exclusive and sole compensation for the Contractor for all activities he has to undertake in order to prepare, perform and complete the Works up to the standards as described in the Employer's Requirements, the Design Documents, the Proposal and any other written instrument as exchanged between the Parties prior to or during the Construction Period.

6.3 The Lump Sum Price shall be paid to the Contractor in accordance with the Payment Schedule.

6.4 All payments shall be effected by bank transfer into the current bank account designated by the Contractor for this purpose and as it will be reflected on the invoice. The payment term shall be in accordance with the Payment Schedule and subject to prior approval of the invoice by the Employer's Representative.

6.5 The Employer shall retain from each payment the Retention Sum. Upon the issuance of the Practical Completion Certificate for Phase 2, **{*}** of the accumulated Retention Sum for Phase 1 and Phase 2 will be released. The final **{*}** of the accumulated Retention Sum will be released upon expiry of the Defect Liability Period of Phase 2. If the Employer opts to terminate this Agreement in accordance with clause 22.4, **{*}** of the accumulated Retention Sum for Phase 1 will be released upon issuance of the Practical Completion

Certificate for Phase 1. The final **{*}** of the accumulated Retention Sum will be released upon expiry of the Defect Liability Period of Phase 1.

6.6 In case of any additional work or Changes, the Contractor is only entitled to receive payment if and to the extent that such additional work or Changes have been performed pursuant to a duly signed Employer's Purchase Order and to the extent the invoice is in accordance with the amount as mentioned on the Purchase Order. Clauses 6.4 and 6.5 apply to payment for Changes.

7. Adjustments to the relevant Practical Completion Date

7.1 In the event the performance and completion of the Works or a Change is demonstrably and exclusively delayed by one or several of the following causes without any fault of the Contractor:

(a) A breach of this Agreement by the Employer;

(b) Changes in mandatory local rules and regulations that require adjustments to the performed or completed Works or Changes to the extent the coming into force of such rules or regulations could not be anticipated by the Contractor;

(c) The performance and completion of an agreed Change Request, for the number of days as specified at the applicable Purchase Order; and

(d) Force Majeure;

then and to the extent that Practical Completion for the relevant Phase is demonstrably and exclusively delayed due to one or several of such causes, the relevant Practical Completion Date shall be adjusted by the number of days the performance and completion of the Works or a Change is delayed as a result of such cause or causes. An adjustment of the Practical Completion Date of Phase 1 does not entitle the Contractor to an according adjustment of the Practical Completion Date of Phase 2. Any other delays for whatever reason do not entitle the Contractor to an adjustment of the relevant Practical Completion Date.

7.2 As soon as it becomes reasonably apparent that the progress of the Works is being or is likely to be delayed for any reason, the Contractor shall forthwith give written notice to the Employer of the cause or causes of the delay and an estimate of the expected delay in the performance and completion of the Works. Failure to do so results in the Contractor being prevented to claim for an adjustment of the relevant Practical Completion Date.

8. Late completion of the Works

8.1 If the Contractor fails to meet the relevant Practical Completion Date, it shall, without notice or warning, be in default, and it shall pay to the Employer a penalty of **{*}** of the relevant Lump Sum Price for each

calendar day that the relevant Practical Completion Date is exceeded. The maximum amount of the penalty will not exceed **{*}**.

8.2 Any such penalties shall be payable weekly in arrears with the last payment to be made on the date Practical Completion for the relevant Phase is finally achieved by the Contractor.

8.3 The Employer shall be entitled to payment of the penalty without prejudice to any of its other rights or claims to or for compensation, including its right to claim performance of any or all obligation(s) in conformity with the Agreement, Employer's right to claim damages and Employer's right to terminate the Agreement.

8.4 The Employer may offset the amount of the penalty against any amount payable by the Employer to the Contractor or its successor or assignee.

8.5 The mere fact that the Employer does not expressly insist on the payment of any accrued penalties prior to, upon or immediately after the performance by Contractor of the delayed Works shall not constitute a waiver of the Employer's right to request the payment of all accrued penalties and the Employer shall continue to be entitled to request all accrued penalties also after Practical Completion of the relevant phase has been achieved by the Contractor.

9. Contractor's Representative

9.1 The Works shall be carried out by a team of professionals, appointed and directed by the Contractor under his exclusive responsibility. The Contractor shall appoint a Contractor's Representative, who will be fluent in both German and English and who will manage day-to-day operations at the Site (which includes the direct management of employees, representatives and sub-contractors working on the Site on behalf of the Contractor).

9.2 The Contractor's Representative is responsible for the finalization of the Design Documents, the supervision of the performance and completion of the Works in accordance with the Design Documents. The Contractor's Representative shall be sole representative of the Contractor, authorized to sign certificates in respect of performance and completion of Works and Changes.

9.3 The Contractor's Representative shall be the Contractor's sole interlocutor with Employer's Representative in respect of all technical and operational issues arising in connection with the performance and completion of the Works and, prior to issuing the certificates, shall consult and seek to reach agreement with the Employer's Representative on any of these matters.

10. Employer's Representative

10.1 The Employer's Representative is German and English speaking and writing qualified professional.

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10.2 The Employer's Representative shall be the Employer's sole interlocutor with the Contractor's Representative in respect of all technical and operational

issues, arising in connection with the performance and completion of the Works.

10.3 The Employer's Representative shall be authorized to enter into agreements with the Contractor's Representative regarding all technical and business issues arising in connection with the performance and completion of the Works subject to the exception of clause 10.4. His signature on any certificates issued by the Contractor's Representative shall be proof of the Employer's approval of matters therein, subject to the exception of clause 10.4.

10.4 The Contractor herewith acknowledges that the Employer's Representative has no authority under any circumstances to represent the Employer in agreeing to Changes. All Change Requests must be signed by both the Employer's Managing Director and the Executive Vice President Operations **{*}**, in order to be binding on the Employer.

11. Supervision of the Works

11.1 The Contractor shall provide for transparent and up-to-date administration of the performance and completion of the Works and of the Changes, which administration will be maintained in German.

11.2 The Contractor shall keep a daily German-written logbook recording the progress of the Works and Changes, all relevant events related to the performance and completion of the Works and Changes and of any deviations from the Design Documents. The Employer and the Employer's Representative may at any time during the Construction Period consult the logbook and require copies. A full copy of the logbook is handed over to the Employer upon Practical Completion.

11.3 The Contractor's Representative and the Employer's Representative shall meet at least once a week to check daily logbooks, to monitor and discuss the progress of the Works and the Changes and to discuss any other relevant subject. In the event that either of the Parties requests intermediate meetings, any such additional meeting(s) shall be arranged within three days from a written notice to that effect. All meetings will be held at the Site unless the Contractor's Representative and the Employer's Representative agree to meet at another location.

11.4 Draft minutes of each meeting shall be prepared by or under the responsibility of the Contractor's Representative. The draft minutes shall be sent to the Employers' Representative as early as possible prior to the next meeting and, if agreed upon by the Employer's Representative, signed by both the Contractor's Representative and the Employer's Representative. Only by undersigning the minutes of a meeting will they be deemed to have been accepted by the Employer.

11.5 All written correspondence between the Parties shall be incorporated in the next succeeding meeting minutes.

11.6 For clarity sake, the Employer shall have access to the Site (without consent being required from the Contractor) at all time and without any delay.

12. Commissioning

12.1 As soon as all Site constructions and the installation (incl. equipment specific testing) of the equipment for the relevant Phase have been duly completed by the Contractor and the Works (incl. any Changes) for this Phase are ready for commissioning, the Contractor shall notify the Employer thereof in writing. The Employer shall receive this notification prior to the Start of Commissioning date **{*}** as specified in the Time Schedule.

12.2 The Contractor shall be responsible for the initial start-up of the equipment and the commissioning, which shall be conducted by him in accordance with the Employer's instruction and the rules set forth in Appendix 14, including the DER version 3.1 as referenced in Appendix 1, and shall be started no later than the Start of Commissioning date and be concluded prior to the Practical Completion Date as specified in the Time Schedule.

12.3 The Contractor shall, as an integrated part of the commissioning,

- make all checks, testing, measurements and recordings necessary to assess whether the Works (and any Changes), including all systems and sub-systems, fully comply with the contractual specifications and required performance criteria;
- make all such adaptations, rectifications and adjustments with respect to any defects, malfunctioning or problems observed during commissioning, so to bring the Works (and any Changes) in compliance with the contractual specifications and required performance criteria and as necessary for enabling the Employer to take up problem-free Data Centre operations as of the Practical Completion Date.
- make all such further checks, testing, measurements and recordings as necessary to duly establish and document that the Works (and any Changes), including all systems and sub-systems, fully comply with the contractual specifications and required performance criteria, and submit such documentation and test protocols to the Employer as a basis for the Final Inspection.

12.4 Upon completion of commissioning (including the submission of the documentation and test protocols to the Employer) the Contractor shall give written notification to the Employer that the Works (and any Changes) of the relevant Phase are ready for Final Inspection.

13. Final Inspection of the Works and of Changes for the relevant Phase

13.1 As soon as practical upon the Contractor's notice in compliance with clause 12.4 the Parties shall proceed to the Final Inspection and jointly inspect the

Works (and any Changes), perform such further checks and tests of the systems, sub-systems and equipment as necessary for such purpose.

13.2 Unless the Employer finds defects (including any deficiencies, shortcomings or any other problems of a technical or structural nature in the Works) other than Minor Defects or finds outstanding items of work or supply which are not of trivial nature only, he will confirm the handover of the Works within five working days after the joint inspection.

13.3 If the Employer does not agree with the handover of the Works due to defects other than Minor Defects or outstanding items of work or supply which are not of trivial nature only, he will within **{*}** working days of the inspection inform the Contractor thereof in writing and provide the Contractor with a list of such defects and outstanding items.

13.4 The Contractor shall immediately take all necessary steps and actions to correct these defects and/or procure the outstanding items as soon as possible. Upon completion he shall set a new date for inspection and invite the Employer for a renewed inspection, whereupon the procedure as per clauses 13.2 and 13.3 applies.

13.5 If the Employer agrees with the handover of the Works upon Final Inspection (or, as applicable, the repeated inspection as per clause 13.4):

13.5.1 the Employer will provide to the Contractor with a list outlining the Minor Defects and the minor outstanding items as observed during the inspection;

13.5.2 the Contractor will make available a complete set of drawings reflecting in detail the structural and electrical design of the Site upon the handover of the Works.

13.5.3 the Contractor shall correct all Minor Defects, procure any outstanding items as well as any other deficiencies or defects observed after Final Inspection as soon as possible, but in any event within thirty calendar days from notification of such defects and outstanding items, and submit to the Employer a written confirmation that and how these defects and outstanding items have been solved.

13.6 Upon completion of the corrections by the Contractor of the defects and outstanding items as notified by the Employer under clause 13.5.1, the Parties shall again jointly inspect the Works, which inspection shall be attended by duly authorized representatives of the Contractor and the Employer, as well as by the Contractor's Representative and the Employer's Representative.

13.7 If the Employer does not agree with such corrections, he will notify the Contractor thereof in writing and provide the Contractor with a list of the

remaining defects and outstanding items. The Contractor shall take all necessary steps to correct the remaining defects and procure the outstanding items immediately, but in any event within ten calendar days from notification. Upon completion he will invite the Employer for a new inspection of the items on the list in accordance with clause 13.6. If the defects and outstanding items

have not been corrected, the Employer may, without further notice, transfer the correction works to a third party at the cost and risk of the Contractor.

13.8 If the Employer agrees with the corrections made by the Contractor, the Employer will issue the Practical Completion Certificate as per Appendix 7.

13.9 Practical Completion is, subject to clause 13.10, deemed to have been achieved for the relevant Phase on the following date:

- if upon Final Inspection of the Works as per clause 13.1 the Employer finds no defects other than Minor Defects and no outstanding items of work or supply which are not of trivial nature only, on the date of the written notification of the Contractor as per clause 12.4 that the Works are ready for Final Inspection;
- if upon inspection of the Works as per clause 13.1 the Employer finds defects other than Minor Defects or finds outstanding items of work or supply which are not of trivial nature only, on the date of the repeated inspection as per clause 13.4 provided that this repeated inspection confirms that the defects and outstanding items have been rectified by the Contractor;
- if the repeated inspection of the Works as per clause 13.4 shows that not all defects or outstanding items as notified have been rectified on such date, on the date on which the rectification of the remaining defects or the outstanding items have been completed and inspected.

13.10 Any defects other than Minor Defects or outstanding items of work or supply which are not of trivial nature only that are subsisting after the Practical Completion Date as per the Time Schedule shall prevent Practical Completion and result in penalties as per clause 8 above.

13.12 The Contractor shall provide the operating, maintenance and as-built drawings in accordance with Annex 13 to this Agreement.

14. Guarantee of PUE Factor

14.1 The Contractor guarantees that the PUE Factor will not exceed **{*}.**

14.2 The PUE Factor will be measured twice for each Phase, under normal operating conditions at full load, namely:

- The first measuring will take place during the Integrated Site Acceptance Test (as described in clause 12 to this Agreement); and
- The Second measuring will take place on the statistically warmest day of the year the Practical Completion of the relevant Phase took place or on the statistically warmest day of the calendar year following such Practical Completion, whichever occurs first. In order to designate the statistically warmest day, the records of local weather monitoring for the last 20 years as

made by the Federal Office of Meteorology and Climatology MeteoSwiss, measuring station Oberglatt, are conclusive.

14.3 It is the Contractors responsibility to provide, at his own costs, the necessary equipment to simulate full load. The specific dates for taking measurements shall be set at least five days in advance. The measurements shall be made in the presence of both Parties.

14.4 The guaranteed PUE Factor is considered met if for each Phase the average of both measurings results does not exceed the factor **{*}**.

14.5 In the event the PUE Factor is not met, the Contractor is obliged to do any necessary work required in order to comply with the guarantee as set out in clause 13.1. The Contractor should bear all such costs.

15. Defect Liability Period

15.1 The Contractor guarantees that all Works, for the duration of the Defect Liability Period, are free from defects, have the contractually agreed upon or warranted characteristics and permit a purposeful, trouble-free operation of the Data Centre. This guarantee is notwithstanding any other rights the Employer may have under the applicable law and/or the Agreement.

15.2 The Defect Liability Period starts, separately for each of the two Phases, on the date of issuance of the Practical Completion Certificate for the relevant Phase and ends **{*}** months thereafter unless extended pursuant to clause 7.1 or clause 7.2.

15.3 The relevant Defect Liability Period shall be extended by a period equal to the period between notification of a defect by Employer and the completion of the rectification of such defects by the Contractor.

15.4 In order to synchronize the Defect Liability Periods for the two Phases, the Employer may opt, at any time during the Defect Liability Period for Phase 1, to acquire an extension of this Defect Liability Period for the remainder period of the Defect Liability Period of Phase 2. This means that in case the Employer exercises his option, the Defect Liability Period for both Phases shall be the same. Clause 14.3 is applicable to such uniform period. If Employer elects to exercise this option, he shall issue a Purchase Order. The price for such extension will be negotiated by the Parties.

15.5 The Employer may notify a defect at any time within the relevant Defect Liability Period. The fact that a defect could have been detected or has been detected at the occasion of a inspection contemplated in clause 12 above, does not prevent the Employer from notifying such defect and requesting its rectification (or invoking any other warranty right it may have under this Agreement or under the applicable law) at any time during the Defect Liability Period.

15.6 The Contractor shall, immediately upon receipt of a written notice from the Employer remedy and repair any defects in the Works or the Changes, without any cost to the Employer.

15.7 The Contractor agrees to meet with the Employer within **{*}** days prior to the end of the relevant Defect Liability Period at the latest for an inspection of the Works. All deficiencies not caused by the Employer shall be listed. Contractor agrees to correct all deficiencies, identified in this meeting, within **{*}** days after the date of said meeting. If the deficiencies are not adequately corrected, Employer may engage an independent contractor to correct the deficiencies at the Contractor's expenses and risk. Final payment or any other act by the Employer, including the engagement of a third party to provide service and maintenance of the Works after the Practical Completion, shall not relieve the Contractor of his obligations pursuant to this clause 14.

15.8 The statute of limitations for any warranty right or any claims of the Employer arising out of a defect notified by the Employer within the applicable Defect Liability Period shall be five years starting from the date of expiry of the applicable Defect Liability Period.

16. Contractor's Liability

16.1 The Contractor shall be fully liable for the proper preparation, performance and completion of the Works and the Changes in accordance with the terms and conditions of the Contract Documents. The Contractor's aggregate liability for breaches of this Agreement shall be limited to the maximum amount of **{* }**.

16.2 The Contractor shall be fully liable for any acts and omissions of its employees as well as for any acts and omissions of any other companies or persons he engages (including, but not limited to sub-contractors) for the performance and completion of the Works and the Changes. The Contractor shall be also fully liable for the payment of any taxes and social security premiums for employees and sub-contractors in accordance with the applicable laws.

16.3 The Contractor shall hold harmless the Employer with respect to any claims brought against the Employer for which the Contractor is liable pursuant to clause 16.1 and 16.2.

16.4 The Contractor shall hold harmless and indemnify the Employer in respect of any liability, loss, claim or proceedings whatsoever arising in respect of death or personal injury to any persons employed or contracted by the Contractor occurring on the Site in the course of the performance and completion of the Works.

16.5 The Contractor will hold harmless and indemnify the Employer in respect of any claims of third parties regarding the performance of the Agreement, including but not limited to claims of subcontractors.

16.6 The Contractor shall be fully responsible that all of his sub-contractors are being paid by him in time and he shall take all necessary steps to avoid that any of his sub-contractor register a security interest of craftsmen and contractors in the meaning of Article 839 of the Swiss Civil Code (so-called

Bauhandwerkerpfandrecht) on the real estate where the Data Center and/or Site is located or apply for the provisional registration of such security. In particular, the Contractor undertakes to immediately provide such security as necessary in the meaning of Article 839(3) of the Civil Code in order to avoid or to cancel any (provisional or definite) registration of a security interest by one of his sub-contractors.

16.7 Notwithstanding anything to the contrary, the Contractor shall, to the extent permitted by law, not be liable for any indirect or consequential damages or losses including, but not limited to, loss of revenue, loss of use, loss of production, costs of capital or costs connected with interruption of operation, irrespective whether a claim by the Employer is based on contract, tort or any other legal ground.

17 Employer's Liability

17.1 If the Contractor terminates the Agreement as a result of a serious breach of contract by the Employer, the Employer shall be liable only for payment for such portion of the Works as already completed by the Contractor up to the date of such termination. The Contractor is only entitled to terminate the Agreement if the Employer is in serious breach of a fundamental obligation under this Agreement and the Employer, despite the Contractor's written notice of serious breach has not remedied the breach in accordance with this Agreement within **{*}** calendar days of receipt of such notice.

17.2 Notwithstanding anything to the contrary, the Employer shall, to the extent permitted by law, not be liable for any indirect or consequential damages or losses including, but not limited to, loss of revenue, loss of use, loss of production, costs of capital or costs connected with interruption of operation, irrespective whether a claim by the Constructor is based on contract, tort or any other legal ground.

18. Intentionally omitted

19. Effective date of the Agreement

19.1 This Agreement shall come into effect on the Contract Commencement Date.

20. Insurance

20.1 The Employer shall take out and maintain, for the duration of the Construction Period an insurance (CAR), covering the full costs of reinstatement of the Site including but not limited to the costs of demolition

and of site clearance, professional fees, building costs and proper allowance of increases thereof.

21. Force Majeure

21.1 The Parties shall be relieved from the liability for the non-fulfillment of their obligations under the Agreement due to an unforeseeable event beyond the control of the Parties which prevents or materially delays, at no fault of the Party invoking such event, the progress of the Works (herein a “Force Majeure” event), including but not limited to:

(a) acts of God;

(b) strike or lock out (excluding strike or lock out of employees of the Contractor or of its subcontractors occurring during the performance and completion of the Works);

(c) acts of Government;

(d) war;

(e) riot;

(f) terrorism.

21.2 The Party claiming the occurrence of an event of Force Majeure must notify in writing the other Party, within **{*}** calendar days of becoming aware of such event. Such notice will at least contain information about the date of commencement and termination of the event, which contractual obligation is prevented or delayed and how long such prevention or delay is expected to continue, and shall provide evidence for the existence of the Force Majeure event. Failure to deliver such a notification in time shall lead to impossibility to invoke Force Majeure.

21.3 The Contractor shall continue to use his best efforts to perform and complete the Works and to minimize the effects of the Force Majeure event on the performance of his obligations under this Agreement.

21.4 The Parties shall, upon receipt of the notice of Force Majeure, confer with each other promptly to attempt to alleviate the cause(s) for the event of Force Majeure, and shall seek reasonable alternative methods of achieving the same performance objectives under the Agreement.

22. Suspension of Obligations and Termination of the Agreement

22.1 The Employer shall be entitled to suspend payments to the Contractor in the event that the Contractor is in serious breach of the Agreement (including, but not limited to non- compliance with the Time Schedule), and the Contractor has not remedied the breach within **{*}** calendar days of receipt of a written notice of default. The value of the payment the Employer is entitled to suspend corresponds with the value of the portion of the Works that is impacted by the breach. After the breach has been remedied, the Employer shall pay the suspended amount to the Contractor within **{*}** calendar days.

22.2 The Employer is entitled to terminate the Agreement in the event that the Contractor is in serious breach of the Agreement (including, but not limited to

non- compliance with the Time Schedule), and (i) has not started to remedy the breach within **{*}** calendar days of receipt of a written notice of default from the Employer and (ii) has not remedied the breach in accordance with the Agreement within **{*}** calendar days of receipt of such notice of default.

22.3 Either Party may terminate the Agreement if the other Party:

(i) becomes insolvent, or voluntary or involuntary insolvency proceedings are instituted by or against such other Party; or

(ii) the other party makes an assignment of all or substantially all of its assets for the benefit of its creditors or the other party makes a likewise arrangement for the benefit of its creditor; or

22.4 The Employer may elect not to proceed with the construction of Phase 2 and for that purpose the Employer is entitled to terminate this Agreement by written notice to the Contractor to be made no later than **{*}** to the Contractor, without incurring any costs, liability and/or penalty. For clarity sake, the Contractor is, if the Employer exercises his option not to proceed with Phase 2, not entitled to any payment, remuneration, compensation, loss of anticipated profits, etc., with respect to the Works for Phase 2 and the Employer's sole remuneration shall be the lump sum amount for Phase 1, being **{*}**, as stipulated in clause 6.1 of this Agreement.

23. Representations and Warranties

23.1 The Parties each represent:

a) to be legal entities validly organized and existing in accordance with the laws of their respective countries and to be of good financial standing;

b) to have full legal capacity to act and sign the Agreement and to fully and accurately perform their respective obligations arising from the Agreement;

c) to have fulfilled all the legal requirements in force in their respective countries necessary for the execution of the Agreement;

d) that its execution and fulfillment of the Agreement does not involve a breach of any current contractual or legal obligation.

24. Notices; Representatives

24.1 Any notice required under this Agreement must be in writing.

24.2 Notices served under this Agreement shall be valid only if made in writing sent by facsimile, Electronic Message, courier or registered mail to the duly authorized persons. The duly authorized representation and the addresses of Employer and Contractor are as follows:

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

The Employer	Interxion (Schweiz) AG For the Attention of the Managing Director

INTERXION CONFIDENTIAL

Address: {*}

Fax: {*}
E-mail: {*}

The Contractor Beacon Solutions AG
For the Attention of {*}
Address: {*}

Fax: {*}
E-mail: {*}

24.3 The following persons are appointed as representatives:

Employer's Representative	Name:	{*}
	Address:	{*}
	Telephone:	{*}
	Fax:	{*}
	E-mail:	{*}
Contractor's Representative	Name:	{*}
	Address:	{*}
	Telephone:	{*}
	Fax:	{*}
	E-mail:	{*}

25. Assignment

25.1 Neither the Agreement nor any rights or obligations arising from it may be assigned to a third party without the prior written consent of the other Party.

26. Sub-contracting

26.1 The Contractor has the right to subcontracting all or part of his obligations under this Agreement, subject to informing the Employer before the engagement of any subcontractor of the name and contact details of such subcontractor.

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

26.2 The Employer, acting reasonable, has the right to object within **{*}** working days after having received the notification to any suggested subcontractor in which case the Contractor will suggest another subcontractor.

27. Confidentiality

27.1 Each Party will keep the conditions of the Agreement confidential and shall not disclose its content to any third persons without the prior written consent of the other Party except:

(a) as required by law;

(b) in so far as is necessary for the proper execution of the Agreement to his employees, officers and advisers and (in the case of the Contractor) to his subcontractors), or (in the case of the Employer) to affiliates;

28. Miscellaneous

28.1 If at any time any provision of the Contract Documents is deemed to be or becomes void or otherwise unenforceable, such determination shall not affect the validity or enforceability of the remaining provisions.

28.2 Any amendment of or addition to the Contract Documents must be made in writing, signed by the duly authorized representatives of the Parties and attached to the Contract Documents.

28.3 In the course of execution of the Agreement, the Contractor will be acting at all times as an independent Contractor and not as an employee of Employer. Neither the Contractor, nor its employees, agents, and representatives shall have authority to act on behalf of, or legally bind the Employer.

28.4 The Contractor shall retain in its sole custody, except as required for the performance of the Agreement, all drawings, plans, specifications, documentation and any copies thereof furnished by Employer. All such drawings, plans, specification and documentation and the copyrights thereof remain the property of the Employer.

28.5 None of the aforementioned documents shall be used by the Contractor for any purpose other than the fulfillment of his obligations under this Agreement.

29. Disputes and Applicable Law

29.1 This Agreement and all Contract Documents shall be governed by the substantive laws of Switzerland. The application of the United Nations Convention on Contracts for the International Sale of Goods of 11 April 1980 shall be excluded.

29.2 Any dispute, controversy or claim arising out of or in relation to this contract, including the validity, invalidity, breach or termination thereof,

shall be finally settled by arbitration in accordance with the Rules of Arbitration of the Zurich Chamber of Commerce in force on the date when the request for arbitration is submitted in accordance with these rules. The seat of the arbitration shall be in Zurich. The arbitral proceedings shall be conducted in English.

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) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2010

/s/ Bruce Widener

Bruce Widener
Principal Executive Officer

Exhibit 31.2

PRINCIPAL FINANCIAL OFFICER CERTIFICATION

I, Robert R. Mohr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Beacon Enterprise Solutions Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2010

/s/ Robert R. Mohr
Robert R. Mohr
Principal Financial Officer

Exhibit 32.1

Beacon Enterprise Solutions Group, Inc.

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

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

- the quarterly report on Form 10-Q of the Company for the quarter ended December 31, 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: February 16, 2010

/s/ Bruce Widener

Bruce Widener
Principal Executive Officer

Exhibit 32.2

Beacon Enterprise Solutions Group, Inc.

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

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

- the quarterly report on Form 10-Q of the Company for the quarter ended December 31, 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: February 16, 2010

/s/ Robert R. Mohr
Robert R. Mohr
Principal Financial Officer