

Executive Summary

BEAC Corporate Description: *Beacon Enterprise Solutions Group (BEAC) is an emerging global leader in the design, implementation and management of high performance Information Technology Systems (“ITS”) infrastructure solutions. Beacon offers fully integrated, turnkey IT infrastructure solutions capable of fully servicing the largest companies in the world as they increasingly outsource to reduce costs while optimizing critical IT design and infrastructure management to provide standardization, consistency and predictability across the corporate enterprise. Through an integrated team approach, Beacon offers a broad range of products and services including IT infrastructure design, implementation and management, application development and voice/data/security system integration, installation and maintenance. Beacon’s client roster includes state and local agencies, educational institutions, and over 4,000 companies ranging in size from mid-sized companies to the Fortune 500. Beacon is headquartered in Louisville, Ky., with regional headquarters in Cincinnati and Columbus, OH, Dublin, Ireland and Prague, Czech Republic and personnel located throughout the United States and Europe.”*

BEAC Focus/Opportunity: ITS (Information Technology Systems) infrastructure refers to the building, campus, city and national systems that support the communications of all low-voltage building systems. This ITS infrastructure is built upon the inside and outside plant structured cabling system, and includes the Local Area Network or LAN –the TCP/IP foundation of all information technology within an organization. Technologies and systems are converging (data, voice, video, security, power, “smart buildings”) and increasingly dependent upon ITS infrastructure as new applications drive more network traffic than ever before. The ITS infrastructure comprises 30% by dollar volume of each low voltage system and is becoming recognized by design and construction professionals as a stand-alone system, much as electrical, water and other utilities are viewed in the built environment.

Outlook for BEAC: Noted in the 8/26/10 press release discussing the outlook for 2011, BEAC has committed to a renewed focus on the Company’s core, higher margin ITS infrastructure services comprised of:

Engineering - Service Delivery Management - ITS Contract Services - ITS Construction Management

As evidenced by the Company’s current client portfolio and the continuous stream of new business development wins among existing and new clients, BEAC has developed an effective strategy targeting a global market opportunity estimated at \$70 billion. BEAC has stated that it expects record revenue growth in fiscal 2011, reaching \$40 million or more, which seems achievable based on a \$76 million backlog reported as of 6/30/10. However, as evidenced by the now discontinued operations of Beacon Solutions AG, the Company’s Switzerland based general contractor subsidiary, revenue growth is meaningful only if accompanied by growth in profitability. Having made key management additions of executives with proven track records, and with a renewed commitment to focus on the Company’s core, higher margin business, BEAC now appears to be better positioned than ever to deliver not only revenue growth but profitability as well. As illustrated later in the report, Murphy Analytics (MA) expects that EPS of \$0.12 is achievable on revenue of \$40 million and EPS of \$0.29 is achievable on revenue of \$75 million. Based on the organic growth opportunity illustrated by the Company’s backlog and the market opportunity for the BEAC service offering, MA expects that over the coming quarters, BEAC will begin to deliver an annual revenue run rate that approximates the \$76 million backlog identified by the Company. Assuming a midpoint between the potential EPS of \$0.12 and \$0.29 results in potential EPS of \$0.20, and MA expects that BEAC soon will be able to demonstrate the corresponding revenue and margin performance required to deliver this level of profitability. Applying a price / earnings multiple of 21x to \$0.20 in estimated EPS results in Murphy Analytics’ 12-month target price of \$4.20.

BEAC Recent Price	\$0.62	<u>Please review the risk factors outlined later in this report and the important disclosures and disclaimers at the end of this report.</u>
Outstanding Share Estimate	37,607,231	
BEAC - Market Cap Estimate	\$23.3 million	
MA 12-Month Price Target for BEAC	\$4.20	

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Company Contact Information:

Beacon Enterprise Solutions Group, Inc.
 Bruce Widener, CEO
 502-657-3507
investors@askbeacon.com
 Porter, LeVay & Rose, Inc.
 Marlon Nurse, V.P., Investor Relations
 212-564-4700
 Halliburton Investor Relations
 Geralyn DeBusk, President
 Hala Elsherbini, COO
 972-458-8000

Analyst Contact Information:

Patrick J. Murphy, CFA
 Analyst
 Murphy Analytics
 Phone 636-273-9440
www.murphyanalytics.com
pmurphy@murphyanalytics.com

BEAC Management**Bruce Widener - Chairman, CEO and President:**

- Over 22 years of industry experience;
- Mr. Widener previously served as Senior Vice President of Corporate Development and was one of the founding employees of UniDial Communications / Lightyear Network Solutions, a private company that grew from start-up to over \$220,000,000 in sales within six years;
- At Lightyear, Mr. Widener was responsible for Product Development and IT as well as Mergers & Acquisitions and was the driving force behind several significant initiatives, including the Company's unique authorized agent program and its entrée into the Local, Data and most recently VoIP markets;
- Prior to joining Lightyear, Mr. Widener held positions at WorldTel Services, LiTel/LCI International and Charter Network.

Jerry L. Bowman, RCDD, NTS, CISSP, CPP - Chief Operating Officer:

- Over 25 years of industry experience
- Former Managing Director and VP for CommScope, a \$3 billion manufacturer of connectivity solutions for commercial networks
- BICSI Board of Directors and ISC Educational Advisory Board. BICSI certified RCDD
- Mr. Bowman has served as a board member for industry associations and workgroups, and has been a featured speaker and thought leader for publications and organizations such as ASIS, BICSI, ISSA, and InfraGard.

Mark Gervasoni, Chief Marketing and Sales Officer:

- Over 25 years of sales and marketing experience inside and outside of ITS industry
- Former regional sales director with CommScope, a \$3 billion manufacturer of connectivity solutions for commercial networks
- Developed and taught one of the first fiber-optic training courses for a major manufacturer.
- Worked previously with Beacon COO Jerry Bowman, assisting with the creation of the Global Engineering business unit of Commscope (NYSE: CTV) – which generates over \$3 billion in revenue as a market leading developer and manufacturer of leading-edge infrastructure technology.

Victor Agruso - Chief Human Resources Officer:

- Over 20 years of strategic planning, organization, development, and talent management experience with emerging growth to Fortune 500 companies in diverse industries
- Mr. Agruso previously held global human resources executive positions with Nike, Hallmark Cards, Humana, and Maritz
- Mr. Agruso was also an advisor to other marquee public and private sector companies seeking to accelerate profitable growth strategies - including Beacon
- Mr. Agruso holds two Master's degrees from Harvard University focused on organization and human resources development

Michael Grendi, CPA, MBA - Chief Financial Officer:

- Over 20 years of finance, accounting, and domestic & international M&A experience.
- Most recently, Mr. Grendi served as CFO of the Americas for Traveler, a UK-based global technology company
- Former Head of Domestic Corporate Finance for Yum! Brands (NYSE: YUM)
- Prior to Yum! Brands, Mr. Grendi was Head of North American Mergers & Acquisitions at ABN AMRO Investment Banking.

Homer A. Wicke - Senior VP of Global Accounts:

- Over 30 years of industry experience;
- Mr. Wicke most recently served as the CEO and was a co-founder of CETCON, Inc., a network design, engineering and project management firm based in Cincinnati, OH;
- Mr. Wicke has a proven track record of successfully sourcing and fostering major account relationships.

BEAC Operational Recap

BEAC Focus Shifts Original Core Focus from Installation to Higher Margin / Higher Service Offerings:

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, the business strategy has shifted to become a leading provider of national, multi-national and global telecommunications and technology systems infrastructure professional services, encompassing a comprehensive suite of consulting, design, project and program management, construction management and infrastructure managed services offerings, while continuing to provide voice and data managed services in selected local markets. The BEAC service offering may be characterized as Global ITS Infrastructure Design, Installation and Management consisting of four business units / disciplines with varying combinations of service offerings:

	ITS Managed Services	Design & Engineering Projects	Technology Prime Contracts	Global Rollouts	Smart Buildings	OSP Projects
Engineering	✓	✓	✓	✓	✓	✓
Service Delivery Management (SDM)	✓			✓		
ITS Contract Services (ICS)	✓				✓	
ITS Construction Management (ICM)	✓		✓	✓	✓	✓

Discipline	Service Description
Engineering	<ul style="list-style-type: none"> - <i>Technology Systems Design</i> - <i>Enterprise Standards</i> - <i>Special Design Services: Data Centers, Smart Buildings, Outside Plant (OSP)</i> <p>Summary: Providing design / engineering services in support of structured cabling / wiring consulting, design and design compliance services including traditional voice / data and new ITS infrastructure disciplines like electrical, security and building systems. Targeted blended operating margin of 40% - 60%.</p>
Service Delivery Management	<ul style="list-style-type: none"> - <i>Program Management / Global Rollouts</i> - <i>9 Project Management Disciplines</i> <p>Summary: Providing targeted expertise and depth for program and project management for major ITS projects in all 4 regions of the world. Targeted margin of 40% - 60%.</p>
ITS Contract Services	<ul style="list-style-type: none"> - <i>Day 2 Management Services</i> - <i>Outsourcing</i> - <i>Work Order / Ticket Fulfillment</i> <p>Summary: Providing the Day 2 installation management services, contract related projects and outsourcing. Targeted margin of 40% - 50%.</p>
ITS Construction Management	<ul style="list-style-type: none"> - <i>Major Projects</i> <p>Summary: Provides major project support for national, multi-national and global project-based and ITS Managed Services clients. Targeted margin of 30% - 35%.</p>

Broken down into more detail, the BEAC ITS Management Suite includes:

- *Assessments*
- *Design & Engineering*
- *Project & Program Management*
- *Technology Prime/ITS Construction Management*
- *Managed Service/ITS Contract Services:*
 - Documentation
 - Customer Service/Help Desk
 - CMS Database Management
 - Field Technical Support
 - I³MAC (Innovative, Intelligent, Installation, Moves, Adds, Changes): BEAC proprietary systems and processes that supply customers with comprehensive, real-time ITS infrastructure management. Benefits include:
 - *Seamless, consistent and predictable service delivery for all facilities globally - standards, processes and products.*
 - *Quality Control via certified Beacon personnel - trained, security clearance, seven panel drug tests.*
 - *Continuous updates of client ITS facility documentation.*
 - *L1 (Layer 1) infrastructure stays in compliance with enterprise standards and manufacturer 20+ year warranties.*
 - *Site visits to every facility enrolled in the program.*
 - *Interactive SQL/Share Point portal for client access to database*

Beacon's enterprise clients include:



IT Convergence Requires Layer 1 Infrastructure Foundation: Converged systems utilize the network to communicate with each other. Historically the network and the Internet communicate using IP. When analog systems converge, they convert from their original communications infrastructure and begin using the network. Approximately 30 percent of all analog and digital systems are comprised of communications infrastructure, which is replaced by network infrastructure during convergence. This means that for each system that becomes part of a converged network, all of the communications infrastructure becomes part of the Layer 1 infrastructure and needs design, installation and management along with the voice/data network infrastructure.

BEAC Acquisition and Organic Growth Strategy Targeting \$70 Billion Telecom Infrastructure Services Market¹: The Company will continue to pursue acquisition opportunities such as the August 2009 acquisition of the Raritan, NJ branch of Newcome Electronic Systems based in Columbus, OH, provided the acquisition candidates meets the following criteria:

- **Accretive Year 1:** *The acquisition is expected to be accretive to earnings in the first year.*
- **Complementary and Strategic Location:** *The acquisition candidate is located strategically in the U.S. , Europe or APAC where BEAC has a significant concentration of demand for Company service offerings.*
- **BEAC Caliber Staff:** *The candidate has highly trained technical staff that meets BEAC internal requirements and the requirements of BEAC customers.*

To drive organic growth, BEAC pursues the following strategies:

- **Expand Existing Service Offering to Existing Clients:** *The first strategy is to expand the penetration of the existing a la carte services offered to existing major national, multinational and global clients who have not already signed an ITS managed services agreement. This has been initiated by the hiring of regional and global account managers focused on the sale of individual infrastructure services and the global ITS managed services offering. With reorganization of the professional services team structure, it permits Beacon to accommodate any work from qualified clients, providing the scope of work is within the core ITS service offerings .*
- **Expand New Service Offerings to Existing Clients:** *The second strategy is to expand the service offering to include ITS services with documented demand, but that Beacon does not currently offer. Since the capability to offer most of these services already exists within the 4 technical business units, this strategy drives growth with almost zero impact on SG&A expenditures, while satisfying stated client needs.*
- **Add Verticals With ITS Density and Global Footprint:** *Vertical markets are cyclical in nature and cycle through strong and weak periods of demand for ITS professional services. The 3 existing verticals – Pharmaceuticals, Retail and Financial, remain strong, but in order to leverage new activity which appears sustainable, new verticals are periodically added to the Sales focus. In 2011, 3 new verticals are showing promise and early business. They are Smart Buildings, Global Integrators and Outside Plant. Sales representatives and account managers are assigned to approved verticals with documented client base.*

BEAC Staffing: Beacon currently employs approximately 98 people, with 82 in the Columbus, OH, Louisville, KY, Raritan, NJ and Cincinnati, OH markets. Beacon currently employs 10 people in the Czech Republic, 4 in Belgium and 2 in Ireland. None of Beacon's employees is subject to a collective bargaining agreement.

¹ Technology Business Research's "Telecom Infrastructure Services (TIS) Addressable Market Forecast"
<http://it.tmcnet.com/news/2010/03/31/4703806.htm>

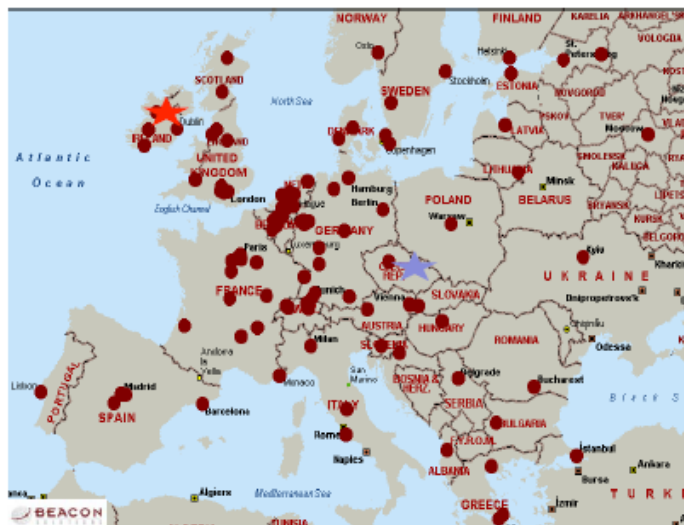
BEAC North American Expansion: The Company's existing contracts include 240+ buildings on 120+ campuses with projected revenue impact of \$19.5 million over 3 years. Additional comments regarding the expansion strategy:

- BEAC will expand geographic presence while deploying team to service new contracts.
- The Company began fiscal 2009 with a physical presence in 3 cities and will add locations as density of client sites requires. Although origin plans called for significant local presence, standardization and centralized regional services targeting client density have replaced the more costly strategy of having a Beacon office in every city. .
- Hundreds of transactions are completed monthly, with 70% performed by BEAC staff and the balance subcontracted.
- BEAC continues to leverage COO Jerry Bowman's visibility with BICSI², which provides information, education and knowledge assessment for individuals and companies in the ITS industry serving more than 23,000 ITS professionals in nearly 90 countries with members including designers, installers and technicians. These individuals provide the fundamental infrastructure for telecommunications, audio/video, life safety and automation systems. Through courses, conferences, publications and professional registration programs, BICSI staff and volunteers assist ITS professionals in delivering critical products and services, and offer opportunities for continual improvement and enhanced professional stature.

BEAC Europe, Middle East, Africa (EMEA)

Expansion: BEAC has commenced a new engagement with projected revenue impact of \$27 million over 3 years and the Company's EMEA expansion is expected to reach 450+ buildings. Additional comments regarding EMEA expansion:

- The new engagement includes full documentation of all client facilities over 2 years and includes management of all client (ITS) infrastructure.
- The engagement is managed from Beacon's new engineering & customer support center in Prague with the majority of professional services performed internally, in contrast with transactional work where 70% of the work is performed by subcontractors and 30% by BEAC staff, and typically on a client site.



BEAC Central and Latin America Expansion: The Company has current projects underway in Mexico and elsewhere in Central America / Latin America (CALA). BEAC has completed an audit of client facilities in Brazil and will focus on opportunity in Brazil, Venezuela, Columbia and Argentina which collectively represent 70% of economic activity.

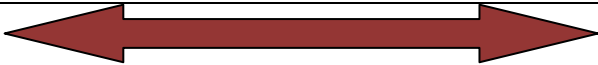
² <https://www.bicsi.org/default.aspx>

Asia Pacific Expansion: The Company has current projects underway in China, Singapore, Japan, Korea and other APAC cities. Site surveys, contractor recruiting and other pre-execution activities have begun with final planning in progress for permanent APAC ITS management operations.

BEAC Competition and Differentiation: Beacon’s service delivery offerings, and therefore its competitors, can be divided into two broad categories:

- (1) Services that are offered individually, generally in response to the client needs for a single service within a single project, and delivered on a regional, national, multi-national or global basis, and
- (2) Services that are offered as a single source package (ITS managed services and outsourcing) and delivered as part of a regional, national, multinational 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 for a single location, there are numerous competitors. This is especially true in North America and Europe where there is a higher density of 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 business model is designed to allow new clients to leverage the one or more of the ITS managed services suite and introduce scalability by allowing clients the option to expand the number of services selected and the geography over which the service is delivered.

A LA CARTE					ITS MANAGED SERVICES
CONTINENT	Single	Single	Single	Multiple	Multiple
SITE	Single	Multiple	Multiple	Multiple	Multiple
SERVICE	Single	Single	Multiple	Single	Multiple

SERVICES SELECTION CONTINUUM

By removing the business risk associated with having only a single service in a single small region to offer to new and existing clients, it further allows Beacon to differentiate itself by offering a scalable selection of services, across a scalable number of sites and continents 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, BEAC expects that they would experience significant internal resistance to effect sufficient level of internal change to provide significant competitive pressure. 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.

Why Clients Choose BEAC Services:

- **Single Point of Contact** – In an otherwise highly fragmented industry segment, Beacon offers a single source solution for regional, national and global Layer 1 management.
- **Standardization** – Consolidating network infrastructure management under the Beacon standard can significantly improve quality and consistency across all facilities of the client.
- **Global Reach** – Beacon can provide technical support, direct field support, material handling and certified installations in virtually any location in the world.
- **Focus** – By outsourcing to Beacon, customers can focus their IT resources on their core business, which can greatly enhance efficiency and productivity throughout the enterprise.
- **Cost Savings** – By outsourcing to Beacon, customers can reduce their annual infrastructure expenditures by 30% or more. Other savings include contract administration, vendor management and accounting costs.

BEAC Regional/National Project-Based Account			
Definition	Target Market	Products/Services	Revenue Per Unit
Regional/National customer purchasing one or more services in support of a closed end program or project.	Fortune 1000, Global 2000 or Major Account	One or more core services based on upon project requirements.	Range of \$100k to \$1M
Multi-National/Global Project-Based Account			
Definition	Target Market	Products/Services	Revenue Per Unit
Multi-National or Global customer purchasing one or more services in support of a closed end program or project.	Fortune 1000, Global 2000 or Major Account	One or more core services based on upon project requirements.	Range of \$500k to \$2M
Regional/National ITS Managed Services Account			
Definition	Target Market	Products/Services	Revenue Per Unit
Regional/National customer who purchases a collection of ITS Managed Services as part of a multi-year contract.	Fortune 1000, Global 2000 or Major Account	Two or more core services based on upon enterprise-wide requirements.	Range of \$2M to \$10M
Multi-National/Global Account			
Definition	Target Market	Products/Services	Revenue Per Unit
Multi-National/Global customer who purchases a collection of ITS Managed Services as part of a multi-year contract.	Fortune 1000, Global 2000 or Major Account	Two or more core services based on upon enterprise-wide requirements.	Range of \$5M to \$30M

Review of BEAC Fiscal Q3 10 Unaudited Financial Statements

Unaudited Proforma Financial Condition as of 6/30/10	
Current Assets	\$6.1 million including \$4.1 million in accounts receivable and \$411,000 in cash and equivalents.
Current Liabilities	\$10.7 million including \$7.7 million in current liabilities of discontinued operations and \$1.7 million in accounts payable.
Working Capital	A deficit of \$4.7 million including the \$7.7 million in current liabilities related to discontinued operations.
Total Assets	\$12.5 million including \$5.8 million in goodwill and other intangible assets.
Total Liabilities	\$11.4 million including \$648,000 in long-term liabilities.
Stockholders' Equity	\$1.1 million. Accumulated deficit as of 6/30/10 was \$37 million with additional paid in capital of \$37 million.
Unaudited Operating Results for Fiscal Q3 Ended 6/30/10	
Net Sales	\$3.5 million compared to \$3 million for fiscal Q3 09, an increase of 17%. Net sales for the 9-months ended 6/30/10 was \$9.7 million compared to \$7.1 million for the prior year, an increase of 36%. 78% of Q3 10 sales were domestic with 22% generated in Europe.
Gross Profit	\$2.1 million compared to \$921,000 for fiscal Q3 09, an increase of 124%. Gross profit for the 9 months ended 6/30/10 was \$4.7 million compared to \$2.3 million for the prior year, an increase of 106%.
Operating Expenses	\$3 million compared to \$2.2 million for fiscal Q3 09, an increase of 34%.
Operating Income	Loss from operations of \$926,000 compared to \$1.3 million for fiscal Q3 2009, an improvement of 29%. Loss from operations for the 9 months ended 6/30/10 was \$3.8 million compared to \$3.4 million for the prior year, an increase of 12%.
Loss from Continuing Operations	\$1.1 million compared to \$1.5 million for fiscal Q3 09, an improvement of 27%. Loss for the 9 months ended 6/30/10 was \$8.5 million and includes \$4.4 million in expense associated with the change in fair value of warrants. Loss for the 9 month period in the prior year was \$4.1 million.
Loss from Discontinued Operations	\$7.6 million for the quarter ended 6/30/10 and \$7.2 million for the 9 months of fiscal 2010. In June of 2010, BEAC decided to discontinue the operations of wholly owned subsidiary Beacon AG located in Switzerland. In June of 2010, Beacon AG's sole client, Interxion, notified the Company that it was terminating the agreement related to the completion of a data center. Negotiations regarding continuing the agreement have ceased and the net loss is a result of non-payment for services the Company performed before the termination. The Company is pursuing various avenues to remedy the non-payment for services.
Comprehens. Loss	\$9 million for fiscal Q3 10 and \$16 million for the 9 months ended 6/30/10, which includes the warrant expense, loss from discontinued operations, contractual and deemed dividends, and foreign currency translation. Comprehensive loss for fiscal Q3 09 was \$1.7 million and \$4.7 million for the prior year.
Cash Flows	Net cash used for operating activities was \$5.5 million funded primarily with \$5.3 million in cash from financing activities.

Additional Discussion of BEAC Results:

Discontinued Operations of Beacon AG from BEAC 8K 8/20/10: As discussed in Beacon Enterprise Solutions Group, Inc. (“Beacon”) Form 10-Q on August 16, 2010 and on the Fiscal Third Quarter Conference Call on August 17, 2010 (the “Conference Call”), Beacon intends to pursue all available avenues to reach a satisfactory conclusion related to the data center construction project in Zurich, Switzerland (the “Project”). As discussed on the Conference Call, the dispute related to project scope, change orders, etc. which impacted Beacon’s consolidated gross operating margins and contributed to Beacon’s decision to discontinue operations of Beacon Solutions AG (“Beacon AG”), the Swiss based operating company which holds the contract for the Project. Only the operations of Beacon AG were discontinued for financial reporting purposes. Beacon continues to operate in Europe through its wholly owned subsidiary BEAG Ireland Ltd, which holds the Company’s European engagements with the subsidiaries of its U.S. based pharmaceutical clients and operates the Company’s support center and dispatch operation in Prague, Czech Republic. The total of all invoices submitted for work performed by Beacon AG through June 30, 2010 total \$24.6 million. Net Sales recognized by Beacon AG through the third fiscal quarter ended June 30, 2010 totaled \$16.6 million. Unrecognized Net Sales from discontinued operations related to invoices for all work performed and completed by Beacon AG during the third fiscal quarter ended June 30, 2010 totaled \$8.0 million. Net Liabilities related to discontinued operations during the third fiscal quarter ended June 30, 2010 totaled \$7.1 million.

BEAC Secures \$4 Million Credit Facility: On 8/17/10, BEAC announced that it has secured a \$4 million credit facility from a member of the Company’s Board. The facility has an annual interest rate of 7.73% and a facility fee of the greater of \$40,000 or 1% of any unused balance. For each month the facility is outstanding, 15,000 warrants (\$1.00 strike price) will be paid monthly. Commenting on the new facility, Beacon CEO Bruce Widener noted:

“This credit facility will position Beacon for the future as we expand our technology prime business and focus on professional services. The availability of additional capital will enable us to continue to execute our business plan as we move through the fourth fiscal quarter. We now have both the capital and management in place to achieve record growth and profitability in 2011.”

BEAC Performance Relative to Guidance: On 2/24/09, BEAC estimated a range of \$32.1 million to \$47.5 million in revenue for fiscal 2010, with net income estimated to fall between \$3.1 million to \$4.6 million. Through fiscal Q3 2010, BEAC reported \$9.7 million in revenue from continuing operations. However, as noted above, the total of all invoices submitted for work performed through 6/30/10 by Beacon AG was \$24.6 million. Although the operations of Beacon AG are now reported as discontinued and the Company missed on the forecast for net income, the total fiscal 2010 (non-GAAP) revenue from continued and discontinued operations already falls within the range provided by management.

BEAC Potential Cash Flows and Valuation

Illustration of Potential BEAC Cash Flows	Actual Q3 Results (Unaudited)				Potential Results (Analyst Illustration)			
	Fiscal Q3 10 Actual	%	Fiscal Q3 Annualized	%	Results with Revenue of:	%	Results with Revenue of:	%
Net Sales	\$3,546,000		\$14,184,000		\$40,000,000		\$75,000,000	
Cost of Goods Sold	\$396,000	11%	\$1,584,000	11%	\$8,000,000	20.0%	\$11,250,000	15.0%
Cost of Services	\$1,088,000	31%	\$4,352,000	31%	\$14,000,000	35.0%	\$26,250,000	35.0%
Gross Profit	\$2,062,000	58%	\$8,248,000	58%	\$18,000,000	45.0%	\$37,500,000	50.0%
Salaries and Benefits	\$1,325,000	37%	\$5,300,000	37%	\$6,000,000	15.0%	\$11,250,000	15.0%
Employee share based comp.	\$460,000	13%	\$1,840,000	13%	\$400,000	1.0%	\$750,000	1.0%
S/G/A	\$1,203,000	34%	\$4,812,000	34%	\$6,000,000	15.0%	\$9,750,000	13.0%
Operating Income	(\$926,000)		(\$3,704,000)		\$5,600,000	14.0%	\$15,750,000	21.0%
Other Expenses	\$162,000	5%	\$162,004	1%	\$200,000	0.5%	\$375,000	0.5%
Net Income Before Tax	(\$1,088,000)		(\$3,866,004)		\$5,400,000	13.5%	\$15,375,000	20.5%
Income Tax Expense	\$44,000	1%	\$176,000	1%	\$540,000	10.0%	\$2,306,250	15.0%
Income from Continuing Op.	(\$1,132,000)		(\$4,042,004)		\$4,860,000	12.2%	\$13,068,750	17.4%
Assumed Share Count					39,500,000		45,000,000	
EPS					\$0.12		\$0.29	

Comments regarding modeling assumptions:

- **Revenue:** As of 6/30/10, BEAC reported a backlog exceeding \$76 million. On the conference call discussing fiscal Q3 earnings, management indicated that the backlog is heavily front-loaded, with a significant portion expected in the coming year. In the 8/26/10 press release addressing the outlook for 2011, BEAC indicated an expectation that the current operation and backlog will support a net sales level of \$40 million or more for fiscal 2011. Given the growth rate implied by this estimate and the existence of \$76 million in backlog currently, it is assumed that increasing to \$75 million from \$40 million is consistent with the opportunity before the Company.
- **Cost of Goods Sold / Services and Gross Profit Margin:** It is assumed that some small increase in cost of goods sold or cost of services will increase somewhat over fiscal Q3 results, and that the gross profit margin will fall within the targeted range, improving as revenue increases.
- **Expenses:** Salaries and benefits are assumed to increase in dollar amount but to fall as a % of sales. Employee share based compensation is assumed to return to more historical levels. As noted in the Company's 8/26/10 announcement, Selling / General / Administrative Expense (SGA) is assumed to illustrate economies of scale as revenue improves. Other Income / Expense is assumed to have a nominal impact.
- **Net Income before Tax:** As revenue increases, it is assumed the net pre-tax margin will improve accordingly.
- **Income Tax (Benefit) Expense:** Effective tax rate assumed to increase as pre-tax income increases.
- **Net Income:** It is assumed will move towards mid-high single digit net income margins at higher revenue levels.
- **Diluted Shares:** There are approximately 37.6 million shares outstanding, which is expected to increase as revenues, earnings and presumably BEAC stock price increase.

MA Estimate of Outstanding and Diluted Common Share Count

Outstanding Common Shares as of 8/13/10	37,607,231
Stock Options and Warrants as of 6/30/10	13,961,821
Common Stock Equivalents as of 6/30/10	<u>1,496,448</u>
Total	53,065,500

BEAC Potential Valuation: As presented later in the report, the iShares S&P North American Technology Sector Index Fund (IGM) and iShares S&P Global Technology Sector Index Fund (IXN), both of which are assumed to be relevant valuation benchmarks for BEAC, currently are trading at a price / earnings (P/E) multiple of approximately 21x. Based on potential EPS of \$0.12 on revenue of \$40 million and \$0.29 on revenue of \$75 million, this implies a price for BEAC between \$2.50 and \$6.00 utilizing a P/E multiple of 21x. While this level of revenue implies growth of multiple times the annualized fiscal Q3 results, the Company has estimated revenue of \$40 million or more for fiscal 2011 and reported a backlog of over \$76 million as of 6/30/10. BEAC has committed to an enhanced focus on the higher margin, core ITS business spread across Engineering, Service Delivery Management, Contract Services and Construction Management, and has cited some of the following other sources for potential revenue:

- **Panduit:** The Company has been named a Global Business Partner for Panduit³ - a world class developer and manufacturer of leading edge infrastructure technology with a presence in over 120 countries serving Fortune 1000 and Global 2000 companies.
- **NetConnect:** BEAC has resumed discussions with NetConnect⁴ regarding a division of NetConnect's business that would be meaningful to Beacon's refined core business and BEAC expects to make progress redefining the potential deal during fiscal Q4. While BEAC has passed on some potential acquisitions, the Company continues to work on potential deals more clearly aligned with the core business.
- **Marketing Agreement with \$11 Billion Integrator:** During the fiscal Q3 conference call, BEAC indicated that the Company soon expects to announce a marketing agreement with an \$11 billion global integrator to cross-market to existing clients and approach new clients to introduce a synergistic solution that could significantly increase bandwidth speeds and provide major reductions in IT-related power, space and cooling expense.
- **Strategic Partnerships:** The Company continues to pursue other strategic partnering relationships that will allow Beacon to leverage existing customer relationships and provide complementary value propositions to further penetrate core target markets.
- **Outside Plant (OSP) Projects:** Although this has not been a focus historically, BEAC is now targeting this vertical as activity increases driven by stimulus funding and bandwidth requirements.
- **New Verticals:** BEAC has identified 6 verticals that the Company expects to provide the building blocks to achieve its revenue and profit objectives. The Company has existing business in 3 of these verticals and new marketing and client relationships in the other 3 verticals.

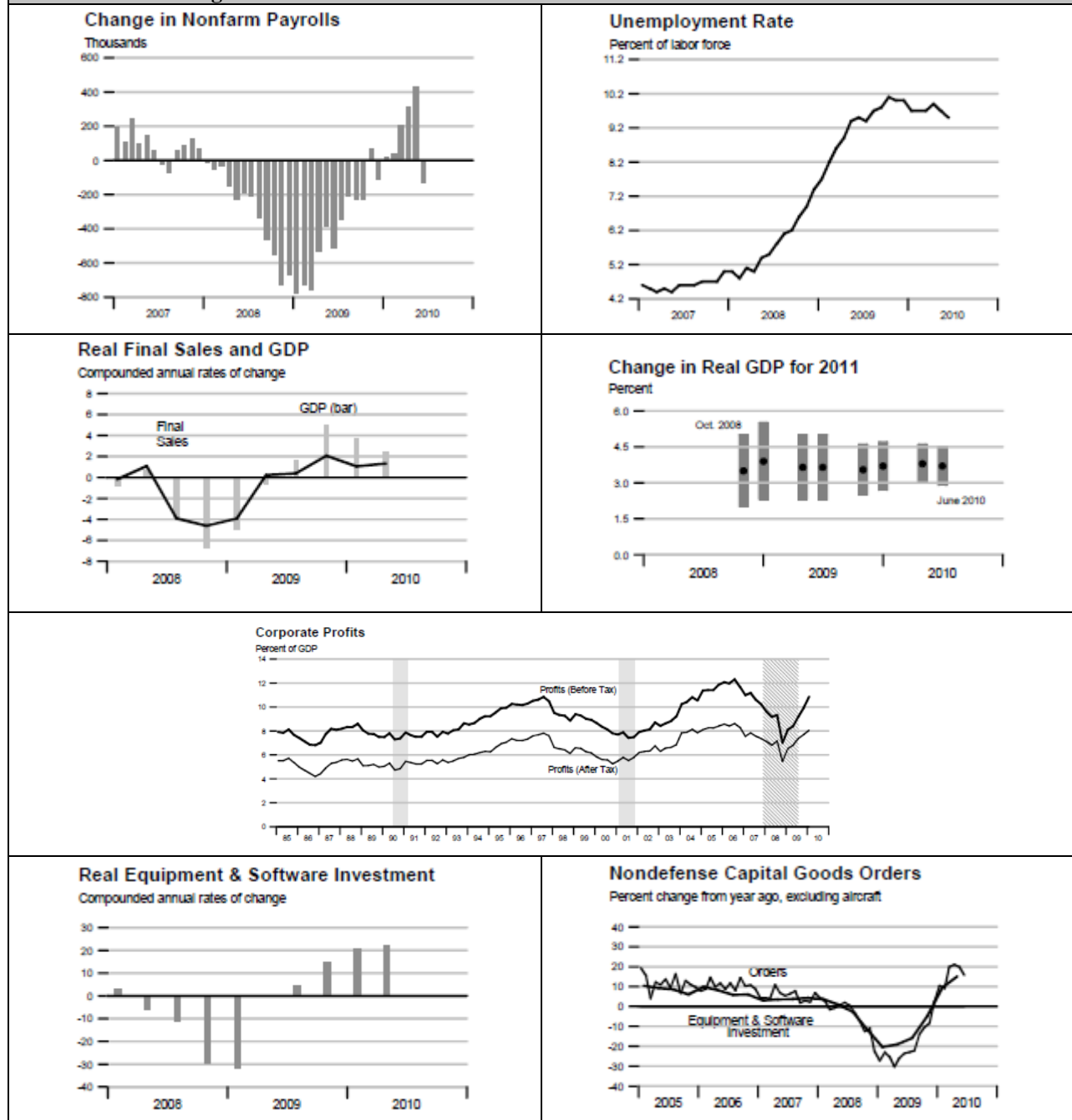
³ www.panduit.com

⁴ www.netconnect.com

U.S. Macroeconomic Data and Indicators

Data from the August 2010 Federal Reserve “National Economic Trends”⁵ appears to show corporate profits driving an increase in real equipment and software investment despite an uncertain labor market:

August 2010 “National Economic Trends” Tables from the Federal Reserve



⁵ <http://research.stlouisfed.org/publications/net/20100801/netpub.pdf>

Q2 10 Survey of Professional Forecasters – Expect Continued Growth:⁶ “The outlook for the U.S. economy over the next few quarters looks stronger now than it did just three months ago, according to 44 forecasters surveyed by the Federal Reserve Bank of Philadelphia...Stronger conditions in the labor market accompany the outlook for growth.. On the jobs front, the forecasters have revised upward the growth in jobs over the next four quarters. The forecasters see nonfarm payroll employment growing at a rate of 207,300 jobs per month this quarter and 120,500 jobs per month next quarter. Both estimates mark strong upward revisions from the previous survey...”

	Real GDP (%)		Unemployment Rate (%)		Payrolls (000s/month)	
	Previous	New	Previous	New	Previous	New
<i>Quarterly data:</i>						
2010:Q2	2.7	3.3	9.9	9.8	117.6	207.3
Q3	2.7	3.3	9.8	9.6	69.3	120.5
Q4	2.7	2.8	9.7	9.5	122.2	153.3
2011:Q1	2.7	2.7	9.4	9.3	143.4	213.8
Q2	N.A.	3.2	N.A.	9.1	N.A.	217.3
<i>Annual average data:</i>						
2010	3.0	3.3	9.8	9.6	-59.0	-37.5
2011	2.9	3.1	9.2	8.9	141.8	184.0
2012	3.4	3.2	8.3	8.0	N.A.	N.A.
2013	3.1	2.9	7.3	7.1	N.A.	N.A.

CEO Confidence Trending Upward Despite Serious Remaining Concerns According to the Vistage International CEO Confidence Survey⁷: According to the Vistage International Q2 2010 CEO Confidence Index, the nation’s largest and only comprehensive survey of U.S. small-and medium-sized business CEO’s: “In Q2 2010, our CEO members expressed increased assurance in their businesses amidst talk of a double dip recession. While CEOs have lowered their expectations for pace of growth in the overall economy, they remain confident that over the next 12 months, they are well positioned to increase revenues and profits, while hiring new employees.”



⁶ <http://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professional-forecasters/2010/survq210.cfm>

⁷ http://www.vistage.com/media/confidence-index/pdf/FlierConfIndex_Q210.pdf

ETF Comparables for BEAC

S&P North American Technology Sector Index Fund (IGM)⁸



The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost.

Recent Top Holdings:

APPLE INC 9.55%
INTL BUSINESS MACHINES CORP 8.37%
MICROSOFT CORP 7.85%
CISCO SYSTEMS INC 6.47%
INTEL CORP 5.72%
HEWLETT-PACKARD CO 4.72%
GOOGLE INC-CL A 4.30%
ORACLE CORP 3.61%
QUALCOMM INC 2.88%
EMC CORP/MASS 2.01%
Total 55.48%

Recent Fund Characteristics:

Price / Earnings Ratio: 21.3x

Price / Book Ratio: 4.2x

Methodology: The iShares S&P North American Technology Sector Index Fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of U.S.-traded technology companies, as represented by the S&P North American Technology Sector Index™. The index includes companies in: the production of sophisticated computer-related devices, electronics networking services, producers of software and consultants for information technology.

S&P Global Technology Sector Index Fund (IXN)⁹



The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost.

Recent Top Holdings:

APPLE INC 9.47%
MICROSOFT CORP 7.50%
INTL BUSINESS MACHINES CORP 6.60%
CISCO SYSTEMS INC 5.10%
INTEL CORP 4.48%
GOOGLE INC-CL A 4.44%
HEWLETT-PACKARD CO 4.22%
SAMSUNG ELECTR-GDR REGS 144A 3.95%
ORACLE CORP 3.63%
TAIWAN SEMICONDUCTOR-SP ADR 2.43%
Total 51.83%

Recent Fund Characteristics:

Price / Earnings Ratio: 21.1x

Price / Book Ratio: 3.8x

Methodology: The iShares S&P Global Technology Sector Index Fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of companies that Standard & Poor's deems part of the information technology sector of the economy and important to global markets, as represented by the Standard & Poor's Global Information Technology Sector Index. The index is a subset of the Standard & Poor's Global 1200 Index.

⁸ http://us.ishares.com/product_info/fund/overview/IGM.htm

⁹ http://us.ishares.com/product_info/fund/overview/IXN.htm

BEAC Risks

BEAC operations and share performance is subject to a number of risks and uncertainties, outlined in detail in Company filings with the SEC. These filings should be read in conjunction with this report. Risks factors identified by BEAC include:

- General economic and business conditions, such as the current global recession, that may affect demand for services and products and the ability of 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.

BEAC Historical Price Chart from quotemedia.com

BEAC: Beacon Enterprise Solutions Group
IGM: S&P North American Technology Sector Index Fund
IXN: S&P Global Technology Sector Index Fund
CSCO: Cisco Systems
ALU: Alcatel Lucent
NOK: Nokia
ERIC: LM Ericsson

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Overview of the OTC Bulletin Board¹⁰

The OTC Bulletin Board[®] (OTCBB) is a regulated quotation service that displays real-time quotes, last-sale prices, and volume information in over-the-counter (OTC) equity securities. An OTC equity security generally is any equity that is not listed or traded on NASDAQ[®] or a national securities exchange. OTCBB securities include national, regional, and foreign equity issues, warrants, units, American Depositary Receipts (ADRs), and Direct Participation Programs (DPPs). The OTCBB is a quotation medium for subscribing members, not an issuer listing service, and should not be confused with The NASDAQ Stock MarketSM. There are no minimum quantitative standards which must be met by an issuer for its securities to be quoted on the OTCBB; however, the new Eligibility Rule limits quotations on the OTCBB to the securities of issuers that are current in their reports filed with the SEC or other regulatory authority. Issuers do not have any filing or reporting requirements with The NASDAQ Stock Market, Inc., or FINRA. Market Makers will be required to provide the periodic financial reports filed by OTCBB issuers with the SEC or other regulatory authorities pursuant to the Eligibility Rule. NASDAQ has no business relationship with the issuers of securities quoted on the OTCBB. Investors must contact a broker/dealer to trade OTCBB securities. Investors do not have direct access to the OTCBB service. The Securities and Exchange Commission's (SEC's) Order-Handling Rules which apply to NASDAQ-listed securities do not apply to OTCBB securities. It is important to note that FINRA has no regulatory authority over OTC Bulletin Board issuers. FINRA's responsibilities include establishing rules governing its broker/dealer members' business conduct; setting qualification standards for securities industry professionals; examining members for their financial and operational condition as well as their compliance with appropriate rules and regulations; investigating alleged violations of securities laws; disciplining violators of applicable rules and regulations; and responding to inquiries and complaints from investors and members. Due to the high level of risk involved in investing in Penny Stocks, the SEC created Rule 15g-2, which makes it "unlawful for a broker or dealer to effect a transaction in any penny stock for or with the account of a customer unless, prior to effecting such transaction, the broker or dealer has furnished to the customer a document containing the information set forth in Schedule 15G, Rule 15g-100, and has obtained from the customer a manually signed and dated written acknowledgement of receipt of the document." (SEC Rule 15g-2(a), Risk Disclosure Document Relating to the Penny Stock Market). If you believe that you have been defrauded by an OTC Bulletin Board issuer, you may file a complaint with your State Securities Regulator or contact the SEC's Office of Investor Education and Assistance.

¹⁰ <http://www.otcbb.com/investorinformation/investorinfo.stm>