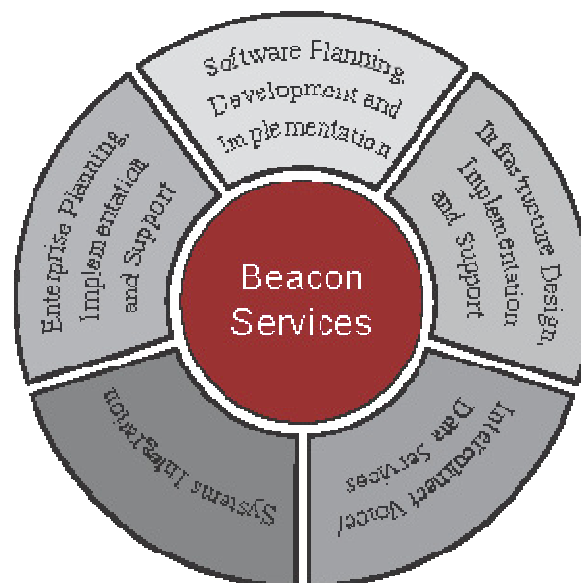


**For an Increasing Number of Small to Very Large Businesses,  
Efficient Network Architecture and IT Infrastructure Management Begins with Beacon**

**Introduction:** Formed in December 2007 by the acquisition of four companies operating successfully in the information technology (IT) and Telecom services sectors, Beacon Enterprise Solutions Group (“BEAC” or the “Company”) is an emerging growth, high-performance provider of advanced IT solutions with a unique focus on network infrastructure management services. BEAC is capitalizing on opportunities created by the world-wide economic contraction through the provision of fully integrated, state-of-the-art, IT network design, installation, management and support services. BEAC’s client roster includes state and local agencies, educational institutions, and over 4,000 companies ranging in size from mid-sized companies to Fortune 500 firms. Clients that have utilized BEAC include UPS, Volvo, Gap, Papa John’s, Nationwide, MackTrucks and LensCrafters. While BEAC services customers globally, it is headquartered in Louisville, Kentucky, with offices in Cincinnati and Columbus, Ohio, and dedicated personnel in Mangalore, India.

**Model:** BEAC’s business model creates a clearly defined early mover advantage due to a unique position as a leader in the provision of fully integrated turnkey infrastructure management 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. Through an integrated team approach, BEAC offers customers everything to make their communications run, from telecom infrastructure design, to application development, to voice/data/security system integration. However, the Company’s focus is network infrastructure design, management and support services and Beacon is rapidly becoming a global leader within this market segment.



**Outlook:** With a consistently expanding business development pipeline of engagements and opportunities, BEAC’s proven executive team is demonstrating the significant potential value of the Company’s focus on Layer 1 infrastructure management for clients ranging from small and medium sized businesses to some of the nation’s largest enterprises. Murphy Analytics (MA) expects this business development success to continue, making BEAC’s EPS guidance of \$0.14 to \$0.22 per share achievable for fiscal 2010. Assuming an EPS midpoint of \$0.18 and a P/E multiple of 20x based on the recent performance of the iShares S&P North American Technology Sector Index Fund, MA is initiating coverage on BEAC with a 12-month price target of \$3.60.

|  |                        |   |
|--|------------------------|---|
| <b>BEAC Recent Price</b>                 | <b>\$1.25</b>          | <b><u>Please review the risk factors outlined later in this report and the important disclosures and disclaimers at the end of this report.</u></b> |
| <b>BEAC - Approximate Market Cap</b>     | <b>\$21.3 million</b>  |   |
| <b>52-Week Price Range</b>               | <b>\$0.30 - \$1.94</b> |   |
| <b>MA 12-Month Price Target for BEAC</b> | <b>\$3.60</b>          |   |

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## BEAC Executive Management

| Name                     | Age | Title  |
|--------------------------|-----|--|
| Bruce Widener            | 47  | Director, Chairman, Chief Executive Officer    |
| J. Sherman Henderson III | 65  | Director                                       |
| John D. Rhodes III       | 54  | Director                                       |
| Richard C. Mills         | 52  | President                                      |
| Kenneth Kerr             | 45  | Chief Operating Officer                        |
| Robert Mohr              | 42  | Chief Accounting Officer, Secretary, Treasurer |

**Bruce Widener, Director, Chairman and Chief Executive Officer.** Mr. Widener possesses over 19 years of industry experience. Prior to developing and forming BEAC, Mr. Widener served as Chief Operating Officer of US Wireless Online, a provider of wireless internet access and related applications during 2006. From 2004 to 2006 Mr. Widener served as Senior Vice President of Corporate Development of UniDial Communications / Lightyear Network Solutions. Mr. Widener was an independent contractor with PTEK in 2002 and became Senior Vice President of Indirect Channel Sales in 2003 through 2004. Mr. Widener was a founding executive of UniDial / Lightyear, which grew from start-up to over \$220 million in annual revenue within six years.

**J. Sherman “Sherm” Henderson III, Director.** Mr. Henderson has more than 35 years of business experience, including company ownership, sales, marketing and management. He has served as president and CEO of Lightyear Network Solutions, LLC since its inception in 2003. Henderson served as President and CEO of Lightyear Communications, Inc., predecessor to Lightyear Network Solutions, since its formation in 1993. In 2004, he was voted chairman of COMPTEL, the leading communications trade association, made up of more than 300 member companies. Mr. Henderson is a graduate of Florida State University, with a B.A. degree in Business Administration.

**John D. Rhodes, III, M.D., Director.** Dr. Rhodes practiced as a physician and has been Board Certified in Internal Medicine and Cardiovascular Diseases serving as Chief Fellow in Cardiology at the University of Louisville School of Medicine from 1984-1985 and was elected a Fellow of the American College of Cardiology. Dr. Rhodes has been an active investor in the telecom, restaurant and real estate industries. Dr. Rhodes was a founding investor in Texas Roadhouse (NASDAQ: TXRH), a national restaurant chain with \$880 million in annual revenue, and served as a member of its advisory board until its initial public offering in 2004.

**Richard C. Mills, President.** Mr. Mills possesses over 26 years of industry experience. Prior to joining BEAC, he joined publicly traded Pomeroy Computer Resources, Inc. (NASDAQ: PMRY) in 1993 and served as Chief Operating Officer and a member of the Board of Directors from 1995 until 1999. During his tenure Pomeroy grew from approximately \$65 million to over \$630 million in annual revenue. Mr. Mills previously served as CEO of Cyberswap, Inc. where

he grew sales from \$2 million per month to over \$10 million per month in less than one year. He was a founder of Strategic Communications LLC.

**Kenneth E. Kerr, RCDD, Chief Operating Officer.** Mr. Kerr has over 25 years of industry experience. Prior to joining BEAC, he was the President and a co-founder of CETCON from 1996 to 2007. Mr. Kerr is a BICSI certified RCDD and holds a BSEE from The Ohio State University.

**Robert R. Mohr, CPA, Chief Accounting Officer.** Prior to joining BEAC, Mr. Mohr served as Director of Financial Reporting of Triple Crown Media, Inc. (NASDAQ: TCMI), a \$130 million sports marketing, association management and newspaper concern, where he was in charge of SEC compliance, financial reporting and analysis from 2005 to 2007. From 2002 to 2005 Mr. Mohr was Chief Financial Officer of Culinary Standards Corp. Over the past 18 years Mr. Mohr has served in senior financial roles in both public and private companies in varying stages of development including start-ups, mergers and acquisitions, restructurings, leveraged buy-outs and turnarounds. Pursuant to financial roles, Mr. Mohr has also served as the leader of human resources, information technology, distribution and customer service.

## BEAC Acquisitions

**The Phase I Acquisitions:** On December 20, 2007, BEAC acquired substantially all of the assets and assumed certain liabilities of Advance Data Systems, Inc., CETCON Inc., and Strategic Communications, Inc. under the terms of three separate asset purchase agreements. In addition, BEAC acquired substantially all of the assets and certain liabilities of Bell-Haun Systems Inc. in a stock purchase agreement. These acquisitions are referred to as the “Phase I Acquisitions.” Following are descriptions of the operations of the Phase I Acquisitions:

**Advance Data Systems, Inc.:** BEAC acquired ADSnetcurve because the business provides the software development and support infrastructure that is needed to develop custom applications for clients’ information technology systems, and to provide management, hosting and technical support services with respect to those systems. Services include:

- *Web application development*
- *IT management and hosting services (for scalable infrastructure solutions)*
- *Support services*

**Bell-Haun Systems Inc.:** BEAC acquired Bell-Haun because the business provided it with (i) a customer base and presence in the greater Columbus, Ohio region and (ii) an established presence in the market for products and services needed to design telecommunications infrastructures and implement such design plans and systems. Bell-Haun specialized in the installation, maintenance and ongoing support of:

- *Business telephone systems*
- *Wireless services*
- *Voice messaging platforms*
- *Conference calling services to businesses throughout its region*

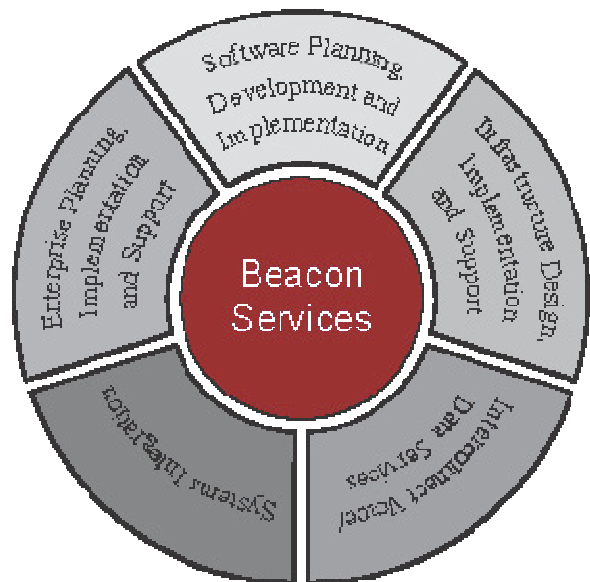
**CETCON, Inc.:** CETCON provided engineering consulting services to commercial and government entities with respect to the design and implementation of their voice, data, video, and security infrastructures and systems. The Company acquired CETCON because the business provided systems design and engineering services that include:

- *Evaluating information technology needs (including voice, data, video, and security needs)*
- *Designing and engineering systems (i.e., hardware) and infrastructure (i.e., cabling and connectivity) to meet those needs at the enterprise level*

**Strategic Communications, Inc.:** The Company acquired certain Strategic assets because the business provided it with a national customer base and presence in the greater Louisville, Kentucky region and an established presence in the market for products and services needed to design and implement these types of systems. Strategic was a voice, video and data communication systems solutions provider. Strategic specifically provided procurement for:

- *Carrier services (including voice, video, data, Internet, local and long distance telephone applications)*
- *Infrastructure services (including cabling and equipment)*
- *Routers, servers and hubs*
- *Telephone systems, voicemail*
- *General technology products*
- *Maintenance support*

**Integration of the Phase I Acquisitions:** Since the completion of the four Phase I acquisitions on 12/2/07, BEAC has focused on integrating the operational elements of the previously distinct entities. This effort has included the consolidation of payroll systems, marketing / advertising / promotional programs, financial systems and Customer Relationship Management (CRM) systems. In addition to integrating various segments into a single organizational infrastructure, BEAC also has begun actively cross-selling the Company's products and services. BEAC's strategy is to grow organically while exploring additional complementary acquisition opportunities enabling the Company to leverage a cohesive and robust operating infrastructure.



## BEAC Strategy and Solutions

**Unique Focus on Network Infrastructure Management Services:** Beacon's growth strategy centers around the Company's infrastructure management service offering. This service offering includes: physical layer network assessment; network design and engineering; bid specification; materials management, labor and logistics; network documentation, and the installation, management and ongoing servicing of the physical network including all network moves, adds and changes (see table on page 14).

Over the years, as employees and systems change, the integrity of physical networks deteriorate. Typically, large enterprise customers expend significant internal IT resources and interface with multiple local and regional vendors, with different standards and pricing, who maintain, support and manage moves, adds and changes to the network. The process is typically inefficient and costly. However, managing and maintaining the physical network is a mission critical expense, regardless of economic conditions. If it is not properly engineered, managed, and serviced, all of the technology within an enterprise can be severely compromised and in extreme cases, cease to function.

BEAC provides enterprise customers with infrastructure management solutions that both reduce costs and improve efficiency. Beacon's advantages include:

1. **Single Point of Contact:** In an otherwise highly fragmented industry segment, Beacon offers a single source solution for national and global network management. One call. One help desk. One dispatch center. One point of contact.
2. **Cost Savings:** By outsourcing to Beacon, customers can reduce the annual network infrastructure expenditures by up to 30% and in some cases more.
3. **Standardization:** Consolidating network infrastructure management under Beacon's standards can significantly improve quality, performance and consistency across all of a customer's facilities.
4. **Global Reach:** Beacon can provide technical support, direct field support, material handling and certified installations in virtually any location in the world.
5. **Focus:** By outsourcing network infrastructure management to Beacon, customers can focus their IT resources on their core business, which can greatly enhance efficiency and productivity throughout the enterprise.

BEAC also serves the medium sized business enterprise (MBE) market on an integrated, turn-key basis from system design, procurement and installation through all aspects of providing network service and designing and hosting network applications. Services include:

**Software Planning, Development and Implementation:** *BEAC's software development process supports customers from planning through implementation and maintenance. BEAC's Application Professionals are trained in tools from Microsoft, Oracle, Sun's Java Web Certified Development, and Enterprise Software Installation, Integration and Upgrades.*

**Infrastructure Design, Implementation and Support:** *BEAC delivers comprehensive infrastructure services based on our customers' diverse needs and environments. BEAC offers a wide variety of solutions, including Hosted VoIP, VoIP Origination and Termination, Internet Access and Private Lines, Security Cabling and Equipment, and more – all designed to increase productivity and lower the total cost of ownership.*

**Interconnect Voice/Data Services:** *BEAC designs and manages interconnect voice/data systems to improve productivity, streamline services and reduce costs. BEAC's capabilities include Phone Systems, Voice Messaging, Computer/Telephony Integration, Cabling, and Wireless.*

**Systems Integration:** *Systems integration is a crucial operational element for any company. BEAC offers a complete portfolio of systems integration services, including Data Networking and Security, Managed Network Services, Physical Security, and Cabling.*

**Enterprise Planning, Implementation and Support:** *Enterprise solutions are the foundation of an organization's infrastructure. BEAC's partnerships with leading vendors, coupled with the Company's technology and the skills of its team – ensure the most critical systems are properly aligned, calibrated and built to last.*

## BEAC Operations

**Customers:** Through the Phase I Acquisitions, BEAC acquired a client base that consisted of approximately 4,000 customers, which were predominantly small and medium sized business enterprises with 25 - 2,500 end users each, as well as approximately 50 larger customers. BEAC has not concentrated on specific industries as every industry requires the services that the Company offers. BEAC current customers include medium sized enterprises, non-profits, government agencies and Fortune 500 companies. BEAC service offerings are not geographically restricted. Although the Company's medium sized business enterprise and non-profit customers generally fall within the geographic footprint of Kentucky, Ohio and Indiana, BEAC provides services to multi-national companies and provide international services based on the needs of the customers. For the year ended 9/30/08, BEAC's largest customer accounted for 19% of sales. Clients that have utilized BEAC include UPS, Volvo, Gap, Papa John's, Nationwide, MackTrucks and LensCrafters.

### **Maintenance and Service Contracts as a Customer Retention and Business Development**

**Tool:** In addition to offering procurement and installation of new systems, BEAC provides repair and maintenance services for a wide range of technology and telecommunications systems. Many customers have systems that are perfectly adequate today and represent significant investment that has not been fully depreciated. BEAC will maintain their systems on a contract basis or on a time and materials basis as needed. While BEAC maintains the system, the Company is able to better understand the needs of the customer and determine when a system replacement is either necessary or would provide a significant improvement in capabilities that would allow the customer to reap a return on investment from improved productivity through implementing newer technology. At the same time, BEAC continues to seek additional opportunities each customer through the potential of providing additional services to the customer from the Company's diverse menu of service offerings. Currently the majority of repair and maintenance calls are performed on a time and materials basis with a limited number of service contracts. BEAC plans on expanding contract service offerings through a focus on selling a contract with every installation and incentive programs for service personnel to identify such opportunities with customers not already under contract.

**Suppliers:** BEAC has accounts with various suppliers that provide products and materials necessary to fulfill BEAC services and the needs of the Company's customers. Such products are typically available from more than one supplier and BEAC routinely reviews supplier relationships to determine the most responsive or least expensive source. BEAC uses multiple criteria to evaluate suppliers and purchases with those that provide the best service. BEAC manages vendor relationships with the same care provided to customers. Although BEAC has significant outstanding balances with a number of vendors, the Company has been successful in negotiating payment plans and concessions from vendors to continue the flow of materials to support customers and the Company believes this will continue.

**Seasonality:** BEAC's business typically follows the customers' capital expenditure budgets. Fiscal Q1, which ends December 31, is typically a very good quarter as customers are utilizing the remaining balance of their capital expenditure budget for the year. Fiscal Q2, which ends March 31, is not as strong as the other quarters of the year as capital budgets are being reviewed and developed for the year but BEAC typically will be in the process of completing projects that began prior to the calendar year end. Fiscal Q3 and Q4 are typically better than Q2. However, BEAC continues to add recurring revenue streams from various sources to support the overall business with revenue streams that are more consistent throughout the year such as Network Services commissions from reselling data and voice circuits.

**Competition:** While BEAC will encounter numerous competitors in various segments of the Company's service areas, many of which will be substantially better capitalized, have more employees, have a longer operating history and are better known in the industry, the Company is not aware of any other single operator currently positioned to offer comprehensive network infrastructure design and management services to the enterprise market on a fully integrated basis. BEAC believes that consolidating service capabilities in regional operating hubs will provide a significant and distinct competitive advantage to gain market penetration in the regions where BEAC will be already established to offer such services.

The following are among the better known competitors involved in portions of the business that BEAC serves: Qwest, Level 3, Broadwing, Covad, BellSouth, Vonage, Packet8, Cisco, Datacomm Solutions, Dell, Sun Microsystems, Trigent, Inventa Technologies, and AAlpha. None of these companies are focused on network infrastructure management and none provide the menu of services that BEAC provides from a single source.

**Staffing and Locations:** As of 9/30/08, BEAC had 20 hourly and 55 salaried employees operating in 3 US locations. Additionally, BEAC had 18 hourly employees operating in an application development office in Mangalore, India. As of 3/31/09, BEAC had grown to 80 employees serving the Columbus, Ohio, Louisville, Kentucky and Cincinnati, Ohio markets. As announced on 5/6/09, BEAC plans to service recently awarded contracts from 12 locations by the end of 2009.

Although the Company has been growing rapidly, BEAC has access to a large number of highly qualified IT engineers whose certifications require participation in continuing education classes. While a decade ago, finding qualified engineers may have been difficult or expensive, this dynamic has changed into much more of an employer's market as the supply of certain types of IT employees has begun to outpace demand.

**Organic Growth:** BEAC expects organic growth to be driven by a number of factors including cross-selling and increasing revenue per client. From a macroeconomic perspective, BEAC cites corporate down-sizing and cost-cutting measures as an opportunity as many companies downsize or eliminate in-house IT departments or attempt to consolidate a disparate patchwork of vendors. BEAC also expects to grow because of the rapid growth of its target markets – IT infrastructure

design, system installation and maintenance, voice/data/security system integration, software development, Voice over Internet Protocol (VoIP) and wide area networking.

**I(3)MAC:** I(3)MAC stands for Innovative, Intelligent, Installation, Moves, Adds, and Changes. It is an internally developed process that supports BEAC's network infrastructure management service offering which includes:

- *Physical layer assessment;*
- *Network design and engineering;*
- *Bid specification;*
- *Materials, labor and logistics;*
- *Documentation, implementation and ongoing management of the physical network including all moves, adds, and changes.*

Today companies are asked to achieve more with fewer resources than ever before. BEAC believes the infrastructure management service offering can result in annual enterprise savings of 30% or more. BEAC has signed a contract to provide our I(3)MAC Services to one of the world's premier pharmaceutical and consumer health products companies with over 250 operating businesses and headquarters in New Jersey. Under the terms of the contract, BEAC expects to provide, as requested, all moves, adds and changes for low voltage infrastructure, including cabling, at the manufacturer's companies across North America, Canada and Puerto Rico. As BEAC ramps up operations to provide services to this client, BEAC will establish a national presence that the Company hopes to leverage with other national customers who will be able to take advantage of the savings BEAC can provide with this value added service.

**BEAC Revenues:** BEAC generates revenue from the following sources:

- **I(3)MAC Related Service Revenues.**
- **Business Telephone System and Computer Hardware Product Revenues.**
- **Professional Services Revenue:** BEAC bills customers for professional design, engineering, telecom and data consulting services based on hours of time spent on a given assignment at a predetermined hourly billing rate. For the quarter ended 3/31/09, BEAC generated \$1.1 million in professional services revenue, approximately 47% of gross revenue.
- **Time and Materials Contracts:** This segment generally includes product sales, support and installation services. For the quarter ended 3/31/09, BEAC generated \$1.2 million in these generally short-term contracts, representing nearly 52% of revenues.
- **Maintenance Contracts:** As a representative of various OEM's (original equipment manufacturers), BEAC sells extended equipment maintenance contracts for which BEAC acts as an authorized servicing agent. BEAC generated \$34k in maintenance contracts for the quarter.

## Business Development – Recent Achievements

**Recent Achievements:** Over the last few months, BEAC has acquired customers and industry leading designations. These include:

- Certification as a Global Integrator by The Siemon Company. The Siemon designation BEAC to the short list of only four Siemon Certified Global Integrators. The other three are: IBM, EDS Corporation and Computer Sciences Corporation
- Awarded a contract for the complete network cabling infrastructure installation for the 22,000 seat, \$238 million Louisville arena development project.
- Completed Phase Two and Three of the site initiation plan under its recently announced \$19.5 million infrastructure management contract with one of the world's largest pharmaceutical and consumer health products companies
- Executed a Master Services Agreement with a Fortune 500 global pharmaceutical company
- Executed two major contracts with one of the nation's largest grocery chains
- Awarded a network design, engineering and installation contract by large regional municipal power company

**BEAC Contract with National Grocery Chain:** On 2/5/09, BEAC announced that it has developed prototypical communications systems infrastructure designs to fit store specific requirements for one of the nation's largest retail grocery chains, which is in the process of standardizing all facilities technology infrastructure products and practices for new store construction and existing store remodeling efforts. The client typically builds 50-75 new stores annually, and renovates approximately 150-175 existing stores per year. This client serves customers in over 2,000 locations and has over 300,000 employees. BEAC expected the initial engagement would generate over \$900,000 in revenue.

On 5/1/09, BEAC announced the award of an agreement for the IT design and service contracts for three highly sophisticated regional distribution centers for this client. The contract calls for ongoing IT design and engineering work for the voice, data and video infrastructure that supports the grocer's vast logistical needs. The number of locations that may be added under the contract is open-ended.

**BEAC Contract with Major Regional Power Utility:** On 4/27/09, BEAC announced the award from a major regional power utility company to provide all network design and engineering services for its new 98,000 sq. ft. headquarters facility. BEAC also expects to have the opportunity to assist the company in upgrading many existing and new facilities in an effort to take advantage of technological improvements. The headquarters assignment will be critical as the company relocates 100+ workers from the current headquarters.

**Contract with Leading Global Pharmaceutical and Consumer Health Products Company:**

On 4/16/09, BEAC announced the completion of Phase Three of this engagement, which included coordination with the client's internal IT and facilities managers at multiple locations across North America to familiarize the client's managers with BEAC personnel and procedures. Phase Two included coordination with the client's internal IT and facilities managers at 23 facilities in 7 states in also in an effort to introduce BEAC personnel and procedures and to begin the process of transitioning workflow. Phase One included meetings and coordination with the client's internal IT and facilities managers at 21 facilities in 9 states.

BEAC expects the contract to grow beyond the initial \$19.5 million / 3 year infrastructure management engagement. To date, BEAC has deployed 10 full time employees and over 28 sub-contractors at the client's facilities. With the completion of Phase Three, BEAC has now assumed responsibility for managing and performing all installations, moves, adds and changes (IMAC) for low voltage network infrastructure at the client's companies throughout North America, covering 92+ facilities in 20 states and provinces. As a result of the approximately 36 jobs expected to be created by this engagement and the need for an expanded headquarters facility, BEAC was awarded \$900,000 in incentives by the Kentucky Development and Finance Authority.

Indicative of the type of project based revenue opportunity inherent in this type of engagement, BEAC announced on 5/8/09 that this infrastructure management engagement has been expanded to four new locations in the US and Mexico, generating an additional \$600,000 in gross revenue. Providing further validation of the scale of this opportunity for BEAC, CEO Bruce Widener added:

*"In the current quarter, we have seen the potential value of this contract accelerate beyond the initial \$19.5 million as we've secured new highly-sophisticated IT infrastructure projects in Arkansas, Florida, Michigan and Juarez, Mexico. In addition to these specific project wins, Beacon is working closely with the customer's senior IT management team to finalize the terms and conditions of a new international contract to service dozens of facilities spanning over 35 countries throughout Europe, the Middle East and Africa. This game-changing contract should lead to significant revenue increases for Beacon Solutions and we look forward to providing more details in the coming weeks once the agreement is completed."*

**Master Services Agreement with Fortune 500 Pharmaceutical Company and Leading Retailer:**

On 3/19/09, BEAC announced an agreement to provide site assessments for six of another Fortune 500 pharma company's facilities in Europe. BEAC also announced that one of the world's largest apparel retailers has engaged the Company to provide site surveys and detailed radio frequency analysis of two large distribution centers in Fresno, CA and Fishkill, NY.

## Open Systems Interconnection (OSI) Protocols<sup>1</sup>

**Background:** As explained in Cisco’s Internetworking Technology Handbook: “*The Open System Interconnection (OSI) protocol suite is comprised of numerous standard protocols that are based on the OSI reference model. These protocols are part of an international program to develop data-networking protocols and other standards that facilitate multivendor equipment interoperability. The OSI program grew out of a need for international networking standards and is designed to facilitate communication between hardware and software systems despite differences in underlying architectures. The OSI specifications were conceived and implemented by two international standards organizations: the International Organization for Standardization (ISO) and the International Telecommunication Union-Telecommunications Standards Sector (ITU-T).*”

**BEAC Focuses Primarily on Layer 1:** Although BEAC has a wide range of capabilities, the Company’s focus has been primarily on Layer 1 projects and services – the OSI physical and data Link layers.

Figure 30-1 The OSI Protocol Suite Maps to All Layers of the OSI Reference Model

As Cisco explains:

*“The OSI protocol suite supports numerous standard media access protocols at the physical and data link layers. The wide variety of media-access protocols supported in the OSI protocol suite allows other protocol suites to exist easily alongside OSI on the same network media.”*

| OSI reference model   | OSI protocol suite   |                           |                        |                           |                  |      |   |       |  |      |      |      |       |     |  |  |      |      |      |       |     |
|---|--|---------------------------|------------------------|---------------------------|------------------|------|---|-------|--|------|------|------|-------|-----|--|--|------|------|------|-------|-----|
| Application   | <table border="1"> <tr> <td>CMIP</td> <td>DS</td> <td>FTAM</td> <td>MHS</td> <td>VTP</td> </tr> <tr> <td colspan="5"> <table border="1"> <tr> <td colspan="5">ASES</td> </tr> <tr> <td>ACSE</td> <td>ROSE</td> <td>RTSE</td> <td>CCRSE</td> <td>...</td> </tr> </table> </td> </tr> </table> | CMIP                      | DS                     | FTAM                      | MHS              | VTP  | <table border="1"> <tr> <td colspan="5">ASES</td> </tr> <tr> <td>ACSE</td> <td>ROSE</td> <td>RTSE</td> <td>CCRSE</td> <td>...</td> </tr> </table> |       |  |      |      | ASES |       |     |  |  | ACSE | ROSE | RTSE | CCRSE | ... |
| CMIP  | DS   | FTAM                      | MHS                    | VTP                       |                  |      |   |       |  |      |      |      |       |     |  |  |      |      |      |       |     |
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| ASES  |  |                           |                        |                           |                  |      |   |       |  |      |      |      |       |     |  |  |      |      |      |       |     |
| ACSE  | ROSE   | RTSE                      | CCRSE                  | ...                       |                  |      |   |       |  |      |      |      |       |     |  |  |      |      |      |       |     |
| Presentation  | Presentation service/presentation protocol   |                           |                        |                           |                  |      |   |       |  |      |      |      |       |     |  |  |      |      |      |       |     |
| Session   | Session service/session protocol   |                           |                        |                           |                  |      |   |       |  |      |      |      |       |     |  |  |      |      |      |       |     |
| Transport   | TPO      TP1      TP2      TP3      TP4  |                           |                        |                           |                  |      |   |       |  |      |      |      |       |     |  |  |      |      |      |       |     |
| Network   | <table border="1"> <tr> <td colspan="2">CONP/CMNS</td> <td colspan="3">CLNP/CLNS</td> </tr> <tr> <td>IS-IS</td> <td colspan="2">ES-IS</td> <td colspan="2"></td> </tr> </table>  | CONP/CMNS                 |                        | CLNP/CLNS                 |                  |      | IS-IS   | ES-IS |  |      |      |      |       |     |  |  |      |      |      |       |     |
| CONP/CMNS   |  | CLNP/CLNS                 |                        |                           |                  |      |   |       |  |      |      |      |       |     |  |  |      |      |      |       |     |
| IS-IS   | ES-IS  |                           |                        |                           |                  |      |   |       |  |      |      |      |       |     |  |  |      |      |      |       |     |
| Data link   | <table border="1"> <tr> <td>IEEE 802.2</td> <td>IEEE 802.3</td> <td>IEEE 802.5/<br/>Token Ring</td> <td>FDDI</td> <td>X.25</td> </tr> </table>   | IEEE 802.2                | IEEE 802.3             | IEEE 802.5/<br>Token Ring | FDDI             | X.25 |   |       |  |      |      |      |       |     |  |  |      |      |      |       |     |
| IEEE 802.2  | IEEE 802.3   | IEEE 802.5/<br>Token Ring | FDDI                   | X.25                      |                  |      |   |       |  |      |      |      |       |     |  |  |      |      |      |       |     |
| Physical  | <table border="1"> <tr> <td>IEEE 802.3<br/>hardware</td> <td>Token Ring<br/>hardware</td> <td>FDDI<br/>hardware</td> <td>X.25<br/>hardware</td> <td></td> </tr> </table>   | IEEE 802.3<br>hardware    | Token Ring<br>hardware | FDDI<br>hardware          | X.25<br>hardware |      |   |       |  |      |      |      |       |     |  |  |      |      |      |       |     |
| IEEE 802.3<br>hardware  | Token Ring<br>hardware   | FDDI<br>hardware          | X.25<br>hardware       |                           |                  |      |   |       |  |      |      |      |       |     |  |  |      |      |      |       |     |

<sup>1</sup> <http://www.cisco.com/en/US/docs/internetworking/technology/handbook/OSI-Protocols.html>

## IT Market Trends

**IT Spending Cuts May Be Ending:** While the revenue growth delivered and the contracts won by BEAC indicate that the company's products and services are attractive in an economy that is in a cost cutting, cash preserving mode, BEAC also should stand to benefit as companies begin to return to spending in IT in an effort to improve service and efficiency. A 5/14/09 article by Ben Worthen in the Wall Street Journal, entitled "*Businesses Quit Slashing IT Budgets*<sup>2</sup>", notes that although the market is not yet poised to return to the 9% - 13% growth in IT spending in 2006 and 2007, the cuts in spending may be bottoming out in 2009:

*"After reducing their budgets sharply for months, many businesses across the US have stopped slashing information-technology spending...The stabilization doesn't mean the good times are back in tech. While spending may have hit a bottom, the executives say they don't intend to boost their budgets again until after their businesses and the economy as a whole have shown stability for several quarters. For 2010, they anticipate tech budgets that are mainly flat." The article goes on to quote Cisco CEO John Chambers, who states that: "You have to have a leveling out before you have an upturn."*

This renewed sense of cautious optimism, or at least a meaningful reduction in uncertainty and pessimism, seems to be reflected in the performance of the iShares S&P North American Technology Sector Index Fund (NYSE Arca: IGM) presented later in this report.

**A Multi-Trillion \$ Opportunity:** While 2009 may be a year of slowing decline rather than a return to growth, Gartner research director Richard Gordon still estimates<sup>3</sup> \$3.2 trillion in IT spending globally in 2009, with relatively small declines in IT and telecom spending:

*"Global spending in IT will decrease by 3.8% from \$3.4 trillion in 2008 to \$3.2 trillion in 2009...IT departments are being asked to trim budgets. The IT market in 2009 will be worst than in 2001 when the internet bubble burst. There is a general slowdown in demand across the industry. Gartner estimates that the hardware market will be down by 15%, IT services will fall 1.3%, telecommunication will fall 3%, while enterprise software will grow slightly."*

<sup>2</sup> [http://www.theaustralian.news.com.au/business/story/0,,25479714-36375.00.html?from=public\\_rss](http://www.theaustralian.news.com.au/business/story/0,,25479714-36375.00.html?from=public_rss)

<sup>3</sup> <http://www.computerweekly.com/Articles/2009/03/31/235484/gartner-predicts-3.8-fall-in-it-spending-in-2009.htm>

## iShares S&P North American Technology Sector Fund

**Barclays' S&P North American Technology Sector Index™;** Perhaps serving as another indicator that the macroeconomic and information-technology (IT) sector headwinds may be fading, the iShares S&P North American Technology Sector Index Fund<sup>4</sup> (NYSE Arca: IGM), which seeks investment results that correspond generally to the price and yield performance of U.S.-traded technology companies, has rallied approximately 40% since 3/9/09 as of 5/15/09. The Index<sup>5</sup> is comprised of such IT bellwethers as IBM, Cisco, Apple, Microsoft, Google, Intel, HP, Qualcomm, Oracle and Research in Motion. Not surprisingly, the Index has fallen dramatically since late 2007, but it may be reasonable to expect that the recent bottom reflects a turning point for the IT sector and for IT spending. As of 4/30/09, the price / earnings ratio of the fund was 21.7x, with a price / book ratio of 4.3x.



As of 5/5/09, the top sectors of the fund were computers and peripherals (25%), communications equipment (19%), software (18%), semiconductors and equipment (14%), internet software and services (9%), IT services (9%), followed by electronic equipment and instruments, internet and catalog retail, office electronics, and life sciences tools and services.

<sup>4</sup> [http://us.ishares.com/product\\_info/fund/overview/IGM.htm](http://us.ishares.com/product_info/fund/overview/IGM.htm)

<sup>5</sup> <http://www.barclays.wallst.com/barclays/isharestools/research/summary/summary.asp?symbol=IGM&pt=false>

## Outstanding Share Count and Recent Capital Raises

| MA Estimate of Potential Fully Diluted Common Share Count |            |
|---|------------|
| Outstanding Common Shares as of 5/13/09                   | 17,026,705 |
| Stock Options and Warrants as of 3/31/09                  | 10,673,481 |
| Common Stock Equivalents as of 3/31/09                    | 8,514,221  |
| Warrants and Options Issued After 3/31/09                 | 3,483,981  |
|   | 39,698,388 |

As noted in the Company's 12/3/08 filing, BEAC has engaged a Placement Agent for the sale of up to 3,750,000 Units each consisting of 1 share of common stock priced at \$0.80 and 1/2 of a warrant to purchase a common share at \$1. BEAC may issue an additional 562,500 Units if the offering is oversubscribed. Through 5/4/09, MA estimates that BEAC has sold 3,468,925 Units to accredited investors raising gross proceeds of \$2,775,140, with the Placement Agent earning \$277,514 in cash commissions and 520,342 in warrants. There are approximately 281,075 Units available for sale under this offering, which may be increased to 843,575 if oversubscribed. BEAC has several other financing agreements in place including a 5/13/09 agreement with a BEAC Director providing up to \$1.8 million in additional funding. BEAC has not yet utilized this funding source as of 5/14/09.

Recent capital raising activity for BEAC is summarized below.

| Summary of Recent Capital Raises |                |        |           |           |                             |
|----------------------------------|----------------|--------|-----------|-----------|-----------------------------|
| Sale Date                        | Capital Raised | Price  | Shares    | Warrants  | Warrants to Placement Agent |
| 5/4/2009                         | \$75,000       | \$0.80 | 93,750    | 46,875    | 14,063                      |
| 4/27/09                          | \$70,000       | \$0.80 | 87,500    | 43,750    | 13,125                      |
| 4/24/09                          | \$143,000      | \$0.80 | 178,750   | 89,375    | 39,938                      |
| 4/13/09                          | \$165,000      | \$0.80 | 206,250   | 103,125   | 30,938                      |
| 4/7/09                           | \$110,000      | \$0.80 | 137,500   | 68,750    | 20,625                      |
| 4/6/09                           | \$425,000      | \$0.80 | 531,250   | 265,625   | 100,313                     |
| 3/30/09                          | \$202,000      | \$0.80 | 252,500   | 126,250   | 37,875                      |
| 3/19/09                          | \$265,140      | \$0.80 | 331,425   | 165,713   | 49,714                      |
| 3/6/09                           | \$200,000      | \$0.80 | 250,000   | 125,000   | 37,500                      |
| 3/5/09                           | \$150,000      | \$0.80 | 187,500   | 93,750    | 65,625                      |
| Totals                           | \$1,805,140    |        | 2,256,425 | 1,128,213 | 338,466                     |

## BEAC – Historical Operating Results

Following are comments regarding the financial condition and operating results for BEAC for the last two quarters.

### **Balance Sheet as of 3/31/09:**

- Current assets of \$3.04 million increased from \$2.1 million as of 12/31/08, driven by an increase in accounts receivable and prepaid expenses / other current assets. Cash and equivalents fell to \$37.5k from \$148k.
- Total assets of \$9.9 million increased primarily due to the increase in current assets.
- Current liabilities of \$4.6 million increased from \$3.8 million due to an increase in accounts payable and a \$454k convertible note payable related to a 1/22/09 financing.
- The notes mature 7/21/09 and can be extended by BEAC to 1/21/10 with an increase in interest rate from 12% to 15%. The notes may be converted at \$0.75 per share and have an attached 5-year warrant at a strike price of \$1.00.
- Working capital was (\$1.5 million) as of 3/31/09 and (\$1.7 million) as of 12/31/08.
- Total liabilities increased to \$6.2 million on the increase in current liabilities, and stockholders equity increased slightly to \$3.7 million.

### **Operations for the Quarter Ended 3/31/09:**

- Gross revenue of \$2.3 million for the quarter increased 26% from the preceding quarter and 45% over the quarter ended 3/31/08.
- Gross profit of \$886k increased 83% over the preceding quarter and 21% from the quarter ended 3/31/08. Gross profit margin of 39% increased from 27% over the preceding quarter, moving back towards the 45% margin reported for fiscal 2008 and affirming BEAC's view that the lower margin performance for the quarter ended 12/31/08 was temporary. Gross profit margin for the quarter ended 3/31/08 was 47%.
- Total operating expenses of \$1.9 million resulted in an operating loss of (\$981k) versus (\$1.1 million) for the preceding quarter and (\$1.2 million) for the quarter ended 3/31/08.
- The net loss to common shareholders was (\$1.4 million) or (\$0.10) per share versus (\$0.12) for the preceding quarter and (\$0.41) for the quarter ended 3/31/08.
- The (\$2.5 million) net loss of the 6 months ended 3/31/09 was funded primarily by \$2 million in net cash from financing activities.

**Balance Sheet as of 12/31/08:**

- On 12/20/07, BEAC acquired its four operating companies for a total consideration of \$6.8 million.
- As of 12/31/08, BEAC reported \$2.1 million in current assets, including \$148k in cash and equivalents.
- Total assets of \$9.1 million include \$3.7 million in intangible assets and \$2.8 million in goodwill.
- Total current liabilities of \$3.8 million include \$1.5 million in accounts payable and \$790k in accrued expenses. BEAC reports that certain vendors have agreed to defer payment, accept a payment plan, or to accept common stock as payment.
- Working capital as of 12/31/08 was (\$1.7 million) compared to (\$1.1 million) as of 9/30/08.
- Total liabilities of \$5.5 million included \$1.1 million in long-term debt.
- Stockholders equity as of 12/31/08 was \$3.6 million versus \$4.1 million as of 9/30/08.

**Operations for the Quarter Ended 12/31/08:** Following are comments regarding BEAC's operating performance for the quarter ended 12/31/08. Because BEAC completed four acquisitions on 12/20/07, the year over year comparability is not meaningful.

- Quarterly net sales of \$1.8 million produced \$485k in gross profit. BEAC's unaudited estimate for revenues for the quarter ended 12/31/07 is \$1.78 million.
- Gross profit margin fell to 27% from 45% for fiscal 2008. BEAC expects this gross profit margin decline is temporary as a more traditional mix of services is sold in following quarters. Gross profit margin decline was due in part to:
  - Lower margin product sales increased relative to higher margin service revenues.
  - Increased use of subcontractors.
  - Competitive pricing strategies.
  - General economic conditions.
- With salaries, selling / general / administrative expense, depreciation and amortization of \$1.6 million, the quarterly loss from operations was (\$1.1 million). The quarterly cash operating expense total was \$1,427,437. BEAC used approximately \$659k in cash for operating activities in the quarter.
- With 12.6 million weighted average shares outstanding, the net loss per share was (\$0.12) after payment of contractual dividends.

## BEAC Fiscal Year 2009 and 2010 Guidance

On 2/24/09, BEAC provided guidance for its fiscal years ending 9/30/09 and 9/30/10, but the Company notes that the timing of the revenue can be somewhat difficult to predict due primarily to activities out of the control of BEAC, including such factors as construction schedules and clients' internal operational activities. For fiscal 2009, BEAC expects that recently announced multi-year service contracts may push revenues to over \$16 million, an increase of 170% over fiscal 2008. Fiscal 2009 guidance anticipates \$1 million+ in operating income for the 4<sup>th</sup> quarter ending 9/30/09.

With predictability somewhat higher looking out over a longer time horizon, BEAC expects revenue within a range of \$32.1 million to \$47.5 million for fiscal 2010, with net operating income of \$3.1 million to \$4.6 million expected, translating into \$0.14 to \$0.22 per share based on common and preferred shares outstanding at that time.

|                                   | Fiscal 2008<br>Actual | Fiscal 2009<br>Guidance | Fiscal 2010 -<br>Low Case<br>Guidance | Fiscal 2010 -<br>High Case<br>Guidance |
|-----------------------------------|-----------------------|-------------------------|---------------------------------------|--|
| Revenue                           | \$6,012,637           | \$16,000,000            | \$32,100,000                          | \$47,500,000                           |
| Net Operating Income              | (\$3,999,431)         | n/a*                    | \$3,100,000                           | \$4,600,000                            |
| Per Expected Outstanding<br>Share |                       |                         | \$0.14                                | \$0.22                                 |

*\*BEAC expects Q4 09 operating income may exceed \$1 million*

The Company expects global demand for network infrastructure cost containment and related management services to increase in the coming years as enterprise customers continue to pursue initiatives to improve efficiency and profitability. The Company has experienced a significant increase in this segment of its business and sees sustainable growth opportunities, both domestic and global, in the coming years. Fiscal 2009 guidance is based upon a combination of the current implementation schedule of recently announced multi-year contracts, anticipated revenue levels from other business segments including network design and engineering services, application development and telecom sales, service and installations and the expected implementation schedules for pending contracts that have not yet been announced. Fiscal 2010 guidance is based upon each of these contributing factors in addition to new business opportunities consisting primarily of multi-year infrastructure management service agreements that are currently at various stages of development.

## BEAC Risks

As discussed in detail in BEAC's SEC filings, which should be read in conjunction with this report, the Company faces various operational risks, including:

- General economic and business conditions;
- Effects of competition in the markets in which the Company operates;
- Liability and other claims asserted against the Company;
- Ability to attract and retain qualified personnel;
- Availability and terms of capital and the potential for dilution for existing shareholders.
- 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



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**Overview of the OTC Bulletin Board<sup>6</sup>**

The OTC Bulletin Board<sup>®</sup> (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<sup>®</sup> 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 Market<sup>SM</sup>. 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.

<sup>6</sup> <http://www.otcbb.com/investorinformation/investorinfo.stm>