



5 August 2010

First Communications, Inc. Announces Unaudited Interim Results for the Six Months Ended June 30, 2010; and the Intention to Cancel its Admission to AIM

AKRON, OH, August 4, 2010 – First Communications, Inc. (AIM: FCOM) (“First Communications” or the “Company”), a leading Midwest competitive local exchange carrier providing data and voice services, today announces its unaudited interim results for the six months ended June 30, 2010 and its intention to call a shareholder meeting to approve the cancellation of the Company’s admission to trading on the London Stock Exchange’s Alternative Investment Market (“AIM”).

Discussion of Six Months Ended June 30, 2010 Results

Items of note in the six months ended June 30, 2010 results:

- EBITDA (as defined below) of \$8.2 million for the first six months of 2010 compared to \$5.1 million for the same period last year, (on a pro forma basis the \$8.2 million would be compared to \$2.2 million for 2009 if the EBITDA generated by the Tower business (sold in August, 2009) for the six months ended June 30, 2009 were so adjusted);
- An increase in gross margin from 36.5% to 40.7% from the six months ended June 30, 2009 to the same period in 2010 as management continues to focus on higher margin T1 integrated voice and data On-Net services to the Company’s customers; and
- Significant improvement in overall financial position through continued management of the Company’s balance sheet and cash flow position as illustrated by a reduction in total debt from \$127.0 million as of June 30, 2009 to \$75.8 million as of June 30, 2010 through asset disposals and amendments to the Company’s debt facilities during the year. As a result there was a related reduction in interest expense for the same six month periods from \$4.0 million to \$3.4 million.

EBITDA is defined herein as net income (loss) before depreciation and amortization, interest expense, and provision for (benefit from) income taxes.

Selected Financial Information

FIRST COMMUNICATIONS, INC.
 SELECTED FINANCIAL INFORMATION
 For the Six Months Ended June 30, 2010 and 2009
 (unaudited, in 000’s)

	Six Months Ended June 30		
	2010	2009 (1)	Variance
Revenues, net	\$ 75,217	\$ 88,041	\$ (12,824)
Gross Margin	30,588	32,106	(1,518)
Gross Margin %	40.7%	36.5%	
SG&A Expenses	22,448	27,281	(4,833)
SG&A as a % of Revenues	29.8%	31.0%	
Other Income	19	225	(206)
EBITDA	8,159	5,050	3,109

Depreciation and Amortization	6,611	6,785	(174)
Interest Expense	3,444	3,995	(551)
Net (Loss) Before Income Taxes	\$ (1,896)	\$ (5,730)	\$ 3,834

Note (1): Included in the six months ended June 30, 2009 results are \$4.4 million of revenues and \$2.9 million in EBITDA related to the Tower business which was sold by the Company in August, 2009. Thus, on a pro forma basis, the six months ended June 30, 2009 revenues and EBITDA would be approximately \$83.6 million and \$2.2 million, respectively.

Operational Highlights and Current Outlook:

Ray Hexamer, CEO of First Communications commented:

“In the first half of 2010, we continued to make operational and financial progress through our core businesses, as evidenced by an increase in EBITDA of \$3.1 million compared to the same period last year (or \$6.0 million comparatively on a pro forma basis excluding profits from the Tower business which was sold in August, 2009), operating income of \$1.5 million for the six months ended Jun 30, 2010 and a reduction in our debt by over \$50.0 million in the one year since June 30, 2009. The significant progress in improving both the cash flow and balance sheet of the Company has enabled us to focus our efforts on expanding and investing in the core growth areas of the business, including lit transport services and data and voice services to small and medium sized businesses.

We believe the actions taken, and those planned or in progress, place the Company in a strong position for the future. Examples include the successful lighting of 1,527 fiber miles to date, the continued development and deployment of new fiber infrastructure and our focus on higher margin customers in key geographic areas where we can provide dedicated integrated voice and data On-Net services. In addition, we have taken actions on cost saving initiatives early in 2010 that have enabled us to continue to achieve greater financial success for the remainder of this year and beyond.

As we continue the progress in expanding cash flow, assets and overall shareholder value, we believe additional capital can accelerate the growth in the Company. Our current admission to AIM has not facilitated access to additional capital, the liquidity has been very limited and the Board does not see an advantage or justification to maintain the listing and continue with the ongoing costs and regulatory requirements of having its shares quoted on AIM. The Board of Directors believe that the Company would be better positioned as a private company or at some point having a listing on a US based Exchange, and that raising additional capital could be more successful by doing so. It is therefore our intention to cancel our Admission to AIM, having given shareholders sufficient notice, within the third Quarter of 2010.”

Management’s Discussion and Analysis of Financial Condition and Results of Operations

Revenues

First Communications, Inc. reported revenues of \$75.2 million for the six months ended June 30, 2010, compared to \$88.0 million reported for the six months ended June 30, 2009. The decrease in revenue has partly resulted from inclusion in the six months ended June 30, 2009 of \$4.4 million of revenues from the Tower Business which was sold by the Company in August, 2009, and a reduction in revenues as management de-emphasizes lower margin legacy voice services. This has been partly offset by increasing revenues from small and medium sized commercial market customers in key geographical areas, and increased demand for margin services including dedicated T1 integrated voice and data On-Net services.

Gross Margin

The Company’s gross margins increased from 36.5% in 2009 to 40.7% in 2010 primarily due to a greater proportion of higher margin services, as discussed above, including dedicated T1 integrated voice and data On-Net services, and, again, the reduction in costs of supporting the legacy voice customers.

Sales, General and Administrative Expenses

As a percentage of revenues, the Company’s selling, general and administrative expenses for the six months ended June 30, 2010 decreased to 29.8% compared to 31.0% for the six months ended June 30, 2009,

declining by \$4.8 million between the periods. The decrease in expenses stemmed from reduction of the Company's labor costs.

Depreciation and Amortization of Other Intangibles

Depreciation and amortization charges decreased from \$6.8 million for the six months ended June 30, 2009 to \$6.6 million for the six months ended June 30, 2010. The decrease is primarily related to certain intangible assets becoming fully amortized.

EBITDA, Income from Operations, and Net Income

The Company's EBITDA increased from \$5.1 million for the six months ended June 30, 2009 to \$8.2 million for the six months ended June 30, 2010. The Company's loss from operations improved from \$(2.0) million for the six months ended June 30, 2009 to operating income of \$1.5 million for the six months ended June 30, 2010. The Company reported a \$(1.9) million net loss for the six months ended June 30, 2010 compared to a loss of \$(5.7) million for the same period in 2009. The increase in EBITDA related primarily to the emphasis on higher margin On-Net customers as discussed above, thus resulting in higher gross margins and lower selling, general and administrative expenses. Interest expense was lower as a result of the lower outstanding debt.

Cash

Cash balances amounted to \$2.4 million as of June 30, 2010 compared with a balance of \$2.6 million as of June 30, 2009.

Capital Expenditures

Capital expenditures for the six months ended June 30, 2010 were \$2.6 million related primarily to the expansion of the Company's network, network and system upgrades, installation costs and capitalized labor.

Balance Sheet Management

As discussed above, management's focus in the last twelve months, in addition to operations, has been on the Company's balance sheet, debt level and cash flow. The below summary, as previously reported on May 6, 2010, illustrates the results of those efforts.

Diamond Stock Sale

The Company currently owns class A and B membership Units (the "Units") in Diamond Communications, LLC ("Diamond"). On April 30, 2010, we entered into an agreement pursuant to which we sold a portion of the Units back to Diamond for \$15.0 million in cash, with the remaining investment of \$5 million of Units not sold, recorded on the balance sheet at cost. The total number of units of membership interest in Diamond was reduced with this transaction from approximately 13.6% to approximately 3.8%. This transaction has not affected the Company's right to receive additional units in Diamond under an earn-out formula that was part of the Contribution Agreement by and between the Company, Diamond, and others, pursuant to which FTS contributed its wireless tower assets to Diamond and Diamond provided a limited guaranty of a certain amount of the Company's debt in exchange for the Units.

Amendment to Facility

Effective as of April 30, 2010, the Company entered into an 'Amendment No. 3' to its Facility (the "Amendment No. 3"). With the sale of the Diamond Units discussed above, \$7.5 million of the proceeds were used to reduce the Term Loan of the Company, in inverse order of maturity, with amounts outstanding under the Revolver also reduced by \$7.5 million, although the Revolver is available for future drawdown. Overall, the Facility has been reduced to \$76.3 million, and as of April 30, 2010, the outstanding bank debt of the Company was \$68.6 million, both after assuming the pay down amounts discussed above, and the regular quarterly principal payment of \$1.25 million as of March 31, 2010.

Maturity Date

The maturity date of the loans under the Facility has been extended to March 31, 2012.

Pricing and Fees

The Facility is priced at LIBOR plus 600 bps, and will apply to the Term Loan and the Revolver. There is a 100 bps commitment fee on the undrawn Revolver. Upon raising an additional \$6.0 million of equity within 120 days of the effective date of the Amendment No. 3, the pricing will be reduced to LIBOR plus 500 bps, and the commitment fee will reduce by 50 bps.

Scheduled Amortization

All scheduled payments are reduced from \$1.5 million to \$1.25 million per quarter through maturity.

Existing Subordinated Note Payments

The Company also has a \$6.0 million subordinated note (the "Note") with a shareholder. As part of the Amendment No. 3, previously scheduled monthly principal and interest payments of \$83,000 beginning on January 31, 2011 will continue to be allowed as part of the Amendment No. 3, with the one-time payment previously scheduled for December 31, 2010 (\$442,000 in principal and \$880,000 in interest) to be deferred until April 1, 2012. In consideration for the deferral, interest on the sub-note has increased from 11% to 12%.

Cancellation of Admission of AIM

The Board feels the admission to AIM has not and will not in the near future help its ability to access additional capital and that accessing additional capital will likely be more efficient on a US exchange or as a private Company. In addition, there has been very little liquidity in First Communications' shares since its admission to AIM and the Board does not see an advantage in remaining publicly quoted and does not believe the ongoing costs and regulatory requirements of a quotation on AIM can be justified. The Board therefore intends to call a shareholder meeting of First Communications' shareholders to approve the cancellation of First Communications' admission to trading on AIM in accordance with Rule 41 of the AIM Rules and First Communications' certificate of incorporation. Under the AIM Rules the cancellation can only be effected following the expiration of a period of at least 20 business days from the date on which notice of the proposed cancellation is given to the London Stock Exchange. In addition, a period of at least five business days following shareholder approval of cancellation is required before the cancellation can take effect. Further details and a proposed timetable for the cancellation will be contained in the circular to First Communications' shareholders which will be distributed to convene the shareholder meeting to approve the cancellation. It is intended the circular will be distributed and a shareholder meeting called within the next 2 weeks with an anticipated cancellation within the third Quarter of 2010.

For Further Information:

First Communications, Inc.

Joe Morris

Tel: (330) 835-2472

Collins Stewart Europe Limited - Nominated Adviser and Broker

Piers Coombs/Stewart Wallace

Tel: +44 (0) 207 523-8350

About First Communications

First Communications is a leading competitive local exchange carrier in the Midwestern United States. Founded in 1998, First Communications has built a highly scalable telecommunications platform, infrastructure and support system, which represents a combination of world-class technology, and cutting-edge product offerings. First Communications is led by a strong management team that has operated telecom companies throughout all cycles of the telecommunications market.

Forward-looking Statements

This press release contains statements relating to future results of First Communications and statements which may be identified by the use of the words "may", "intend", "expect" and like words that are "forward-looking statements". Actual results may differ materially from those projected as a result of certain risks and uncertainties.

JUNE 30, 2010 and 2009 CONDENSED FINANCIAL STATEMENTS

FIRST COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
As of June 30, 2010 and 2009
(in thousands)

	As of June 30, 2010	As of June 30, 2009
	(unaudited)	(unaudited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,444	\$ 2,645
Accounts receivable - trade, less allowance for doubtful accounts	14,109	18,822
Income tax receivable/Deferred taxes	688	2,052
Inventory	2,368	3,173
Other current assets	3,614	4,705
TOTAL CURRENT ASSETS	23,223	31,397
PROPERTY AND EQUIPMENT, net	41,368	43,390
OTHER ASSETS		
Goodwill	105,202	105,202
Other intangible assets, net	21,060	66,878
Investments	5,000	-
Deposits and other assets	2,942	6,018
TOTAL OTHER ASSETS	134,204	178,098
TOTAL ASSETS	\$ 198,795	\$ 252,885

FIRST COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
As of June 30, 2010 and 2009
(in thousands, except for per share data)

	As of June 30, 2010 (unaudited)	As of June 30, 2009 (unaudited)
LIABILITIES, REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 5,000	\$ 7,000
Revolver	2,017	10,000
Accounts payable – trade	14,367	28,608
Income tax payable	53	(94)
Accrued expenses	13,017	18,003
Deferred tax liability	-	221
Deferred revenue	9,397	9,898
TOTAL CURRENT LIABILITIES	43,851	73,636
NON-CURRENT LIABILITIES		
Long-term debt, net of current maturities	50,000	100,500
Revolver	12,823	9,484
Deferred tax liability	1,390	538
Deferred revenue	12,818	14,010
Note payable	6,000	-
Other long-term liabilities	355	1,204
TOTAL NON-CURRENT LIABILITIES	83,386	125,736
TOTAL LIABILITIES	127,237	199,372
REDEEMABLE PREFERRED STOCK, \$0.001 par value; 10,000,000 shares authorized, 15,000 shares issued and outstanding (liquidation preference \$1,000 per share)	18,414	16,388
SHAREHOLDERS' EQUITY		
Series A Common Stock, \$0.001 par value; 59,165,000 shares authorized, 26,902,000 shares issued and outstanding	27	27
Additional paid in capital	119,482	119,482
Retained (deficit)	(66,365)	(82,384)
TOTAL SHAREHOLDERS' EQUITY	53,144	37,125
TOTAL LIABILITIES, REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY	\$ 198,795	\$ 252,885

FIRST COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Six Months Ended June 30, 2010 and 2009
(in thousands)

	Six Months Ended June 30, 2010 <u>(unaudited)</u>	Six Months Ended June 30, 2009 <u>(unaudited)</u>
REVENUES, NET	\$ 75,217	\$ 88,041
COST OF FACILITIES, exclusive of depreciation and amortization state below	44,629	55,935
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	22,448	27,281
DEPRECIATION AND AMORTIZATION	<u>6,611</u>	<u>6,785</u>
OPERATING INCOME (LOSS)	1,529	(1,960)
OTHER INCOME (EXPENSE), NET		
Interest expense	(3,444)	(3,995)
Other	<u>19</u>	<u>225</u>
OTHER INCOME (EXPENSE), NET	<u>(3,425)</u>	<u>(3,770)</u>
(LOSS) BEFORE INCOME TAXES	(1,896)	(5,730)
(BENEFIT) FOR INCOME TAXES	<u>-</u>	<u>-</u>
NET (LOSS)	<u>\$ (1,896)</u>	<u>\$ (5,730)</u>

FIRST COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2010 and 2009
(in thousands)

	Six Months Ended June 30, 2010 <u>(unaudited)</u>	Six Months Ended June 30, 2009 <u>(unaudited)</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss)	\$ (1,896)	\$ (5,730)
Depreciation & amortization	6,611	6,785
Deferred taxes	-	-
Changes in Operating Assets & Liabilities		
Account receivable – net,	1,850	2,112
Inventory	655	(371)
Prepaid expenses	(1,047)	(2,442)
Deposits and other assets	(626)	219
Accounts payable – trade	(2,966)	8,287
Income taxes	232	324
Accrued expenses	635	1,460
Other long-term liabilities	(459)	(1,109)
Deferred revenue	1,760	4,454
CASH FLOW PROVIDED BY OPERATING ACTIVITIES	<u>4,749</u>	<u>13,989</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property and equipment, net	(2,599)	(6,401)
Change in investments	15,000	-
CASH FLOW PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>12,401</u>	<u>(6,401)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net borrowings of and payments on long term loans	(10,000)	(6,000)
Reduction in redeemable preferred stock	-	-
Payment of deferred financing costs	-	-
Net borrowings of and payments on revolver	(4,984)	729
CASH FLOW (USED IN) FINANCING ACTIVITIES	<u>(14,984)</u>	<u>(5,271)</u>
NET INCREASE (DECREASE) IN CASH	2,166	2,317
CASH, BEGINNING OF PERIOD	278	328
CASH, END OF PERIOD	<u>\$ 2,444</u>	<u>\$ 2,645</u>