

**First Communications, Inc. Announces Audited Results for
The Year Ended December 31, 2008 and Restated Unaudited Interim Results for the
Six Months Ended June 30, 2008**

AKRON, OH, August 27, 2009 – Today First Communications, Inc. (AIM: FCOM) (the “Company”), a leading Midwest competitive local exchange carrier providing data and voice services, announces the following developments:

- Finalization of its December 31, 2008 financial statements, as audited by its newly retained independent auditor, Ernst & Young LLP;
- Contribution of the tower assets of its subsidiary to Diamond Communications, Inc. (“Diamond”);
- An amendment to its existing credit facility (the “Facility”); and
- Restatement of its interim results for the six months ended June 30, 2008.

December 31, 2008 Audited Financial Statements

The Company confirms that it has today posted its audited financials to its shareholders and that these will shortly be available on its website. The Company believes that as a result and following the announcement of its results for the twelve month period ended December 31, 2008, that the suspension in trading of its common stock on the AIM, initiated on March 18, 2009, will be lifted later today. The Company requested the suspension when it identified accounting irregularities by an individual within the Company (who is no longer with the Company) resulting in a material overstatement of its first half results for 2008. The Company has since investigated and has completed an extensive audit process with its auditors. The Company has reviewed and corrected its previously announced unaudited interim results for the six months ended June 30, 2008.

Furthermore, the Board and management have taken action to ensure its financial procedures will not be compromised going forward, including the appointment of J. Lyle Patrick as Interim Chief Financial Officer in March of 2009. The Company has also received support from its key stakeholders and agreed on amended terms with its banks, including a waiver by the lenders of all identifiable, existing defaults under the Facility.

Discussion of 2008 Results

Items of note in the year ended December 31, 2008 results (see note below):

- The Company completed the acquisition of FirstEnergy Telecom Services, Inc. Assets (“FTS”) in March of 2008 and GCI Globalcom Holdings, Inc. (“Globalcom”) in October of 2008;
- Revenue for 2008 of \$153.5 million (compared to \$141.0 million reported for 2007);
- Decrease in gross margin from 32.2% to 30.6% from 2007 to 2008;
- EBITDA (as defined below) of \$0.8 million for 2008, however this is stated before the below items which has led to a lower EBITDA compared to a pro forma adjusted EBITDA, were the Company to report on this basis for the year:
 - Pro forma results for Globalcom and FTS for the months in 2008 when not owned by the Company (rather than inclusion from the date of acquisition only);
 - Add-back of exceptional costs in relation to the Renaissance transaction;
 - Add-back of various one-time transactional and other costs associated with the Globalcom acquisition; and
- Lower net income primarily resulting from lower EBITDA as discussed above, the impairment of goodwill and other intangibles, and a change in estimates associated with the amortizable lives for customer lists, all as discussed in more detail below in the section labeled “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

Note: The results for the year 2008 include a full 12 month contributions from First Communications, LLC ("FC LLC"), and Xtension Services, Inc. ("Xtensions"), and just over 9 months contribution from FTS and a 3 months contribution from Globalcom. The 2007 pro forma results reflect a full year's contribution from FC LLC and Xtensions.

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

Selected Financial Information

FIRST COMMUNICATIONS, INC. SELECTED FINANCIAL INFORMATION For the Years Ended December 31, 2008 and 2007 (all numbers in 000's)			
	Year Ended December 31,		
	2008	2007 (Pro forma)	Variance
Revenues, net	\$ 153,507	\$ 140,959	\$ 12,548
Gross Margin	46,917	45,463	1,454
Gross Margin %	30.6%	32.2%	
SG&A Expenses	46,675	31,867	14,808
SG&A as % of Revenues	30.4%	22.6%	
EBITDA	835	14,431	(13,596)
Depreciation and Amortization	19,031	6,580	12,451
Impairment of Goodwill and Other Intangibles	53,500	-	53,500
Net Income (Loss)	\$ (76,195)	\$ 5,847	\$ (82,042)

Operational Highlights and Current Outlook:

Ray Hexamer, CEO of First Communications commented:

"We are happy to have put the challenges of 2008 behind the Company. The impropriety discovered compromised the Company, but our Board, investors, bank group, auditors, and management rallied around correcting any issues and setting the foundation for continued growth going forward. We made significant progress in 2008 with two great acquisitions in Globalcom and FTS. The assets we have assembled and the efficiencies we expect to create going forward puts First Communications in a position to continue our path in 2009 with the intention of becoming the dominant Midwest provider of data and voice services.

2008 operating highlights include the following:

- Expanded sales staff from 20 at the start of 2008 to over 60 by year end;
- Sold 723 T-1's in the fourth quarter of 2008 compared to 156 in the first quarter of 2008;
- Ramped T-1's installed from 73 in the first quarter of 2008 to 650 in the fourth quarter of 2008;
- Expanded the fiber network and lit additional routes; and
- Integrated Globalcom and FTS and realized \$5.8 million of annualized savings by year end 2008 on Globalcom acquisition closed in October 2008.

Coupled with a full year's operating and financial results from Globalcom and FTS, we believe these actions above, and many others already in motion, such as focusing on higher margin customers, reduction of personnel in April 2009 and other general and administrative cost reductions, will drive the Company to greater financial success in 2009 and beyond."

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

Revenues

First Communications, Inc. reported revenues of \$153.5 million for the year ended December 31, 2008, compared to \$141.0 million reported for the year ended December 31, 2007. The growth in revenue has resulted from the inclusion of financial results from FTS and Globalcom offset to some degree by declines in legacy residential and voice services compared to the previous year. The Company's strategy has been to increasingly focus on the small and medium sized commercial market in key geographical areas, and the supply of higher margin services including dedicated T1 integrated voice and data On-Net services, while de-emphasizing some of its legacy voice services.

Gross Margin

The Company's gross margins decreased from 32.2% in 2007 to 30.6% in 2008 due to declines in margins in legacy residential and voice services, offset to some degree by higher margins from Globalcom and FTS.

Sales, General and Administrative Expenses

As a percentage of revenues, the Company's selling, general and administrative expenses for the year ended December 31, 2008 increased to 30.4% compared to 22.6% for the year ended December 31, 2007. The increase in expenses came from the expansion of the Company's sales force, opening of new sales offices, costs associated with integrating two new subsidiaries, and Renaissance transaction costs as discussed above.

Depreciation and Amortization of Other Intangibles

Depreciation and amortization charges increased from \$6.6 million for the year ended December 31, 2007 to \$19.0 million for the year ended December 31, 2008. The increase is primarily due to the impact of additional tangible and intangible assets associated with the two new subsidiaries acquired during the year and the change in the amortization

period for customer related intangibles from eight to four years. Specific non-cash charges to other intangibles were as follows:

- Purchase Price Adjustment \$8.9 million related to Globalcom's customer lists due to a change in assumed lives;
- Write off of Globalcom's trademark value of \$600K; and
- Write off of the Company's investment in PowerGrid of \$500K.

Impairment of Goodwill and Other Intangibles (Customer Lists)

As a result of general market conditions related to borrowing costs and a more recent analysis of the discounted cash flow supporting the Company's goodwill balance using updated assumptions, an exceptional non-cash impairment to goodwill was recorded of \$28.2 million. Additionally, a similar impairment occurred related to the valuation of certain of the Company's customer lists (recorded as other intangibles), resulting in a charge of \$25.3 million.

EBITDA, Income from Operations, and Net Income

The Company's EBITDA decreased from \$14.4 million for the year ended December 31, 2007 to \$0.8 million for the year ended December 31, 2008. The Company's income from operations decreased from \$7.0 million for the year ended December 31, 2007 to a \$72.3 million loss for the year ended December 31, 2008. The Company reported a \$76.2 million net loss for the year ended December 31, 2008 compared to income of \$5.8 million for 2007. As noted above, the decrease in EBITDA related primarily to declining sales related to the de-emphasis of some of the Company's legacy voice services and sales, general and administrative expenses, with the decrease in income from operations and net income primarily resulting from the increase in depreciation and amortization expense and the impairment of goodwill and other intangible assets.

Cash

Cash balances amounted to \$0.3 million as at December 31, 2008 compared to \$9.3 million at December 31, 2007. The decrease in the Company's cash position resulted from lower margin sales, higher SG&A costs and exceptional transaction related costs.

Capital Expenditures

Capital expenditures for the year ended December 31, 2008 were \$6.0 million related to the expansion of the Company's network, network and system upgrades, installation costs and capitalized labor. In addition, fixed assets of approximately \$31.2 million were acquired through the Company's two 2008 acquisitions.

Post Balance Sheet Events

Tower Asset Contribution

On August 20, 2009, the Company entered into a transaction in which the Company contributed to Diamond Communications, LLC ("Diamond") all of the assets of FTS (the "Contributed Assets") relating to the business (the "Tower Business") of wireless antenna and equipment collocation operations, capabilities and applications, which includes all wireless antenna collocation contracts and associated revenue and liabilities, FTS owned towers (collectively, the "Towers") and the rights and obligations under certain agreements with various operating affiliates of FirstEnergy Corp (the "Affiliate Agreements") to service existing contracts and develop new contracts to provide wireless collocation applications and capabilities, DAS, Wi-Fi systems, and new tower site development. In exchange for the contribution of the Contributed Assets, Diamond agreed that the Contributed Assets would remain subject to the lien of the Company's lender group to the extent the lien related to \$50 million of the Company's debt which had been incurred in connection with the acquisition of and/or the conduct of the Tower Business. Diamond also agreed to provide a limited guarantee of this portion of the Company's debt. The Company also was issued Class A and Class B membership Units in Diamond with a negotiated value of \$20 million resulting in an interest of 13.6% in Diamond. As of December 31, 2008, the net book value

of the Contributed Assets was \$44.3 million and the profit before tax was \$5.05 million. Subsequent to the acquisition of FTS on March 7, 2008, the Company recorded \$7.8 million in revenues derived from the Contributed Assets in the year ended December 31, 2008.

As part of the transaction, the Company has the opportunity to receive additional units of Class A and B Membership Units in Diamond under an earn-out formula (the "Earn-Out Units"). The number of Earn-Out Units to which the Company may be entitled to is based on the net annualized recurring revenue from certain qualifying leases earned during the period beginning on April 17, 2009 and ending on March 31, 2011. The maximum value of the Earn-Out Units is \$18.57 million.

The agreement contains representation, warranties and covenants that are typical of transactions of this size and type including, without limitation, mutual indemnification obligations for breaches of those representations, warranties and covenants that are subject to baskets and caps depending on the source of the indemnification claim. Any indemnification obligation the Company might have (although none are anticipated) will be first satisfied through a return of the units of membership interest the Company has received.

Amendment to Facility

Effective as of August 20, 2009, the Company entered into an 'Amendment No. 2' to its Facility (the "Amendment"). Diamond subsequently repaid the portion of the debt guaranteed by it as described above, resulting in the term debt of the Company reducing by \$40.0 million, and the amounts outstanding under the revolver reducing by \$10.0 million, although the revolver is available for future drawdown. Overall the Facility has been reduced to \$87.5 million, and as at August 20, 2009 the net debt of the Company was \$77.5 million.

As part of the Amendment, the Company's lenders agreed to waive all identifiable, existing defaults under the Facility. The following is a summary of some of the key terms of the Amendment:

Capital contribution

- The Company is required to receive at least \$10 million of cash capital contributions by January 31, 2010. At least \$10 million of such contributions must be used to repay revolving loans that are part of the Facility, and the commitment to make revolving loans is permanently reduced by 50% of the aggregate of such repayment. One-half of the amounts then remaining are used to prepay the term loans that are part of the Facility (in inverse order of maturity), with the other one-half being available to the Company for working capital and/or capital expenditure purposes.

Maturity Date

- The maturity date of the loans under the Facility has been amended so that the scheduled maturity date will occur earlier than under the terms of the previous facility (March 6, 2013). The scheduled maturity date will occur based on how much capital is contributed by the end of January 2010.

Amount of Capital Contributed **(in thousands)**

<\$10,000
≥\$10,000 and <\$17,500
≥\$17,500 and <\$25,000
≥\$25,000

Scheduled Maturity Date

December 7, 2010
September 7, 2011
December 7, 2011
June 7, 2012

Financial Covenants

- The Facility has a minimum EBITDA test, a maximum leverage test, a minimum fixed charge test, and a limitation on capital expenditures.
- Minimum EBITDA will be a quarterly test beginning July 1, 2009 with levels of \$2.8 million at September 30, 2009, \$8.8 million at December 31, 2009, \$13.6 million at March 31, 2010, \$17.8 million at June 30, 2010, and \$18.8 million at September 30, 2010. Until June 30, 2010, EBITDA shall be determined on a cumulative basis since July 1, 2009. Thereafter, it shall be determined on a last twelve months basis.
- Maximum leverage (total debt to EBITDA) of 5.5 to 1.0 at March 31, 2010, 5.0 to 1.0 at June 30, 2010, 4.25 to 1.0 at September 30, 2010, 4.0 to 1.0 at December 31, 2010, and 3.50 to 1.0 thereafter.
- Minimum fixed charge coverage of 1.0 to 1.0 at December 31, 2010 and March 31, 2011, 1.1 to 1.0 at June 30, 2011 and 1.2 to 1.0 thereafter.
- Maximum capital expenditures of \$10 million during any consecutive twelve-month period.

Pricing and Fees

The new pricing grid, based on leverage, will be as follows. It will apply for revolving loans and term loans.

Level	Total Debt to EBITDA	Commitment Fee	LIBOR Margin	ABR Margin
I	>6.00 to 1.00	100 bps	600 bps	500 bps
II	>4.50 to 1.00 and ≤6.00 to 1.00	75 bps	550 bps	450 bps
III	≤4.50 to 1.00	50 bps	500 bps	400 bps

Restatement of the Six Months ended June 30, 2008 Results

Further to the announcement, dated March 18, 2009, that the Company had become aware of a material misstatement in its historical financial results as a result of accounting irregularities by an individual (who is no longer with the Company), the Company determined that its historical results for the six month period ended June 30, 2008, as previously reported, were materially inaccurate, resulting in an overstatement of its results of operations in such period. As a result, a restatement of its accounts for the six months ended June 30, 2008 was performed.

On becoming aware of the situation, the Company took immediate steps to ensure that its financial procedures were supplemented and retained a forensic team to investigate its accounts in order to determine the extent of the misstatement. In addition, the Company had discussions with its key stakeholders, including its banks.

The Company confirms that it has today posted its restated accounts to its shareholders and that these will shortly be available on its website. The Company believes that as a result, and following the announcement of its audited results for the twelve month period ended December 31, 2008, that the suspension in trading of its common stock on AIM, initiated on March 18, 2009, will be lifted later today.

The six months restated condensed financial statements compared to those previously filed reflect a decrease in revenue of \$4.5 million, an increase in costs of facilities by \$1.5 million, an increase in selling, general and administrative expenses of \$1.4 million, all resulting in a decrease in EBITDA of \$7.4 million. Net income decreased from \$2.4 million to a loss of \$5.9 million. The decrease in EBITDA primarily reflects approximately \$5.0 million of improper entries primarily related to revenue as well as \$2.4 million in entries made to better reflect the accruals for cost of facilities and in the allowance for doubtful accounts. Net income was impacted by those same entries, in addition to an increase in depreciation and amortization of \$5.6 million primarily related to an accounting method change in the lives associated with customer lists (from eight years to four years), offset by a \$4.8 million change in income tax expense as the net loss before income taxes created a tax benefit, as opposed to a provision.

Following the identification of the accounting irregularities set out above, the Company has put in place revised financial reporting procedures in order to ensure that key financial controls are in place. The Company believes that its current procedures are sufficient in terms of its obligations as a quoted company on AIM, however recognizes that it needs to enhance its internal systems given the circumstances and will put this in place over the next three months, in consultation with its auditors.

Appointment of Interim Chief Financial Officer

In March 2009, James Lyle Patrick, 57, was appointed Interim Chief Financial Officer. Mr. Patrick comes with a background of finance, accounting and telecommunications experience. In addition to fourteen years with Arthur Andersen, he has approximately twenty year's experience as Chief Financial Officer with Consolidated Communications, McLeodUSA, Completel, MetroPCS and US LEC. He has substantial public company experience, having served as CFO at MetroPCS, a NYSE quoted wireless communications provider with a market capitalization of \$2.8 billion and at US LEC, formerly a Nasdaq quoted competitive telecommunications company, which was acquired by Paetec in 2007 for \$450 million. Mr. Patrick is a member of the AICPA, is the former Chairman of CompTel (US Competitive Telecom Trade Organization), a former Board member of USTA (United States Telecom Association) and is the former Chairman of the Illinois Telephone Association.

Mr. Patrick is currently a director of Deltathree, Inc. Mr. Patrick has not been a director of any other company or partnership in the past five years. Mr. Patrick does not own any shares in First Communications, Inc.

As required to be disclosed under the AIM Rules for Companies, J. Lyle Patrick was the CFO of McLeodUSA until July 2001. McLeodUSA subsequently filed for a voluntary petition for bankruptcy relief under Chapter 11 in January 2002, these matters were settled in January 2007 with no finding of fault.

There are no further disclosures required under Schedule 2 paragraph (g) of the AIM Rules for Companies.

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 has over 214,000 customers and owns 3,500 miles of fiber. 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.

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RESTATED JUNE 30, 2008 CONDENSED FINANCIAL STATEMENTS

FIRST COMMUNICATIONS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

As of June 30, 2008

(in thousands)

	Original As of June 30, 2008 (unaudited)	Restated As of June 30, 2008 (unaudited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,267	\$ 1,437
Accounts receivable - trade, less allowance for doubtful accounts of \$607 and \$1,110, respectively	15,524	13,164
Income tax receivable	1,242	4,798
Inventory	2,860	2,955
Prepaid expenses	3,966	3,327
TOTAL CURRENT ASSETS	24,859	25,681
PROPERTY AND EQUIPMENT, net	49,324	23,206
OTHER ASSETS		
Goodwill	88,079	90,820
Other intangible assets, net	78,298	98,482
Deposits and other assets	6,321	6,337
TOTAL OTHER ASSETS	172,698	195,639
TOTAL ASSETS	\$ 246,881	\$ 244,526

FIRST COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
As of June 30, 2008
(in thousands, except for per share data)

	Original As of June 30, 2008	Restated As of June 30, 2008
	(unaudited)	(unaudited)
LIABILITIES, REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 7,000	\$ 7,000
Line of credit	-	3,750
Accounts payable – trade	10,584	12,906
Income tax payable	-	1,926
Accrued expenses	2,865	1,051
Deferred tax liability, net	213	212
Deferred revenue	6,764	6,482
TOTAL CURRENT LIABILITIES	27,426	33,327
NON-CURRENT LIABILITIES		
Long-term debt, net of current maturities	61,250	61,250
Deferred tax liability, net	5,105	5,105
Deferred revenue	15,273	15,273
TOTAL NON-CURRENT LIABILITIES	81,628	81,628
TOTAL LIABILITIES	109,054	114,955
REDEEMABLE PREFERRED STOCK, \$0.001 par value; 10,000,000 shares authorized, 15,000 shares issued and outstanding (liquidation preference \$1,000 per share)	15,000	15,000
SHAREHOLDERS' EQUITY		
Series A Common Stock, \$0.001 par value; 59,165,000 shares authorized, 26,067,000 shares issued and outstanding	26	26
Series B Non-Voting Common Stock, \$0.001 par value; 835,000 shares authorized, issued and outstanding	1	1
Additional paid in capital	119,482	119,482
Retained earnings (deficit)	3,318	(4,938)
TOTAL SHAREHOLDERS' EQUITY	122,827	114,571
TOTAL LIABILITIES, REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY	\$ 246,881	\$ 244,526

FIRST COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Six Months Ended June 30, 2008
(in thousands)

	Original Six Months Ended June 30, 2008	Restated Six Months Ended June 30, 2008
	(unaudited)	(unaudited)
REVENUES, NET	\$ 73,774	\$ 69,302
COST OF FACILITIES, exclusive of depreciation and amortization stated below	46,097	47,665
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	17,573	19,022
DEPRECIATION AND AMORTIZATION	<u>5,244</u>	<u>10,818</u>
OPERATING INCOME (LOSS)	4,860	(8,203)
OTHER INCOME (EXPENSE), NET		
Interest expense	(1,008)	(795)
Other	<u>(11)</u>	<u>(184)</u>
OTHER INCOME (EXPENSE), NET	<u>(1,019)</u>	<u>(979)</u>
INCOME (LOSS) BEFORE INCOME TAXES	3,841	(9,182)
PROVISION (BENEFIT) FOR INCOME TAXES	<u>1,452</u>	<u>(3,315)</u>
NET INCOME (LOSS)	<u>\$ 2,389</u>	<u>\$ (5,867)</u>

FIRST COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2008
(in thousands)

	Original Six Months Ended June 30, 2008	Restated Six Months Ended June 30, 2008
	(unaudited)	(unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 2,389	\$ (5,867)
Depreciation & amortization	5,244	10,818
Deferred taxes	1,041	1,040
Changes in Operating Assets & Liabilities		
Account receivable – net,	2,991(a)	2,909
Inventory	45	(249)
Prepaid expenses	(2,695)	(1,837)
Deposits and other assets	(1,159)	(1,273)
Accounts payable – trade	(123)	(424)
Income tax receivable and payable	(1,557)	(3,234)
Accrued expenses	431	(1,549)
Deferred revenue	(2,296)	(2,588)
CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES	4,311	(2,254)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,123)	(1,539)
Acquisition of assets and assumption of liabilities, net of cash acquired	(45,877)	(46,625)
Investment in joint venture	(134)	-
CASH FLOW USED IN INVESTING ACTIVITIES	(48,134)	(48,164)
CASH FLOW FROM FINANCING ACTIVITIES		
Net borrowings of and payments on long term loans	68,250	68,250
Reduction in redeemable preferred stock	(25,000)	(25,000)
Payment of deferred financing costs	(3,794)	(3,821)
Net borrowings of and payments on line of credit	(625)	3,125
Change in bank overdraft	(3,041)	-
CASH FLOW PROVIDED BY FINANCING ACTIVITIES	35,790	42,554
NET (DECREASE) IN CASH	(8,033)	(7,863)
CASH, BEGINNING OF PERIOD	9,300	9,300
CASH, END OF PERIOD	1,267	1,437

(a) Includes \$35 of accounts receivable - related party re-classed from Cash Flow from Investing Activities

STATEMENTS

FIRST COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
As of December 31, 2008 and 2007
(in thousands)

	December 31, 2008	Restated December 31, 2007
	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 328	\$ 9,300
Accounts receivable - trade, less allowance for doubtful accounts of \$2,055 and \$661 at December 31, 2008 and 2007, respectively	20,934	14,738
Income tax receivable	2,473	-
Inventory	2,802	136
Prepaid expenses	<u>2,263</u>	<u>823</u>
TOTAL CURRENT ASSETS	28,800	24,997
PROPERTY AND EQUIPMENT, NET	40,881	7,223
OTHER ASSETS		
Goodwill	105,202	88,079
Other intangible assets, net	69,518	63,280
Deposits and other assets	<u>6,492</u>	<u>1,357</u>
TOTAL OTHER ASSETS	<u>181,212</u>	<u>152,716</u>
TOTAL ASSETS	<u>\$ 250,893</u>	<u>\$ 184,936</u>

FIRST COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
As of December 31, 2008 and 2007
(in thousands, except for per share data)

	<u>December 31, 2008</u>	<u>Restated December 31, 2007</u>
LIABILITIES, REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 9,500	\$ -
Revolver	10,000	625
Accounts payable – trade	20,321	13,220
Income tax payable	-	362
Accrued expenses	16,548	2,600
Deferred tax liability, net –	221	213
Deferred revenue –	4,769	3,244
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	61,359	20,264
NON-CURRENT LIABILITIES		
Revolver	8,755	-
Long-term debt, net of current maturities	104,000	-
Deferred tax liability, net	538	4,064
Deferred revenue	14,685	170
Other long-term liabilities	2,313	-
	<hr/>	<hr/>
TOTAL NON-CURRENT LIABILITIES	130,291	4,234
TOTAL LIABILITIES	191,650	24,498
REDEEMABLE PREFERRED STOCK, \$0.001 par value; 10,000,000 shares authorized, 15,000 and 40,000 shares issued and outstanding at December 31, 2008 and 2007, respectively (liquidation preference \$1,000 per share)		
	15,468	40,000
SHAREHOLDERS' EQUITY		
Series A Common Stock, \$0.001 par value; 59,165,000 shares authorized, 26,067,000 shares issued and outstanding	26	26
Series B Non-Voting Common Stock, \$0.001 par value; 835,000 shares authorized, 835,000 shares issued and outstanding	1	1
Additional paid in capital	119,482	119,482
Retained earnings (deficit)	(75,734)	929
	<hr/>	<hr/>
TOTAL SHAREHOLDERS' EQUITY	43,775	120,438
TOTAL LIABILITIES, REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY	<u>\$ 250,893</u>	<u>\$ 184,936</u>

FIRST COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31, 2008 and 2007
(in thousands)

	Year Ended December 31, 2008	Restated Year Ended December 31, 2007
REVENUES, NET	\$ 153,507	\$ 140,959
COST OF FACILITIES, exclusive of depreciation and amortization stated below	106,590	95,496
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	46,675	31,867
IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS	53,500	-
DEPRECIATION AND AMORTIZATION	<u>19,031</u>	<u>6,580</u>
OPERATING INCOME (LOSS)	(72,289)	7,016
OTHER INCOME (EXPENSE), NET		
Interest expense	(9,777)	(1,416)
Other	<u>593</u>	<u>835</u>
OTHER INCOME (EXPENSE), NET	<u>(9,184)</u>	<u>(581)</u>
INCOME (LOSS) BEFORE INCOME TAXES	(81,473)	6,435
PROVISION (BENEFIT) FOR INCOME TAXES	<u>(5,278)</u>	<u>588</u>
NET INCOME (LOSS)	<u>\$ (76,195)</u>	<u>\$ 5,847</u>

Notes:

Actual results for 2008 represent a full year's results for FC LLC and Xtensions and the performance of FTS and Globalcom from the date of acquisition.

Figures for 2007 represent the combined financial statements of First Communications on a pro forma basis (including FC and Xtensions) and do not represent accounting consolidated figures.

FIRST COMMUNICATIONS, INC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2008 and 2007
(in thousands)

	Year Ended December 31, 2008	Restated Year Ended December 31, 2007
CASH FLOW FROM OPERATING ACTIVITIES		

Net income (loss)	\$ (76,195)	\$ 5,847
Depreciation & amortization	19,031	5,990
Deferred taxes	(4,951)	225
Impairment of goodwill and intangibles assets	53,500	-
Changes in Operating Assets & Liabilities		
Account receivable - trade, net	4,062	(1,265)(a)
Inventory	104	105
Prepaid expenses	(122)	(258)
Deposits and other assets	(54)	(1,568)
Accounts payable – trade	2,684	(3,786)
Income taxes payable	(2,256)	363
Accrued expenses	8,280	(5,187)
Deferred revenue	(5,810)	1,287
Other long-term liabilities	2,313	-
CASH FLOW PROVIDED BY OPERATING ACTIVITIES	<u>586</u>	<u>1,753</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6,042)	(2,363)
Acquisition of assets and assumption of liabilities, net of cash acquired	(104,837)	(88,706)
Investment in joint venture	-	-
Net change in accounts receivable - related party	-	-
CASH FLOW USED IN INVESTING ACTIVITIES	<u>(110,879)</u>	<u>(91,069)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from common stock Issuance	-	81,631
Proceeds from issuance of debt	120,000	15,000
Reduction in redeemable preferred stock	(25,000)	-
Payment of deferred financing costs	(5,309)	-
Net borrowings and payments on line of credit	18,130	706
Change in bank overdraft	-	5,114
Payments on debt	(6,500)	(9)
Payments of transaction costs related to sale of Company	-	(2,959)
Cash distributions to owners	-	(3,653)
CASH FLOW PROVIDED BY FINANCING ACTIVITIES	<u>101,321</u>	<u>95,830</u>
NET INCREASE (DECREASE) IN CASH	(8,972)	6,514
CASH, BEGINNING OF PERIOD	<u>9,300</u>	<u>2,786</u>
CASH, END OF PERIOD	<u>328</u>	<u>9,300</u>

Notes:

Actual results for 2008 represent a full year's results for FC LLC and Xtensions and the performance of FTS and Globalcom from the date of acquisition.

Figures for 2007 represent the combined financial statements of First Communications on a pro forma basis (including FC and Xtensions) and do not represent accounting consolidated figures.

(a) Includes \$ (3,599) of accounts receivable - related party re-classed from Cash Flow from Investing Activities