Sanswire Corp.
Form 10-Q
August 13, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

(Mark one)

x QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

OR

o TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT

For the transition period from ____________ to _____________

Commission file number 001-32509

SANSWIRE CORP.
(Exact name of small business issuer as specified in its charter)

| Delaware<br>(State or other jurisdiction<br>of incorporation or organization) | 88-0292161<br>(IRS Employer Identification No.) |
|---|---|

17501 Biscayne Blvd, Suite 430
Aventura, Florida 33160
(Address of principal executive offices)

(786) 288-0717
(Issuer's telephone number)

Indicate by check mark whether registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No o

Indicated by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filter and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

| Large accelerated filer o | Accelerated filer o |
|---|---|
| Non-accelerated filer o | Smaller reporting company x |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
Yes o No x

As of August 12, 2010, there were 306,661,084 shares of the issuer's common stock issued and outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

SANSWIRE CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

| | JUNE 30, 2010 | DECEMBER 31, 2009 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 238,293 | $ 12 |
| Restricted cash | 25,000 | — |
| Accounts receivable – related party | 100,000 | — |
| Inventories | 1,545,490 | 1,545,490 |
| Current assets from discontinued operations | 6,406 | 6,406 |
| TOTAL CURRENT ASSETS | 1,915,189 | 1,551,908 |
| Deposits | 11,150 | 11,150 |
| Intangible assets, net of accumulated amortization of $1,533,775 | 1,695,225 | 2,179,574 |
| TOTAL NONCURRENT ASSETS | 1,706,375 | 2,190,724 |
| TOTAL ASSETS | $ 3,621,564 | $ 3,742,632 |
| | | |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| | | |
| LIABILITIES | | |
| | | |
| CURRENT LIABILITIES | | |
| Accounts payable (including $352,588 and $396,625 due to joint venture partner at June 30, 2010 and December 31, 2009) | $ 4,578,558 | $ 4,220,167 |
| Notes payable | 7,630,613 | 7,391,718 |
| Accrued expenses and other liabilities (including $2,185,000 due to joint venture partner at June 30, 2010 and December 31, 2009) | 3,393,012 | 3,311,025 |
| Derivative liabilities | 2,553,948 | 1,406,665 |
| Current liabilities from discontinued operations | 1,387,406 | 1,387,406 |
| TOTAL CURRENT LIABILITIES | 19,543,537 | 17,716,981 |
| TOTAL LIABILITIES | 19,543,537 | 17,716,981 |
| | | |
| COMMITMENTS AND CONTINGENCIES | | |
| | | |
| STOCKHOLDERS' DEFICIT | | |
| Common stock, $.00001 par value, 500,000,000 shares authorized; 302,926,418 and 263,040,586 shares issued and outstanding | 3,030 | 2,631 |
| Additional paid-in capital | 122,974,179 | 120,114,115 |
| Series E Preferred stock, $.001 par value, 100,000 shares authorized; 100,000 shares issued and outstanding: | 100 | 100 |
| Additional paid-in capital - Series E Preferred stock | 625,894 | 625,894 |
| Accumulated deficit | (139,525,176) | (134,717,089) |
| TOTAL STOCKHOLDERS' DEFICIT | (15,921,973) | (13,974,349) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | $ 3,621,564 | $ 3,742,632 |

See accompanying notes to condensed consolidated financial statements

SANSWIRE CORP. AND SUBSIDIARIES
CONDENSED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| REVENUES – related party | $ 250,000 | $ — | $ 250,000 | $ — |
| COST OF REVENUES | — | — | — | — |
| GROSS MARGIN | 250,000 | — | 250,000 | — |
| EXPENSES | | | | |
| Payroll and related taxes | 150,654 | 142,902 | 247,947 | 260,336 |
| Consulting fees | 646,080 | 661,470 | 1,079,336 | 754,629 |
| Officers' and directors' stock based compensation | 1,143,000 | 2,900,530 | 1,467,546 | 2,900,530 |
| Amortization | 242,175 | 565,075 | 484,350 | 565,075 |
| Research and development | 150,000 | — | 150,000 | — |
| General and administrative | 85,928 | 124,141 | 149,068 | 245,632 |
| TOTAL EXPENSES | 2,417,837 | 4,394,118 | 3,578,247 | 4,726,202 |
| LOSS FROM OPERATIONS | (2,167,837) | (4,394,118) | (3,328,247) | (4,726,202) |
| OTHER INCOME (EXPENSE) | | | | |
| Gain on extinguishment of debt | 16,788 | — | 16,788 | — |
| Change in fair value of derivative liabilities | (1,822,501) | (2,206,573) | (1,147,283) | (2,136,154) |
| Interest expense, net | (105,447) | (698,705) | (349,345) | (886,798) |
| NET OTHER INCOME (EXPENSE) | (1,911,160) | (2,905,278) | (1,479,840) | (3,022,952) |
| LOSS FROM CONTINUING OPERATIONS | (4,078,997) | (7,299,396) | (4,808,087) | (7,749,154) |
| NET LOSS | $ (4,078,997) | $ (7,299,396) | $ (4,808,087) | $ (7,749,154) |
| | | | | |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING BASIC and DILUTED | 285,677,475 | 205,852,582 | 275,358,110 | 195,688,165 |
| | | | | |
| LOSS PER SHARE FROM CONTINUING OPERATIONS BASIC and DILUTED | $ (0.01) | $ (0.04) | $ (0.02) | $ (0.04) |
| NET LOSS PER SHARE BASIC and DILUTED | $ (0.01) | $ (0.04) | $ (0.02) | $ (0.04) |

See accompanying notes to condensed consolidated financial statements

SANSWIRE CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE SIX MONTHS ENDED JUNE 30, 2010
(Unaudited)

| | COMMON STOCK | | |
|---|---|---|---|
| Description | SHARES | AMOUNT | ADDITIONAL PAID-IN CAPITAL |
| BALANCE, DECEMBER 31, 2009 | 263,040,586 | $ 2,631 | $ 120,114,115 |
| Shares issued for cash | 6,443,827 | 64 | 486,973 |
| Shares issued for settlement of debt | 9,800,000 | 98 | 556,139 |
| Shares issued for services | 23,642,005 | 237 | 1,804,156 |
| Cost of raising capital | — | — | (15,800) |
| Fair value of vested options issued for officers’ and directors’ compensation | — | — | 28,596 |
| Net loss | — | — | — |
| BALANCE, JUNE 30, 2010 | 302,926,418 | $ 3,030 | $ 122,974,179 |

(continued)

See accompanying notes to consolidated financial statements

SANSWIRE CORP. AND SUBSIDIARIES (continued)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE SIX MONTHS ENDED JUNE 30, 2010
(Unaudited)

| | SERIES E PREFERRED STOCK | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | ADDITIONAL PAID-IN | | ACCUMULATED | | TOTAL STOCKHOLDERS' | |
| Description | SHARES | | AMOUNT | | CAPITAL | | DEFICIT | | DEFICIT |
| BALANCE, DECEMBER 31, 2009 | 100,000 | $ | 100 | $ | 625,894 | $ | (134,717,089) | $ | (13,974,349) |
| Shares issued for cash | — | | — | | — | | — | | 487,037 |
| Shares issued for settlement of debt | — | | — | | — | | — | | 556,237 |
| Shares issued for services | — | | — | | — | | — | | 1,804,393 |
| Cost of raising capital | — | | — | | — | | — | | (15,800) |
| Fair value of vested options issued for officers' and directors' compensation | — | | — | | — | | — | | 28,596 |
| Net loss | — | | — | | — | | (4,808,087) | | (4,808,087) |
| BALANCE, JUNE 30, 2010 | 100,000 | $ | 100 | $ | 625,894 | $ | (139,525,176) | $ | (15,921,973) |

See accompanying notes to consolidated financial statements

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SANSWIRE CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30,
(Unaudited)

| | 2010 | 2009 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | $ (4,808,087) | $ (7,749,154) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Amortization of debt discount | — | 66,776 |
| Amortization of intangible asset | 484,350 | 565,075 |
| Stock based compensation | 1,804,393 | 1,950,725 |
| Cost of raising capital | (15,800) | — |
| Fair value of vested options | 28,596 | 1,707,780 |
| Interest expense on convertible notes payable | 213,895 | 280,087 |
| Change in fair value of derivative liabilities | 1,147,283 | 2,136,154 |
| Fair value of modification of warrants | — | 443,305 |
| Increase in assets and liabilities: | | |
| Accounts receivable | (100,000) | — |
| Inventories | — | (1,110,700) |
| Accounts payable | 760,626 | 602,023 |
| Accrued expenses and other liabilities | 235,988 | 83,602 |
| NET CASH USED IN OPERATING ACTIVITIES | (248,756) | (1,024,327) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Deposits | — | (5,400) |
| NET CASH USED IN INVESTING ACTIVITIES | — | (5,400) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on notes payable | — | (25,411) |
| Proceeds from notes and loans payable | — | 140,000 |
| Proceeds from sale of common stock | 487,037 | 1,019,000 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 487,037 | 1,133,589 |
| NET INCREASE IN CASH AND EQUIVALENTS | 238,281 | 103,862 |
| CASH AND EQUIVALENTS – BEGINNING OF PERIOD | 12 | 4,809 |
| CASH AND EQUIVALENTS – END OF PERIOD | $ 238,293 | $ 108,671 |
| | | |
| SUPPLEMENTAL DISCLOSURES | | |
| Cash paid during the period for: | | |
| Interest | $ — | $ 2,903 |
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Shares issued for accounts payable | 402,237 | 13,031 |
| Shares issued for accrued expenses | 154,000 | 43,750 |
| Convertible note payable for restricted cash | 25,000 | — |
| Conversion of notes payable to common stock | — | 484,774 |
| Non-cash equity-warrant valuation and intrinsic value of beneficial conversion associated with convertible notes | — | 28,060 |
| Preferred stock for accrued expenses | — | 440,607 |
| Preferred stock for accounts payable | — | 185,387 |

See accompanying notes to condensed consolidated financial statements

SANSWIRE CORP. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

NATURE OF OPERATIONS

The opportunities associated with Sanswire are related to the Lighter Than Air (LTA) Unmanned Aerial Vehicle (UAV) market. Sanswire seeks to build and run a UAV business that includes low-, mid- and high-altitude, lighter-than-air vehicles. Sanswire intends to provide customers surveillance sensor suites and advanced seamless wireless broadband capabilities utilizing its High Altitude Airship technology.

Sanswire’s main products are airships, which provide a platform to transmit wireless capabilities from air to ground.  The High Altitude class of prospective airships are generally referred to as HAAs (High Altitude Airships) but have also been called HAPs (High Altitude Platform) and HALEs (High Altitude Long Endurance). They have been designed to be able to keep a station in one location in the Stratosphere, at approximately 65,000 feet for durations of 30 days or more.  The Company is focused on the further development of the SKYSat and development and construction of the STS-111 Lighter than air (LTA) Mid Altitude Long Endurance (MALE) Unmanned Aerial Vehicle (UAV) platform for providing surveillance and reconnaissance capabilities.

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Sanswire Corp. and Subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Regulation S-X for scaled disclosures for smaller reporting companies. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in United States of America for complete financial statements. However, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for the fair presentation of the consolidated financial position and the consolidated results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full fiscal year.

The condensed consolidated balance sheet information as of December 31, 2009 was derived from the audited consolidated financial statements included in the Company's Annual Report on Form 10-K filed with the SEC on April 2, 2010. These interim financial statements should be read in conjunction with that report.

The Company applied the provision of Financial Accounting Standards Board (“FASB”) ASC 810-10. “Consolidation of Variable Interest Entities (revised December 2003)” (“FIN 46R”) to its investment in Sanswire-TAO.  Under ASC 810, a variable interest entity (“VIE”) is subject to consolidation if the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support provided by any parties, including equity holders.  As of September 30, 2009, the Company determined that that consolidation of Sanswire-TAO was appropriate.  Inter-company accounts and transactions have been eliminated in consolidation.

GOING CONCERN

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying condensed consolidated financial statements, the Company had a net loss of $4,808,087 and used cash in operating activities of $248,756 for the six months ended June 30, 2010, and had a

working capital deficit of $17,628,348 and a stockholders' deficit of $15,921,973 at June 30, 2010. These factors raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon the Company's ability to raise additional funds and implement its business plan. The condensed consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. The Company anticipates that a net loss will continue for the balance of 2010.

Additional cash will still be needed to support operations. Management believes it can continue to raise capital from various funding sources, which will be sufficient to sustain operations at its current level through December 31, 2010. However, if budgeted sales levels are not achieved and/or if significant unanticipated expenditures occur, or if it is unable to obtain the necessary funding, the Company may have to modify its business plan, reduce or discontinue some of its operations or seek a buyer for all or part of its assets to continue as a going concern. As of the date of this report the Company has continued to raise capital to sustain its current operations. The Company will need to periodically seek investment to provide cash for operations until such time that operations provide sufficient cash flow to cover expenditures.

On May 2, 2008, the Securities and Exchange Commission ("SEC") filed a lawsuit in the United States District Court for the Southern District of Florida against GlobeTel Communications Corp. (the "Company") and three former officers of the Company, Timothy J. Huff, Thomas Y. Jimenez and Lawrence E. Lynch. The SEC alleges, among other things, that the Company recorded $119 million in revenue on the basis of fraudulent invoices created by Joseph Monterosso and Luis Vargas, two individuals formerly employed by the Company who were in charge of its wholesale telecommunications business. The SEC alleges that the Company violated Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933, as amended, Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rules 10b-5, 12b-20, 13a-1, 13a-11 and 13a-13 under the Exchange Act. The SEC seeks as relief a permanent injunction, civil penalties, and disgorgement with prejudgment interest. The Company intends to vigorously defend itself in this action. The SEC Staff is also considering recommending that the SEC authorize and institute proceedings to revoke the registration of Company's securities pursuant to Section 12(j) of the Exchange Act (also see note 9).

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid debt instruments with an original maturity of three months or less at the date of purchase to be cash equivalents.

REVENUE RECOGNITION

The Company sells Lighter Than Air (LTA) Unmanned Aerial Vehicles. The Company recognizes revenue for such sales when delivery has and the following criteria have been met: delivery has occurred, the price is fixed and determinable, collection is probable, and persuasive evidence of an arrangement exists. The Company recognized $250,000 in revenue for the period ended June 30, 2010 and no revenue for the period ended June 30, 2009.

ACCOUNTS RECEIVABLE

Trade and other accounts receivable are reported at face value, less any provisions for uncollectible accounts considered necessary. Accounts receivable primarily includes trade receivables from customers and in connection with the sale of a 50% interest in a SkySAT.

INVENTORIES

Inventories consist of work in progress related to the Company's consolidated joint venture Sanswire-TAO.

INCOME TAXES

Income taxes are computed under the provisions of the Financial Accounting Standards Board (FASB) ASC 740, "Accounting for Income Taxes". ASC 740 specifies the use of an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of the difference in events that have been recognized in the Company's financial statements compared to the tax returns.

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VALUATION HIERARCHY

FASB ASC 820, “Fair Value Measurements”, establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels that reflect the degree of subjectivity necessary to determine measurements, as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company’s own assumptions used to measure assets and liabilities at fair value. A financial asset or liability’s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2010 (unaudited):

| | Total Carrying Value at June 30, 2010 | Fair Value Measurements at June 30, 2010 | | |
|---|---|---|---|---|
| | | (Level 1) | (Level 2) | (Level 3) |
| Cash and cash equivalents | $ 238,293 | $ 238,293 | $ — | $ — |
| Restricted cash | 25,000 | 25,000 | | |
| Derivative liabilities | 2,553,948 | — | — | 2,553,948 |

The derivative liabilities are measured at fair value using quoted market prices and estimated volatility factors, and are classified within Level 3 of the valuation hierarchy. There were no changes in the valuation techniques during the three ended June 30, 2010.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments, including cash, deposits, accounts payable and notes payable are carried at amounts which reasonably approximate their fair value due to the short-term nature of these amounts or due to variable rates of interest which are consistent with market rates.

USE OF ESTIMATES

The process of preparing financial statements in conformity with generally accepted accounting principles in the United States requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

BASIC AND DILUTED NET LOSS PER COMMON SHARE

Basic and diluted net loss per common share has been computed based upon the weighted average number of shares of common stock outstanding during each period. The basic and diluted net loss is computed by dividing the net loss by the weighted average number of common shares outstanding during each period. In periods where losses are reported, the weighted average number of common shares outstanding used in the diluted net loss per share calculation excludes common stock equivalents because their inclusion would be anti-dilutive. If all outstanding options, warrants and convertible shares were to be converted or exercised as of June 30, 2010, the shares outstanding would be 377,009,350. As of August 12, 2010, we had 306,661,084 shares of our common stock outstanding. The Company is obligated under various existing agreements, options and warrants to issue additional shares of our common stock.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company follows FASB ASC 360, "Accounting for the Impairment of Long-Lived Assets." ASC 360 requires that long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of, if any, are reported at the lower of carrying amount or fair value less cost to sell.



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INTANGIBLE ASSETS

Intangible assets are related to the Company's consolidated joint venture Sanswire-TAO (see Note 6). Intangible assets with finite lives are amortized over their estimated useful lives, which are three years for patents and intellectual property. In addition to amortization, intangible assets are tested at least annually for impairment, or whenever events or changes in circumstances indicate that the carrying amount should be assessed. An asset is considered impaired if its carrying amount exceeds the future net cash flow the asset is expected to generate. If an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. The Company generally measures fair value by considering sales prices for similar assets or by discounting estimated future net cash flows from such assets using a discount rate reflecting the Company's average cost of capital.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks. The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the condensed consolidated statements of operations. For stock-based derivative financial instruments, the Company uses the Black-Scholes option pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

STOCK-BASED COMPENSATION

The Company periodically issues stock options and warrants to employees and non-employees in non-capital raising transactions for services and for financing costs. The Company accounts for stock option and warrant grants issued and vesting to employees using ASC 718 effective January 1, 2006, and for all share-based payments granted based on the requirements of ASC 718. The Company accounts for stock option and warrant grants issued and vesting to non-employees in accordance with ASC 505: "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" and ASC 505 "Accounting Recognition for Certain Transactions involving Equity Instruments Granted to Other Than Employees" whereas the value of the stock compensation is based upon the measurement date as determined at either a) the date at which a performance commitment is reached, or b) at the date at which the necessary performance to earn the equity instruments is complete. Stock-based compensation expense recognized under ASC 718 for the periods ended June 30, 2010 and 2009 were $1,804,393 and $1,950,725, respectively.

NOTE 2. DISCONTINUED OPERATIONS

The Company decided to close several of its operations relating to its telecom and wireless activities during 2007 and has presented certain activities as discontinued operations as of June 30, 2010.

The Company has the following assets and liabilities from its discontinued operations on its consolidated balance sheet as of June 30, 2010 (unaudited) and December 31, 2009:

| JUNE 30, 2010 (Unaudited) | Telecom | GlobeTel Wireless | Total |
|---|---|---|---|
| Cash | $ 6,406 | $ — | $ 6,406 |
| Total assets | $ 6,406 | $ — | $ 6,406 |
| | | | |
| Accounts payable | 140,116 | 1,216,208 | 1,356,324 |
| Accrued liabilities | 9,605 | 21,477 | 31,082 |
| Total current liabilities | 149,721 | 1,237,685 | 1,387,406 |
| | | | |
| Net liabilities of discontinued operations | $ 143,315 | $ 1,237,685 | $ 1,381,000 |

| DECEMBER 31, 2009 | Telecom | GlobeTel Wireless | Total |
|---|---|---|---|
| Cash | $ 6,406 | $ — | $ 6,406 |
| Total assets | $ 6,406 | $ — | $ 6,406 |
| | | | |
| Accounts payable | 140,116 | 1,216,208 | 1,356,324 |
| Accrued liabilities | 9,605 | 21,477 | 31,082 |
| Total current liabilities | 149,721 | 1,237,685 | 1,387,406 |
| | | | |
| Net liabilities of discontinued operations | $ 143,315 | $ 1,237,685 | $ 1,381,000 |

NOTE 3. SKYSAT SALE

On April 20, 2010, the Company and Global Telesat Corp. (“GTC”), a 4.6% shareholder of the Company, entered into an agreement whereby GTC purchased a 50% interest in the Company’s SkySat Mid Altitude, Lighter than Air (LTA), Unmanned Aerial Vehicle (UAV) platform. The Company is required to utilize the Purchase Price to complete the requisite development work so that the Airship may be tested and demonstrated to potential customers.

The Company has agreed immediately to deliver the current Airship to a destination and facility designated by GTC. Within three days of delivery of the Airship, GTC was required to pay 1/5th of the purchase price with additional payments of an equal amount each at 30-day intervals. The Company received a deposit of $50,000 on March 25, 2010 which was applied as a payment as of June 30, 2010. As of June 30, 2010 the Company has booked the transaction as revenue of $250,000 and to date has received $150,000. The remaining balance of $100,000 is carried as accounts receivable.

The Company has granted to GTC, upon the payment in full of the Purchase Price, a first lien and security interest in the Airship and all remedies of a secured creditor under the Uniform Commercial Code. The Company also granted GTC the option to acquire the remaining 50% of the Airship for an amount equal to 3 times the amount paid for the initial 50% interest. Upon exercising such option, GTC will be required to pay 1/3 of the option price within ten business days and two additional payments 1/3 each at 30-day intervals. The option expires December 31, 2010.

NOTE 4. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consisted of the following:

| | June 30, | December 31, |
|---|---|---|

| | 2010 | 2009 |
|---|---|---|
| Payroll liabilities | $ 1,089,066 | $ 1,007,079 |
| Professional fees | 118,946 | 118,946 |
| Due to Joint Venture Partner | 2,185,000 | 2,185,000 |
| ACCRUED EXPENSES AND OTHER LIABILITIES | $ 3,393,012 | $ 3,311,025 |

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NOTE 5. NOTES PAYABLE

Obligations at June 30, 2010 and December 31, 2009 were as follows:

| | | June 30, 2010 | | December 31, 2009 |
|---|---|---|---|---|
| Notes payable | $ | 5,997,030 | $ | 5,997,030 |
| Convertible notes payable | | 28,500 | | — |
| Accrued interest | | 1,605,083 | | 1,394,688 |
| NOTES PAYABLE | $ | 7,630,613 | $ | 7,391,718 |

NOTES PAYABLE

Notes payable are made up of two separate notes.

As of June 30, 2010, a balance of $4,997,130 remains payable to an unrelated third party on an unsecured promissory note with no formal terms of repayment on the first note. The Company has accrued interest at a rate of 7% per annum, which totals $1,337,444 from inception to June 30, 2010.

As of June 30, 2010, a balance of $999,900 remains payable to a different unrelated third party on an unsecured promissory note with no formal terms of repayment on the second note. The Company has accrued interest at a rate of 7% per annum, which totals $267,141 from inception to June 30, 2010.

CONVERTIBLE PROMISSORY NOTE

On April 1, 2010 the Company entered into a subscription agreement with an accredited investor. The Company sold $28,500 of the Company’s 7% Convertible Debentures, which are convertible into shares of the Company’s common stock at $.075 per share pursuant to the following terms. The funds were lent for the purpose of settling amounts due to the Internal Revenue Service. If the Company is unable to settle the debt in full, then the funds shall be returned to investor. The proceeds related to this investment are being held in escrow and are classified on the Company’s condensed consolidated balance sheet as Restricted cash.

NOTE 6. INVENTORIES

Inventories are related to the Company's consolidated joint venture Sanswire-TAO (see Note 7). Inventories are stated at the lower of cost or market. Cost is determined principally on a first-in-first-out average cost basis. Inventories consist of the following at:

| | | June 30, 2010 (unaudited) | | December 31, 2009 |
|---|---|---|---|---|
| Work in process | $ | 1,545,490 | $ | 1,545,490 |
| Total inventories | | 1,545,490 | | 1,545,490 |

NOTE 7. JOINT VENTURE AND INTANGIBLE ASSETS

On June 3, 2008, the Company restructured a previous agreement with TAO Technologies GmbH and Professor Bernd Kroplin. The new agreement called for the establishment of a new 50/50 US-based joint venture company to be called Sanswire-TAO that was to be owned equally by TAO and Sanswire Corp., through its wholly-owned subsidiary Sanswire Corp.—Florida. The agreement required TAO Technologies and Kroplin to transfer the patents and

intellectual property of TAO Technologies and Kroplin in the United States to Sanswire-TAO for a payment of $3,229,000.

On June 3, 2008, the Company accounted for the transaction as a purchase of assets and recognized a $3,229,000 Intangible Asset related to the intellectual property, including existing patents. The Company has made cash and stock payments of $1,044,000 through June 30, 2010 and the remaining balance of $2,185,000 due for the investment is included in accrued expenses as of June 30, 2010 and December 31, 2009 (See Note 4).



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The Company determined that the intangible assets have a definite life equal to the remaining life of the patent, which was through March 3, 2012, and accordingly, is subject to amortization using that life or 40 months, which is $80,725 per month. During the normal process of testing for an intangible impairment, the Company updated its ASC 360 analysis as of the end of December 2009 and determined there were no cash flows associated with the Company's intangible assets. The Company has determined that the appropriate method of determining if any impairment has occurred was to assess the stated value for the intangible assets, as described above.

NOTE 8. DERIVATIVE LIABILITIES

Derivative instruments are carrieded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income.

The fair value of derivative liabilities was determined using the Black-Scholes option pricing model with the following assumptions:

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Warrants: | | |
| Risk-free interest rate | 0.18 – 1.00% | 0.14 – 1.45% |
| Expected volatility | 10 - 184% | 10 - 168% |
| Expected life (in years) | 0.42 – 3.00 | 0.08 – 2.92 |
| Expected dividend yield | — | — |
| Fair value: | | |
| Warrants | $ 2,553,948 | $ 1,406,665 |

The risk-free interest rate was based on rates established by the Federal Reserve. In 2009, the Company's expected volatility was based upon the historical volatility for its common stock. The expected life of the warrants was determined by the expiration date of the warrants. The expected dividend yield was based upon the fact that the Company has not historically paid dividends, and does not expect to pay dividends in the future.

NOTE 9. CONTINGENCIES

In the ordinary conduct of our business, the Company is subject to periodic lawsuits, investigations and claims. Although the Company cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, the Company does not believe that any currently pending legal proceeding or proceedings to which we are a party or of which any of our property is subject will have a material adverse effect on our business, results of operations, cash flows or financial condition. As of June 30, 2010, the Company had the following material contingencies:

Securities and Exchange Commission

On September 28, 2006, the Company received a formal order of investigation from the Securities and Exchange Commission ("SEC"). The formal order only named the Company and was not specific to any particular allegations. Through the use of subpoenas, the SEC has requested documentation from certain officers and directors of the Company. In subsequent subpoenas, the SEC has asked for additional documents and information.

On October 5, 2007, the Company received a "Wells Notice" from the SEC in connection with the SEC's ongoing investigation of the Company. The Wells Notice provides notification that the staff of the SEC intends to recommend to the Commission that it bring a civil action against the Company for possible violations of the securities laws including violations of Sections 5 and 17(a) of the Securities Act of 1933; Sections 10(b), 13(a), and 13(b)(2)(A) &

(B) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 thereunder; and seeking as relief a permanent injunction, civil penalties, and disgorgement with prejudgment interest. The SEC Staff is also considering recommending that the SEC authorize and institute proceedings to revoke the registration of Company’s securities pursuant to Section 12(j) of the Exchange Act.

On May 2, 2008, the SEC filed a lawsuit in the United States District Court for the Southern District of Florida against GlobeTel Communications Corp. and three former officers of the Company, Timothy J. Huff, Thomas Y. Jimenez and Lawrence E. Lynch. The SEC alleges, among other things, that the Company recorded $119 million in revenue on the basis of fraudulent invoices created by Joseph Monterosso and Luis Vargas, two individuals formerly employed by the Company who were in charge of its wholesale telecommunications business.

The SEC alleges that the Company violated Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933, as amended, Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rules 10b-5, 12b-20, 13a-1, 13a-11 and 13a-13 under the Exchange Act. The SEC seeks as relief a permanent injunction, civil penalties, and disgorgement with prejudgment interest. The Commission subsequently consolidated this action with another pending action involving former officers of the Company. The Commission has also moved to amend its complaint against the Company to include additional allegations of wrongdoing beginning in 2002, but such amendment did not add any new defendants. The Company has been vigorously defending itself in this action.

Hudson Bay Fund LP et al.

Hudson Bay Fund LP and Hudson Bay Overseas Fund Ltd. filed an action against the Company relating to the warrants attached to a Subscription Agreement between those entities and the Company. The Hudson Bay entities are seeking to reprice the warrants, increase the number of shares they can purchase pursuant to the warrants, certain equitable remedies, and unspecified damages. The Company has retained outside counsel and has filed an answer and affirmative defenses in the case. The Company intends to vigorously defend the action, but the outcome of the action cannot be predicted.

Former Consultants

The Company is a defendant in two lawsuits filed by Matthew Milo and Joseph Quattrocchi, two former consultants, filed in the Supreme Court of the State of New York (Richmond County, Case no. 12119/00 and 12118/00). These matters were subsequently consolidated as a result of an Order of the court and now bear the singular index number 12118/00. The original lawsuits were for breach of contract. An Answer and Counterclaim had been interposed on both of these actions.

This case went before a Judicial Hearing Officer on July 6 and 7, 2006. No resolution occurred during the July hearing and the Judicial Hearing Officer has asked for written statements of facts and law. This case has been disposed of by the Supreme Court of the State of New York.  The case was disposed of on September 12, 2007.

Tsunami Communications v. GlobeTel

On March 3, 2006, Civil Action File No. 06-A-02368-5 was filed in Superior Court for Gwinnett County Georgia.  A purported shareholder of a company from whom GlobeTel purchased assets is seeking to receive shares of our common stock that they believe that they are entitled to as their pro-rata share of shares paid for the asset. We have asserted affirmative defenses and the trial of this matter was held in November 2009. We are waiting for a ruling from the Court.

NOTE 10. COMMON STOCK TRANSACTIONS

During the six month period ended June 30, 2010, the Company issued an aggregate of 39,885,832 shares of common stock for cash, debt, board compensation, and consulting agreements. Of the shares issued, 6,443,827 shares were issued for cash and 19,500,000 shares, or 48.9% were issued to insiders and affiliates as restricted securities under an exemption provide by Section 4(2) of the Securities Act of 1933 and/or Regulation D, Rule 506, promulgated under

the Securities Act of 1933. The common stock issued was valued at prices ranging from $0.044 to $0.105 per share, based on the closing market prices on the date the board of directors authorized the issuances. Subsequent to June 30, 2010, the Company issued an aggregate of 3,734,666 shares of common stock primarily for cash.

NOTE 11. STOCK OPTIONS AND WARRANTS

STOCK OPTIONS

During the six months ended June 30, 2010, the Company issued 700,000 options to acquire common stock to its former CEO and Board member. The Company recorded $28,596 of compensation expense related to these options to acquire common stock in the six months ended June 30, 2010, respectively.

The fair value of the options granted during the six months ended June 30, 2010 were determined using the Black-Scholes option pricing model with the following assumptions: 1.02% average risk-free interest rate; 152% expected volatility; three year expected term, and 0% dividend yield.

Employee options vest according to the terms of the specific grant and expire from 2 to 3 years from date of grant. As of June 30, 2010, all options issued and outstanding have fully vested. Stock option activity as of June 30, 2010 was as follows:

| | Number of Options (in shares) | | Weighted Average Exercise Price |
|---|---|---|---|
| Outstanding at December 31, 2009 | 38,042,499 | $ | .298 |
| Options Granted | 700,000 | | .075 |
| Options Exercised | — | | — |
| Options Expired | (5,536,945) | | (.213) |
| Outstanding at June 30, 2010 | 33,205,554 | $ | .081 |

The following table summarizes information with respect to stock options outstanding as of June 30, 2010:

| | Options Outstanding | | | | Options Exercisable | | |
|---|---|---|---|---|---|---|---|
| Range of Exercise Prices | Number of Shares | | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in years) | Number of Shares | | Weighted Average Exercise Price |
| $ 0.045 to $0.36 | 33,205,554 | $ | 0.081 | 1.70 | 33,205,554 | $ | 0.081 |
| | 33,205,554 | | | | 33,205,554 | | |

WARRANTS

The following table summarizes the activity with respect to Outstanding stock purchase warrants for the six months ended June 30, 2010:

| | Warrants Class A | Warrants Class B | | Weighted Average Exercise Price |
|---|---|---|---|---|
| Outstanding at December 31, 2009 | 18,933,804 | 15,651,411 | $ | 0.258 |
| Warrants Granted | 3,338,951 | 3,078,424 | | 0.252 |

| | | | | |
|---|---|---|---|---|
| Warrants Expired | (62,606) | (62,606) | | (0.252) |
| Outstanding at June 30, 2010 | 22,210,149 | 18,667,229 | $ | 0.257 |

The aggregate intrinsic value of 33,205,554 options and 22,210,149 Class A and 18,667,229 Class B warrants outstanding and exercisable as of June 30, 2010 was $12,261,976. The aggregate intrinsic value for the options is calculated as the difference between the price of the underlying awards and quoted price of the Company's common shares for the options that were in-the-money as of June 30, 2010. At June 30, 2010, all warrant shares were vested. Therefore there is no unamortized cost to be recognized in future periods.

NOTE 12. PREFERRED STOCK

On May 3, 2009, the Board of Directors approved the creation of a Series E Preferred Stock. The terms of the Series E Preferred Stock were subsequently amended on May 14, 2009. The Series E Preferred Stock, as amended, does not pay dividends but each holder of Series E Preferred Stock shall be entitled to 21.5 votes for each share of common stock that the Series E Preferred Stock shall be convertible into. The Series E Preferred Stock, as amended, has a conversion price of $0.105 and a stated value of $6.26. Each share of Series E Preferred Stock is convertible, at the option of the holder, into such number of shares of common stock of the Company as determined by dividing the Stated Value by the Conversion Price. The Series E Preferred Stock has no liquidation preference.

The Company also cancelled all the authorized shares associated with the Series A, B, C, and D of Preferred Stock. As of June 30, 2010, the Company has 100,000 shares of Series E Preferred Stock outstanding.

NOTE 13. INCOME TAXES

The Company has federal and state net operating loss (NOL) carryforward, which can be used to offset future earnings. Accordingly, no provision for income taxes is recorded in the financial statements. A deferred tax asset for the future benefits of net operating losses and other differences is offset by a 100% valuation allowance due to the uncertainty of the Company's ability to utilize the losses. These net operating losses begin to expire in the year 2021.

NOTE 14. SUBSEQUENT EVENTS

The Company has evaluated subsequent events from the balance sheet date. The following material subsequent event was as follows:

On July 8, 2010, the Company announced that it purchased a new 172,000 cubic foot temporary hangar facility in Easton, Maryland. The Company also announced that the hangar was completed on August 5, 2010. The purchase price for the new hangar was $94,692.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Forward-looking Information

This quarterly report contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. These statements relate to future events or to our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. There are a number of factors that could cause our actual results to differ materially from those indicated by such forward-looking statements. See our annual report on Form 10-K for the year ended December 31, 2009.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Moreover, we do not assume responsibility for the accuracy and completeness of such forward-looking statements. We are under no duty to update any of the forward-looking statements after the date of this report to conform such statements to actual results.

### General

Sanswire Corp. ("Sanswire," "Globetel", “we”, “us”, “our”, or the “Company”) is focused on the design, construction and marketing of various aerial vehicles most of which would be capable of carrying payloads that provide persistent surveillance and security solutions at various altitudes. The airships and auxiliary products are intended for end users that include military, defense and government-related entities.

From 2002 to 2007, the Company was involved in the following business sectors:

- stored value card services;
- wholesale telecommunications services;
- voice over IP;
- wireless broadband; and
- high altitude airships.

These businesses were run through various subsidiaries. The Company discontinued operations in all but the high altitude airship sector.

In 2007, we began focusing exclusively on opportunities through our wholly-owned subsidiary at the time, Sanswire Networks. The opportunities associated with Sanswire Networks were related to the Lighter Than Air (LTA) Unmanned Aerial Vehicle (UAV) market, and we, through the subsidiary, sought to build and run a UAV business that includes low-, mid- and high-altitude, lighter-than-air vehicles intended to provide customers advanced seamless wireless broadband capabilities and surveillance sensor suites.

On September 22, 2008, we effected a name change to Sanswire Corp. in recognition of the entity that contained our sole business focus. Thus, moving forward from September 22, 2008, the Company is Sanswire Corp., whose primary business is the design, construction and marketing of a variety of aerial vehicles through a joint venture with TAO Technologies, Stuttgart, Germany, named Sanswire-TAO Corp.

The High Altitude class of prospective airships are generally referred to as HAAs (High Altitude Airships) but have also been called HAPs (High Altitude Platform) and HALEs (High Altitude Long Endurance). They have been designed to be able to keep a station in one location in the Stratosphere, at approximately 65,000 ft for durations of 30 days or more.

RESULTS OF OPERATIONS

The following discussion and analysis summarizes the results of operations of the Company for the three month period ended June 30, 2010 and 2009.

COMPARISON OF THREE MONTHS ENDED JUNE 30, 2010 AND 2009

REVENUES. The Company had revenue related to sale of a 50% interest in the Company's SkySAT airship of $250,000 for the three months ended June 30, 2010 and no revenue for the three months ended June 30, 2009.

COST OF REVENUE. The Company had no cost of sales for the three months ended June 30, 2010 and 2009.

GROSS MARGIN. The Company had revenue related to sale of 50% of the Company's SkySAT airship of $250,000 for the three months ended June 30, 2010 and no revenue for the three months ended June 30, 2009.

OPERATING EXPENSES. Our operating expenses consist primarily of payroll and related taxes, professional and consulting services, expenses for executive and administrative personnel and insurance, telephone and communications, facilities expenses, travel and related expenses, and other general corporate expenses. Our operating expenses for the three month period ended June 30, 2010 were $2,417,837 compared to the three month period ended June 30, 2009 which had operating expenses of $4,394,118 a decrease of $1,976,281 or 45.0%. The decrease was primarily due to a $1,757,530 decrease in noncash compensation for previous board members and a $322,900 decrease for amortization of intangible assets.

During each of the three month periods ended June 30, 2010 and 2009, Sanswire and its subsidiaries incurred payroll tax liabilities during the normal course of business at each payroll cycle. During 2008 the Company has reported its payroll tax liabilities on a timely basis, however the Company failed to deposit the appropriate withholding amounts. The Company has recognized this issue and accordingly, contacted the IRS to make arrangement to pay any taxes due, which is currently estimated to be at least $200,000 including liabilities associated with the Company's subsidiaries that are classified in discontinued operations. The Company may be subject to penalties and interest from the IRS.

LOSS FROM OPERATIONS. We had an operating loss of $2,167,837 for the three month period ended June 30, 2010 as compared to an operating loss of $4,394,118 for the three month period ended June 30, 2009, primarily due to decreased operating expenses as described above.

OTHER INCOME (EXPENSE). We had net other income totaling $1,911,160 during the three month period ended June 30, 2010 compared to net other expense of $2,905,278 during the three month period ended June 30, 2009. This decrease was due primarily to the non cash charges related to the change in the fair value of derivatives.

Interest expense for the three month period ended June 30, 2010 was $105,447 compared to $698,705 for the three month period ended June 30, 2009. Interest expense decrease was primarily due to a decrease in notes payable.

LOSS FROM DISCONTINUED OPERATIONS. During the three month periods ended June 30, 2010 and 2009, we had no activity related to our discontinued operations. See note 2 in the financial statements for more information regarding the discontinued operations.



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NET LOSS. We had a net loss of $4,078,997 in the three month period ended June 30, 2010 compared to $7,299,396 in the three month period ended June 30, 2009. The decrease in net loss is primarily attributable to the decrease in the operating expenses as discussed above.

COMPARISON OF SIX MONTHS ENDED JUNE 30, 2010 AND 2009

REVENUES. The Company had revenue related to sale of a 50% interest in the Company's SkySAT airship of $250,000 for the six months ended June 30, 2010 and no revenue for the six months ended June 30, 2009.

COST OF REVENUE. The Company had no cost of sales for the six months ended June 30, 2010 and 2009.

GROSS MARGIN. The Company had revenue related to sale of 50% of the Company's SkySAT airship of $250,000 for the six months ended June 30, 2010 and no revenue for the six months ended June 30, 2009.

OPERATING EXPENSES. Our operating expenses consist primarily of payroll and related taxes, professional and consulting services, expenses for executive and administrative personnel and insurance, telephone and communications, facilities expenses, travel and related expenses, and other general corporate expenses. Our operating expenses for the six month period ended June 30, 2010 were $3,578,247 compared to the six month period ended June 30, 2009 which had operating expenses of $4,726,202 a decrease of $1,147,955 or 24.3%. The decrease was primarily due to a $1,432,984 decrease in noncash compensation for previous board members and a decrease of $80,725 for amortization of intangible assets.

During each of the six month periods ended June 30, 2010 and 2009, Sanswire and its subsidiaries incurred payroll tax liabilities during the normal course of business at each payroll cycle. During 2008, the Company has reported its payroll tax liabilities on a timely basis, however the Company failed to deposit the appropriate withholding amounts. The Company has recognized this issue and accordingly, contacted the IRS to make arrangement to pay any taxes due, which is currently estimated to be at least $200,000 including liabilities associated with the Company's subsidiaries that are classified in discontinued operations. The Company may be subject to penalties and interest from the IRS.

LOSS FROM OPERATIONS. We had an operating loss of $3,328,247 for the six month period ended June 30, 2010 as compared to an operating loss of $4,726,202 for the six month period ended June 30, 2009, primarily due to charges associated with stock and employee option issuances as described above, including lower operating costs and reductions of our various programs.

OTHER INCOME (EXPENSE). We had net other expenses totaling $1,479,840 during the six month period ended June 30, 2010 compared to $3,022,952 for the six month period ended June 30, 2009. This decrease was due primarily to the non cash charges related to the change in the fair value of derivatives.

Interest expense for the six month period ended June 30, 2010 was $349,345 compared to $886,796 for the six month period ended June 30, 2009. Interest expense decrease was primarily due to a decrease in notes payable.

LOSS FROM DISCONTINUED OPERATIONS. During the six month periods ended June 30, 2010 and 2009, we had no activity related to our discontinued operations. See note 2 in the financial statements for more information regarding the discontinued operations.

NET LOSS. We had a net loss of $4,808,087 in the six month period ended June 30, 2010 compared to $7,749,154 in the six month period ended June 30, 2009. The decrease in net loss is primarily attributable to the decrease in the operating expenses as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

ASSETS. At June 30, 2010, the Company had total assets of $3,621,564 compared to total assets of $3,742,632 as of December 31, 2009.

Current assets at June 30, 2010, were $1,915,189 compared to $1,551,908 at December 31, 2009 which were primarily comprised of $238,293 in cash and cash equivalents and $1,545,490 in work in process/inventory.

The Company had $1,695,225 in intangible assets as of June 30, 2010 compared to $2,179,574 as of December 31, 2009.

LIABILITIES. At June 30, 2010, the Company had total liabilities of $19,543,537 compared to total liabilities of $17,716,981 as of December 31, 2009. The increase of $1,826,556 was principally due to $1,147,283 in changes associated with the derivative liabilities (see note 8 of the financial statements.)

CASH FLOWS. Our cash used in operating activities in the six months ended June 30, 2010 was $248,756 compared to $1,024,327 for the comparative prior year period. The decrease was primarily due to the decreased level of operations and operating activities and changes in our current assets and liabilities.

Net cash provided by financing activities during the six months ended June 30, 2010 was $487,037 principally from the proceeds of the sale of common stock, as compared to $1,133,589 for the six months ended June 30, 2009.

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying condensed consolidated financial statements, the Company had a net loss of $4,808,087 and used cash in operating activities of $248,756 for the six months ended June 30, 2010, and had a working capital deficit of $17,628,348 and a stockholders' deficit of $15,921,973 at June 30, 2010. These factors raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon the Company's ability to raise additional funds and implement its business plan. The condensed consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. The Company anticipates that a net loss will continue for the balance of 2010.

Additional cash will still be needed to support operations. There is no guarantee that we will be able to continue to raise capital from existing funding sources, which will be sufficient to sustain operations at its current level through December 31, 2010. Further, if budgeted sales levels are not achieved, if significant unanticipated expenditures occur, or if it is unable to obtain the necessary funding, the Company may have to modify its business plan, reduce or discontinue some of its operations or seek a buyer for all or part of its assets to continue as a going concern. As of the date of this report the Company has continued to raise capital to sustain its current operations. The Company will need to periodically seek new capital investment to provide cash for operations until such time that operations provide sufficient cash flow to cover expenditures.

Subsequent to June 30, 2010, the Company has raised $532,500 from investors; additionally there is not adequate funding to cover the Company's working capital deficit or the operating loss for the six month period ended June 30, 2010 of approximately $4,808,087.

As reflected in the accompanying financial statements, during the six month period ended June 30, 2010 the Company had a net loss of $4,808,087 compared to a net loss of $7,749,154 during the six month period ended June 30, 2009. Consequently, there is an accumulated deficit of $139,525,176 at June 30, 2010 compared to $134,717,089 at December 31, 2009.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our stockholders.

Critical Accounting Policies and Use of Estimates

Estimates

The preparation of condensed consolidated financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts and classification of expense, and the disclosure of contingent assets and liabilities. We evaluate our estimates and assumptions on an ongoing basis. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Accounting for stock options

We believe that it is important for investors to be aware that there is a high degree of subjectivity involved in estimating the fair value of stock-based compensation, that the expenses recorded for stock-based compensation in the Company's financial statements may differ significantly from the actual value (if any) realized by the recipients of the stock awards, and that the expenses recorded for stock-based compensation will not result in cash payments from the Company.

Recent Accounting Pronouncements

There are no recently issued accounting pronouncements that are yet effective that we believe will have a material effect on our financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a "smaller reporting company" as defined by Regulation S-K, the Company is not required to provide information required by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation under the supervision of Thomas Seifert, the Company's Principal Executive Officer and/or Chief Financial Officer (the "Reviewing Officers"), of the effectiveness of the Company's disclosure controls and procedures as of June 30, 2010. Mr. Seifert has since resigned from such positions. In designing and evaluating the Company's disclosure controls and procedures, the Company and its management recognize that there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their desired control objectives. Additionally, in evaluating and implementing possible controls and procedures, the Company's management was required to apply its reasonable judgment. Furthermore, in the course of this evaluation, management considered certain internal control areas, including those discussed below, in which we have made and are continuing to make changes to improve and enhance controls. Based upon the required evaluation, the Reviewing Officers concluded that as of June 30, 2010, the Company's disclosure controls and procedures were not effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Material Weaknesses

Initially, on May 4, 2007, the Company determined that the Company had ineffective controls over revenue recognition. On September 3, 2009, the Company then also determined that it has not properly accounted for various derivative liabilities resulting in this restatement.

We have categorized our efforts to address our material weaknesses into two phases. In the first phase of the program, already completed as of September 30, 2007, we hired consultants and accounting consultants to review our financial statements and prepare the restatement of our financial statements. Our remediation measures relating to revenue recognition include a review by management of revenue items other than normal sales and also the discontinuation of the operations of our Centerline Communications LLC subsidiary for which we had previously restated revenue.

In the second phase of the program, we have commenced to and continue to implement certain new policies and procedures such as:

a. Seeking to recruit board members independent of management;

b. Granting Board committees standing authority to retain counsel and special or expert advisors of their own choice;

c. Seeking outside review of acquisition transactions

d. Establishment of an audit committee

e. Upon adequate funding, hiring additional staff leading to the segregation of duties to enable a better control environment

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Changes in Internal Control Over Financial Reporting

Except as set forth above, there have been no changes in our internal control over financial reporting that occurred during the Quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary conduct of our business, the Company is subject to periodic lawsuits, investigations and claims. Although the Company cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, the Company does not believe that any currently pending legal proceeding or proceedings to which we are a party or of which any of our property is subject will have a material adverse effect on our business, results of operations, cash flows or financial condition. As of June 30, 2010, the Company had the following material contingencies:

Securities and Exchange Commission

On September 28, 2006, the Company received a formal order of investigation from the SEC. The formal order only named the Company and was not specific to any particular allegations. Through the use of subpoenas, the SEC has requested documentation from certain officers and directors of the Company. In subsequent subpoenas, the SEC has asked for additional documents and information.

On October 5, 2007, the Company received a "Wells Notice" from the SEC in connection with the SEC's ongoing investigation of the Company. The Wells Notice provides notification that the staff of the SEC intends to recommend to the Commission that it bring a civil action against the Company for possible violations of the securities laws including violations of Sections 5 and 17(a) of the Securities Act of 1933; Sections 10(b), 13(a), and 13(b)(2)(A) & (B) of the Securities Exchange Act of 1934 ("Exchange Act") and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 thereunder; and seeking as relief a permanent injunction, civil penalties, and disgorgement with prejudgment interest. The Staff is also considering recommending that the SEC authorize and institute proceedings to revoke the registration of Company's securities pursuant to Section 12(j) of the Exchange Act.

On May 2, 2008, the SEC filed a lawsuit in the United States District Court for the Southern District of Florida against the Company and three former officers of the Company, Timothy J. Huff, Thomas Y. Jimenez and Lawrence E. Lynch. The SEC alleges, among other things, that the Company recorded $119 million in revenue on the basis of fraudulent invoices created by Joseph Monterosso and Luis Vargas, two individuals formerly employed by the Company who were in charge of its wholesale telecommunications business.

The SEC alleges that the Company violated Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933, as amended, Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rules 10b-5, 12b-20, 13a-1, 13a-11 and 13a-13 under the Exchange Act. The SEC seeks as relief a permanent injunction, civil penalties, and disgorgement with prejudgment interest. The Commission subsequently consolidated this action with another pending action involving former officers of the Company. The Commission has also moved to amend its complaint against the Company to include additional allegations of wrongdoing beginning in 2002, which such amendment does not add any new defendants. The Company has been vigorously defending itself in this action.

Hudson Bay Fund LP et al.

Hudson Bay Fund LP and Hudson Bay Overseas Fund Ltd. filed an action in Supreme Court of the State of New York, New York County (Case No. 650366/09 against the Company claiming declaratory judgment, specific performance, and breach of contract relating to the warrants it acquired in connection with its investment. The Hudson Bay entities are seeking to reprice the warrants, increase the number of shares they can purchase pursuant to the warrants, certain equitable remedies, and unspecified damages. The Company has retained outside counsel and has filed an answer and affirmative defenses in the case. The Company intends to vigorously defend the action, but the outcome of the action cannot be predicted.



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Former Consultants

The Company is a defendant in two lawsuits filed by Matthew Milo and Joseph Quattrocchi, two former consultants, filed in the Supreme Court of the State of New York (Richmond County, Case no. 12119/00 and 12118/00). These matters were subsequently consolidated as a result of an Order of the court and now bear the singular index number 12118/00. The original lawsuits were for breach of contract. An Answer and Counterclaim had been interposed on both of these actions.

This case went before a Judicial Hearing Officer on July 6 and 7, 2006. No resolution occurred during the July hearing and the Judicial Hearing Officer has asked for written statements of facts and law. This case has been disposed of by the Supreme Court of the State of New York. The case was disposed of on September 12, 2007.

Tsunami Communications v. GlobeTel

On March 3, 2006, Civil Action File No. 06A-02368-5 was filed in Superior Court for Gwinnett County Georgia. A purported shareholder of a company from whom GlobeTel purchased assets is seeking to receive shares of our common stock that they believe that they are entitled to as their pro-rata share of shares paid for the asset. We have asserted affirmative defenses and the trial of this matter was held in November 2009. We are waiting for a ruling from the Court.

Item 1A. Risk Factors

As a “smaller reporting company” as defined by Regulation S-K, the Company is not required to provide information required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the six month period ended June 30, 2010, the Company issued an aggregate of 39,885,832 shares of common stock for cash, debt, board compensation, and consulting agreements. Of the shares issued, 19,500,000 shares, or 48.9% were issued to insiders and affiliates as restricted securities under an exemption provide by Section 4(2) of the Securities Act of 1933 and/or Regulation D, Rule 506, promulgated under the Securities Act of 1933. The common stock issued was valued at prices ranging from $0.044 to $0.105 per share, based on the closing market prices on the date the board of directors authorized the issuances. Subsequent to June 30, 2010, the Company issued an aggregate of 3,734,666 shares of common stock primarily for cash.

During the six months ended June 30, 2010, the Company issued 700,000 options to acquire common stock to its former CEO and Board member.

The above securities were offered and issued in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 (the “Securities Act”) and/or Rule 506 promulgated under the Securities Act. The shareholders are accredited investors as defined in Rule 501 of Regulation D promulgated under the Securities Act.

Item 3. Defaults Upon Senior Securities

None.

Item 4. REMOVED AND RESERVED

Not applicable.

Item 5. Other Information

None.

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## Item 6. Exhibits

| Exhibits | Description |
|---|---|
| Exhibit 31.1 | Certification of the Principal Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| Exhibit 32.1 | Certification of the Principal Executive Officer and Chief Financial Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 10.1 | Purchase Agreement, dated April 20, 2010, by and between Sanswire Corp. and Global Telesat Corp. (1) |
| 10.2 | Employment Agreement between Sanswire Corp. and Glenn Estrella (2) |

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(1) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on April 27, 2010.

(2) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on June 24, 2010.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SANSWIRE CORP.

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| Dated: August 13, 2010 | By: | /s/ Glenn Estrella<br>Name: Glenn Estrella,<br>Title: Title: Chief Executive Officer,<br>Chief Financial Officer and Director<br>(Principal Executive,<br>Financial and Accounting Officer) |