Sanswire Corp.
Form 10-Q/A
October 13, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

AMENDMENT NO. 1
TO
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 March 31, 2009
OR
o TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT

For the transition period from ____________ to _____________

Commission file number 0-23532

SANSWIRE CORP.
(formerly Globetel Communications Corp.)

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

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

101 NE 3rd Ave, Suite 1500,
Fort Lauderdale, Florida 33301
(Address of principal executive offices)

(954) 332-3759
(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 September 14, 2009, there were 226,070,599 shares of the issuer's common stock issued and outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

SANSWIRE CORP. (FORMERLY GLOBETEL COMMUNICATIONS CORP.)
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2009 (Restated) (Unaudited)	DECEMBER 31, 2008 (Restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 103,585	$ 4,809
Current assets from discontinued operations	6,406	6,406
TOTAL CURRENT ASSETS	109,991	11,215
Investment in joint venture	3,229,000	3,229,000
TOTAL NONCURRENT ASSETS	3,229,000	3,229,000
TOTAL ASSETS	$ 3,338,991	$ 3,240,215
LIABILITIES AND STOCKHOLDERS’ DEFICIT		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 3,824,753	$ 3,802,777
Notes and convertible notes payable, net of discount of $126,072 and $134,423	9,477,557	9,264,732
Accrued expenses and other liabilities	3,556,196	3,489,210
Fair value of derivative liabilities	677,825	748,244
Current liabilities from discontinued operations	1,387,407	1,387,406
TOTAL LIABILITIES	18,923,738	18,692,369
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Series A Preferred stock, $.001 par value, 250,000 shares authorized; no shares issued and outstanding:	—	—
Series B Preferred stock, $.001 par value, 500,000 shares authorized; no shares issued and outstanding:	—	—
Series C Preferred stock, $.001 par value, 5,000 shares authorized; no shares issued and outstanding:	—	—
Series D Preferred stock, $.001 par value, 5,000 shares authorized; no shares issued and outstanding:	—	—
Common stock, $.00001 par value, 250,000,000 shares authorized; 189,324,242 and 184,704,015 shares issued and outstanding	1,894	1,848
Additional paid-in capital	110,165,698	109,848,580
Accumulated deficit	(125,752,339)	(125,302,582)
TOTAL STOCKHOLDERS' DEFICIT	(15,584,747)	(15,452,154)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 3,338,991	$ 3,240,215

See accompanying notes to condensed consolidated financial statements

SANSWIRE CORP. (FORMERLY GLOBETEL COMMUNICATIONS CORP.)
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31,

	2009 (Restated) (Unaudited)	2008 (Restated) (Unaudited)
REVENUES	$ —	$ —
COST OF REVENUES	—	—
GROSS MARGIN	—	—
EXPENSES		
Payroll and related taxes	117,434	372,371
Consulting fees	93,159	130,730
Noncash officers' and directors' compensation	—	285,000
General and administrative	121,491	109,792
TOTAL EXPENSES	332,084	897,893
LOSS FROM OPERATIONS	(332,084)	(897,893)
OTHER INCOME (EXPENSE)		
Loss on extinguishment of debt	—	(1,096,650)
Interest expense, net	(188,091)	(209,536)
Extinguishment of derivative liabilities	—	79,923
Change in fair value of derivative liabilities	70,419	(601,536)
NET OTHER INCOME (EXPENSE)	(117,672)	(1,827,799)
LOSS FROM CONTINUING OPERATIONS	(449,756)	(2,725,692)
LOSS FROM DISCONTINUED OPERATIONS	—	(244)
NET LOSS	$ (449,756)	$ (2,725,936)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
BASIC and DILUTED	185,472,412	136,208,846
LOSS PER SHARE FROM CONTINUING OPERATIONS		
BASIC and DILUTED	$ (0.00)	$ (0.02)
LOSS PER SHARE FROM DISCONTINUED OPERATIONS		
BASIC and DILUTED	$ (0.00)	$ (0.00)
NET LOSS PER SHARE		
BASIC and DILUTED	$ (0.00)	$ (0.02)

See accompanying notes to condensed consolidated financial statements

SANSWIRE CORP. (FORMERLY GLOBETEL COMMUNICATIONS CORP.)
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31,

	2009 (Restated) (Unaudited)	2008 (Restated) (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (449,756)	$ (2,725,936)
Adjustments to reconcile net loss to net cash used by operating activities:		
Amortization of debt discount	34,009	66,647
Loss on extinguishment of debt	—	1,096,650
Stock based compensation	84,500	115,000
Fair value of vested options	—	244,831
Interest expense on convertible notes payable	142,313	142,767
Extinguishment of derivative liabilities	—	(79,923)
Change in fair value of derivative liabilities	(70,419)	601,536
Decrease in assets:		
Decrease in assets relating to discontinued operations	—	11,956
Increase in liabilities:		
Accounts payable	21,976	47,189
Accrued expenses and other liabilities	96,153	253,165
Increase in liabilities relating to discontinued operations	—	25
NET CASH USED BY OPERATING ACTIVITIES	(141,224)	(226,093)
CASH FLOWS FROM INVESTING ACTIVITIES		
NET CASH USED BY INVESTING ACTIVITIES	—	—
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	—	(25,139)
Proceeds from notes and loans payable	140,000	356,278
Proceeds from sale of common stock	100,000	—
NET CASH PROVIDED BY FINANCING ACTIVITIES	240,000	331,139
NET INCREASE IN CASH AND EQUIVALENTS	98,776	105,046
CASH AND EQUIVALENTS – BEGINNING OF PERIOD	4,809	32,278
CASH AND EQUIVALENTS – ENDING OF PERIOD	$ 103,585	$ 137,324
SUPPLEMENTAL DISCLOSURES		
Cash paid during the period for:		
Interest	$ 122	$ 122
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Shares issued for joint venture	—	268,000
Shares for accrued expenses	29,167	61,470
Conversion of notes payable to common stock	75,438	281,320
Non-cash equity-warrant valuation and intrinsic value of beneficial conversion associated with convertible notes	84,601	129,918

See accompanying notes to condensed consolidated financial statements

SANSWIRE CORP. (FORMERLY GLOBETEL COMMUNICATIONS CORP.)
AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED MARCH 31, 2009 AND 2008
(RESTATED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

NATURE OF OPERATIONS

From 2002 to 2007 Sanswire Corp. (formerly known as GlobeTel Communications Corp.) ("Sanswire") (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 business units operated through various subsidiaries. The Company has discontinued operations in all but the high altitude airship sector.

On September 22, 2008 the Company filed a Certificate of Merger with the Secretary of State of the State of Delaware pursuant to which the wholly owned subsidiary, Sanswire Corp., a Delaware corporation, was merged into the Company. As a result of the filing of the Certificate of Merger, the corporate name was changed from GlobeTel Communications Corp. to Sanswire Corp. 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 seamless wireless broadband capabilities and surveillance sensor suites 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 and HALEs (High Altitude Platforms, 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.

ORGANIZATION AND CAPITALIZATION

The Company was organized in July 2002, under the laws of the State of Delaware.

BASIS OF PRESENTATION

The condensed consolidated financial statements of the Company include the accounts of its subsidiaries. These unaudited condensed consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States and with the instructions to Form 10-Q and Article 10 of Regulation S-X.

In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments considered necessary for a fair statement of the Company’s financial position as of March 31, 2009 and the results of operations for the three months ended March 31, 2009 and 2008, and cash flows for the three month periods ended March 31, 2009 and 2008, consisting only of normal and recurring adjustments. All significant intercompany transactions have been eliminated in consolidation. Operating results for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2009. The interim condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. For further information, refer to the Company’s consolidated financial statements and footnotes thereto for the year ended

December 31, 2008 filed on Form 10-K/A filed on September 22, 2009.

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SANSWIRE CORP. (FORMERLY GLOBETEL COMMUNICATIONS CORP.)
AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED MARCH 31, 2009 AND 2008
(RESTATED)

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 $449,756 and a negative cash flow from operations of $141,224 for the three months ended March 31, 2009, and had a working capital deficiency of $18,813,747 and a stockholders' deficit of $15,584,747 at March 31, 2009. 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 fiscal 2009.

Additional cash will still be needed to support operations. Management believes it can continue to raise capital from various funding sources, which when added to budgeted sales and current working capital, will be sufficient to sustain operations at its current level through December 31, 2009. 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 which have been reduced since January 1, 2008. 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. (see also next paragraph)

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 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 6)

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.

REGISTRATION RIGHTS

In connection with the sale of debt or equity instruments, the Company may enter into Registration Rights Agreements. Generally, these Agreements require the Company to file registration statements with the Securities and Exchange Commission to register common shares that may be issued on conversion of debt or preferred stock, to permit re-sale of common shares previously sold under an exemption from registration or to register common shares that may be issued on exercise of outstanding options or warrants.

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These Agreements usually require the Company to pay penalties for any time delay in filing the required registration statements, or in the registration statements becoming effective, beyond dates specified in the Agreement. These penalties are usually expressed as a fixed percentage, per month, of the original amount the Company received on issuance of the debt or preferred stock, common shares, options or warrants. The Company account for these penalties when it is probable that a penalty will be incurred. At March 31, 2009 the Company has no registration rights agreement requiring penalties to be recorded.

INCOME TAXES

Income taxes are computed under the provisions of the Financial Accounting Standards Board (FASB) Statement No. 109 (SFAS 109), Accounting for Income Taxes. SFAS 109 is 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.

VALUATION HIERARCHY

FAS 157 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 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 March 31, 2009:

		Fair Value Measurements at March 31, 2009		
	Total Carrying Value at March 31, 2009	(Level 1)	(Level 2)	(Level 3)
Cash and cash equivalents	$ 108,671	$ 108,671	$ —	$ —
Derivative liabilities	677,825	—	—	677,825

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 months ended March 31, 2009.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments, including cash, accounts payable, accrued expenses 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.

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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 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 March 31, 2009, the shares outstanding would be 246,440,958.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company follows FASB Statement No. 144 (SFAS 144), "Accounting for the Impairment of Long-Lived Assets." SFAS 144 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.

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 SFAS No. 123R effective January 1, 2006, and for all share-based payments granted based on the requirements of SFAS No. 123R. The Company accounts for stock option and warrant grants issued and vesting to non-employees in accordance with EITF No. 96-18: "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" and EITF 00-18 "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.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

SFAS No. 159, The Fair Value Option of Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159. The Fair Value Option of Financial Assets and Financial Liabilities ("SFAS No. 159"). SFAS No. 159 provides an option to report selected financial assets and financial liabilities using fair value. The standard establishes required presentation and disclosures to facilitate comparisons with companies that use different measurements for similar assets and liabilities. The Company has adopted this standard effective January 1, 2009 and the Company's adoption of this standard did not have a material impact on its condensed consolidated financial statements.

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SFAS No. 141 (R), Business Combinations and SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements

In December 2007, the FASB issued SFAS No. 141R, Business Combinations, and SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements. SFAS No. 141R requires an acquirer to measure the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS No. 160 clarifies that a non-controlling interest in a subsidiary should be reported as equity in the consolidated financial statement. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS No. 141R and SFAS No. 160 are effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited. The Company has adopted this standard effective January 1, 2009 and the Company's adoption of this standard did not have a material impact on its condensed consolidated financial statements.

SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities

In March 2008, the FASB issued FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities". The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Company has adopted this standard effective January 1, 2009 and the Company's adoption of this standard did not have a material impact on its condensed consolidated financial statements.

FSP FAS No. 115-2 and FAS No. 124-2, Recognition and Presentation of Other-Than-Temporary Impairments

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments . This FSP amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments in the financial statements. The most significant change the FSP brings is a revision to the amount of other-than-temporary loss of a debt security recorded in earnings. FSP FAS 115-2 and FAS 124-2 is effective for interim and annual reporting periods ending after June 15, 2009. The Company does not believe that the implementation of this standard will have a material impact on its condensed consolidated financial statements.

FSP FAS No. 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly

In April 2009, the FASB issued FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly . This FSP provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, Fair Value Measurements , when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. This FSP emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a

forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. FSP FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is applied prospectively. The Company does not believe that the implementation of this standard will have a material impact on its condensed consolidated financial statements.

FAS No. 107-1 and APB No. 28-1, Interim Disclosures about Fair Value of Financial Instruments

In April 2009, the FASB issued FSP FAS FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments. This FSP amends FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments , to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, Interim Financial Reporting , to require those disclosures in summarized financial information at interim reporting periods. FSP FAS 107-1 and APB 28-1 is effective for interim and annual reporting periods ending after June 15, 2009. The Company does not believe that the implementation of this standard will have a material impact on its condensed consolidated financial statements.

SANSWIRE CORP. (FORMERLY GLOBETEL COMMUNICATIONS CORP.)
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PERIODS ENDED MARCH 31, 2009 AND 2008
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NOTE 2. RESTATEMENT OF FINANCIAL STATEMENTS

On September 4, 2009, the Company concluded, with the concurrence of the Company's Board of Directors, that an accounting error had been made in the Company's historical March 31, 2009 and March 31, 2008 financial statements in relation to the recording of derivative liabilities related to the conversion feature and associated warrants issued with convertible notes during 2006, 2007, and 2008. As a result, the Company's consolidated financial statements for the three months ended March 31, 2009 and 2008 are being amended and restated.

The restatements reflect adjustments to recognize derivative liabilities and related changes in the fair value of the derivative liabilities. The convertible notes and associated warrants provide for a strike price reset if the Company issues stock at a price less than the defined exercise price, and the Company determined derivative liability classification was required for the conversion feature and associated warrants under EITF 00-19. In particular, the Company compared (a) the number of authorized but unissued shares, less the maximum number of shares that could be required to be delivered during the contract period under existing commitments (i.e. other convertible notes, warrants, and options) with (b) the maximum number of shares that could be required to be delivered upon conversion of the convertible notes. Since the amount in (b) exceeded the amount in (a), the Company determined that share settlement was not within its control.

The effects of the restatement on the Company's condensed consolidated financial statements for the periods ended March 31, 2009 and 2008 are shown below (note: see table of adjustment descriptions at end of this section):

Account	March 31, 2009 (As Initially Reported)	(Adjustment)		(As Restated) (Unaudited)
Current Assets				
Cash	$ 103,585	$ —		$ 103,585
Current assets from discontinued operations	6,406	—		6,406
Total current assets	109,991	—		109,991
Investment in joint venture	3,229,000	—		3,229,000
Total Assets	$ 3,338,991	$ —		$ 3,338,991
Liabilities and Stockholders' Deficit				
Current liabilities				
Accounts payable	$ 3,824,753	$ —		$ 3,824,753
Notes and notes payable, net of discount of $303,056 and $126,072	9,300,573	176,984	2	9,477,557
Accrued expenses and other liabilities	3,556,196	—		3,556,196
Derivative liabilities	677,825			677,825
Current liabilities from discontinued operations	1,387,407	—		1,387,407
Total current liabilities	18,746,754	176,984		18,923,738
Stockholders' Deficit				
Common stock	1,894	—		1,894
Additional paid-in capital	111,294,864	(1,129,166)	1	110,165,698
Accumulated deficit	(126,704,521)	952,182	1, 2	(125,752,339)
Total Stockholders' Deficit	(15,407,763)	(176,984)		(15,584,747)

Total Liabilities and Stockholders’ Deficit	$	3,338,991	$	—	$	3,338,991

SANSWIRE CORP. (FORMERLY GLOBETEL COMMUNICATIONS CORP.)
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED MARCH 31, 2009 AND 2008
(RESTATED)

Account	December 31, 2008 (As Initially Reported)	(Adjustment)		(As Restated)
Current Assets				
Cash	$ 4,809	$ —		$ 4,809
Current assets from discontinued operations	6,406	—		6,406
Total current assets	11,215	—		11,215
Investment in joint venture	3,229,000	—		3,229,000
Total Assets	$ 3,240,215	$ —		$ 3,240,215
Liabilities and Stockholders' Deficit				
Current liabilities				
Accounts payable	$ 3,802,777	$ —		$ 3,802,777
Notes and notes payable, net of discount of $134,423	9,264,732	—		9,264,732
Accrued expenses and other liabilities	3,489,210	—		3,489,210
Derivative liability	—	748,244	4	748,244
Current liabilities from discontinued operations	1,387,406	—		1,387,406
Total current liabilities	17,944,125	748,244		18,692,369
Stockholders' Deficit				
Common stock	1,848	—		1,848
Additional paid-in capital	111,128,580	(1,280,000)	4	109,848,580
Accumulated deficit	(125,834,338)	531,756	4	(125,302,582)
Total Stockholders' Deficit	(14,703,910)	(748,244)		(15,452,154)
Total Liabilities and Stockholders' Deficit	$ 3,240,215	$ —		$ 3,240,215

Account	Three Months Ended March 31, 2009 (Unaudited) (As Initially Reported)	(Adjustment)		(As Restated)
Revenue	$ —	$ —		$ —
Cost of revenues	—	—		—
Gross margin	—	—		—
Payroll and related taxes	(117,434)	—		(117,434)
Consulting fees	(93,159)	—		(93,159)
General and administrative expenses	(121,491)	—		(121,491)
Loss from operations	(332,084)	—		(332,084)
Interest expense	(391,688)	203,597	3	(188,091)
Change in fair value of warrants and conversion feature	70,419	—		70,419
Net other expense	(321,269)	203,597		(117,672)
Loss from continuing operations	(653,353)	203,597		(449,756)
Loss from discontinued operations	—	—		—
Net loss	$ (653,353)	$ 203,597		$ (449,756)
	$ (0.00)	0.00		(0.00)

Net loss per share from continuing operations, basic and diluted					
Net loss per share from discontinuing operations, basic and diluted	$	(0.00)	—	$	(0.00)
Weighted average shares outstanding, basic and diluted		185,472,412			185,472,412

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Account	Three Months Ended March 31, 2008 (Unaudited) (As Initially Reported)	(Adjustment)		(As Restated)
Revenue	$ —	$ —		$ —
Cost of revenues	—	—		—
Gross margin	—	—		—
Payroll and related taxes	(372,371)	—		(372,371)
Consulting fees	(130,730)	—		(130,730)
Noncash officers' and directors' compensation	(285,000)	—		(285,000)
General and administrative expenses	(109,792)	—		(109,792)
Loss from operations	(897,893)	—		(897,893)
Loss on extinguishment of debt	(1,096,650)	—		(1,096,650)
Interest expense	(378,454)	168,918	5	(209,536)
Extinguishment of derivative liability	—	79,923	7	79,923
Change in fair value of warrants and conversion feature	—	(601,536)	6	(601,536)
Net other expense	(1,475,104)	(352,695)		(1,827,799)
Loss from continuing operations	(2,372,997)	(352,695)		(2,725,692)
Loss from discontinued operations	(244)	—		(244)
Net loss	$ (2,373,241)	$ (352,695)		$ (2,725,936)
Net loss per share from continuing operations, basic and diluted	$ (0.02)	(0.00)		(0.02)
Net loss per share from discontinuing operations, basic and diluted	$ (0.00)	—		$ (0.00)
Weighted average shares outstanding, basic and diluted	136,208,846			136,208,846

	Three Months Ended March 31, 2009 (Unaudited) (As Initially Reported)	(Adjustment)		(As Restated)
Cash flow from operating activities:				
Net loss	$ (653,353)	$ 203,597		$ (449,756)
Adjustments to reconcile net loss to net cash used in operating activities:				
Amortization of debt discount	240,007	(205,998)	3	34,009
Stock based compensation	84,500	—		84,500
Fair value of vested options	—	—		—
Change in fair value of derivative liability	(70,419)	—		(70,419)
Extinguishment of derivative liability	—	—		—
Interest expense on convertible notes payable	139,912	2,401	3	142,313
Decrease in assets:				
Decrease in assets relating to discontinued operations	—	—		—
Increase in liabilities:				

Accounts payable	21,976	—	21,976
Accrued expenses and other liabilities	96,153	—	96,153
Increase in liabilities relating to discontinued operations	—	—	—
Net cash used in operating activities	(141,224)	—	(141,224)
Cash flows from investing activities:			
Net cash used in investing activities	—	—	—

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	Three Months Ended March 31, 2009 (Unaudited)		
	(As Initially Reported)	(Adjustment)	(As Restated)
Cash flows from financing activities:			
Proceeds from notes and loans payable	140,000	—	140,000
Proceeds from sale of common stock	100,000	—	100,000
Net cash provided by financing activities	240,000	—	240,000
Net increase in cash and cash equivalents	98,776	—	98,776
Cash and cash equivalents, beginning of period	4,809	—	4,809
Cash and cash equivalents, end of period	$ 103,585	$ —	$ 103,585

	Three Months Ended March 31, 2008 (Unaudited)		
	(As Initially Reported)	(Adjustment)	(As Restated)
Cash flow from operating activities:			
Net loss	$ (2,373,241)	$ (352,695)	$ (2,725,936)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of debt discount	66,647	—	66,647
Loss/Gain on extinguishment of debt	1,096,650	—	1,096,650
Stock based compensation	115,000	—	115,000
Fair value of vested options	244,831	—	244,831
Change in fair value of derivative liability	168,918	432,618 5,6	601,536
Extinguishment of derivative liability	—	(79,923) 7	(79,923)
Interest expense on convertible notes payable	142,767	—	142,767
Decrease in assets:			
Decrease in assets relating to discontinued operations	11,956	—	11,956
Increase in liabilities:			
Accounts payable	47,189	—	47,189
Accrued expenses and other liabilities	253,165	—	253,165
Increase in liabilities relating to discontinued operations	25	—	25
Net cash used in operating activities	(226,093)	—	(226,093)
Cash flows from investing activities:			
Net cash used in investing activities	—	—	—
Cash flows from financing activities:			
Payments on notes payable	(25,139)	—	(25,139)
Proceeds from notes and loans payable	356,278	—	356,278
Net cash provided by financing activities	331,139	—	331,139
Net increase in cash and cash equivalents	105,046	—	105,046
Cash and cash equivalents, beginning of period	32,278	—	32,278
Cash and cash equivalents, end of period	$ 137,324	$ —	$ 137,324

Description of adjustments:

(1) To record $952,182 decrease to accumulated deficit for prior period recognition of derivative liability, and $1,129,166 decrease to additional paid in capital for cumulative effect of correction of accounting for warrants and conversion feature of convertible notes as derivative liabilities.
(2) To record $176,984 decrease in note discount for the three months ended March 31, 2009.
(3) To record $203,597 decrease in interest expense for the three ended March 31, 2009.
(4) To record $748,244 increase to derivative liability, $531,756 decrease to accumulated deficit for prior period recognition of derivative liability, and $1,280,000 decrease to additional paid in capital for cumulative effect of correction of accounting for warrants and conversion feature of convertible notes as derivative liabilities.
(5) To record $168,918 from interest expense to change in derivative liability for the three months ended March 31, 2008.
(6) To record $601,536 increase in derivative liability for the three months ended March 31, 2008.
(7) To record $79,923 decrease from extinguishment of derivative liability for the three months ended March 31, 2008.

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The Company's derivatives consisted of the following at March 31, 2009 and December 31, 2008 and were valued using the Black-Scholes option pricing model and the following assumptions:

		March 31, 2009		December 31, 2008
Conversion feature:				
Risk-free interest rate		0.21 – 0.81%		0.27 – 0.76%
Expected volatility		118 - 143%		118 - 134%
Expected life (in years)		0.39 – 1.87		0.33 - 1.76
Expected dividend yield		—		—
Warrants:				
Risk-free interest rate		0.17 – 1.15%		0.11 – 1.00%
Expected volatility		40 - 174%		28 - 167%
Expected life (in years)		0.16 – 2.89		0.01 – 2.74
Expected dividend yield		—		—
Fair value:				
Conversion feature	$	412,210	$	495,805
Warrants	$	265,615	$	252,439

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 Debentures' conversion option was based on the maturity of the Debentures and 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 3. DISCONTINUED OPERATIONS

The Company decided to close several of its operations during 2007 and has presented certain activities as discontinued operations as of and for the periods ended March 31, 2009 and December 31, 2008.

During 2007, the Company discontinued two components of its business which constituted discontinued operations – Telecom and Globetel Wireless Corp. The loss on the Company's condensed consolidated statements of operations for the periods ended March 31, 2009 and 2008 is summarized as follows:

Telecom		2009		2008
Loss from discontinued operations	$	—	$	(244)
GlobeTel Wireless				
Loss from discontinued operations		—		—

Total loss from discontinued operations	$	—$	(244)

The Company incurred the following losses from discontinued operations for the periods ended March 31, 2009 and 2008:

MARCH 31, 2009 (Unaudited)	Telecom	GlobeTel Wireless	Total
Loss from discontinued operations	$ —$	—$	—

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MARCH 31, 2008 (Unaudited)	Telecom	GlobeTel Wireless	Total
General and administrative	$ (244)	$ —	$ (244)
Loss from discontinued operations	$ (244)	$ —	$ (244)

The Company had the following assets and liabilities from its discontinued operations on its consolidated balance sheet as of March 31, 2009 and December 31, 2008:

MARCH 31, 2009 (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, 2008	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 4. NOTES AND CONVERTIBLE NOTES PAYABLE

	March 31, 2009 (Unaudited)	December 31, 2008
(A) Notes payable	$ 5,997,030	$ 5,997,030
(B) Convertible notes payable, net of unamortized discount of $0 and $0	80,000	80,000
(C) Convertible promissory notes, net of unamortized discount of $126,072 and $134,423	2,090,263	2,016,913
Total	8,167,293	8,093,943
Accrued Interest	1,310,264	1,170,789

Total	$ 9,477,557	$ 9,264,732

(A) NOTES PAYABLE

Notes payable are made up of two separate notes.

As of March 31, 2009, a balance of $4,997,130 remains through 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 $910,724 as of March 31, 2009.

As of March 31, 2009, a balance of $999,900 remains through 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 $179,649 as of March 31, 2009.

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(B) CONVERTIBLE NOTES PAYABLE

As of March 31, 2009, a balance of $80,000 remains through a convertible notes payable. The Company has accrued interest at a rate of 7% per annum, which totals $28,241 as of March 31, 2009. Subsequent to March 31, 2009, $30,000 in principal and $13,874 in interest were converted into 516,947 shares of Company common stock.

(C) CONVERTIBLE PROMISSORY NOTES

On February 17, 2009, the Company entered into subscription agreement with accredited investors. The Company sold $110,000 of the Company's 7% Convertible Debentures, 3-year warrants to purchase a number of shares equal to 50% of the number of shares issuable upon conversion of the debenture of the Company's common stock at an exercise price of $0.21, and three-year warrants to purchase a number of shares equal to 50% of the number of shares issuable upon conversion of the debenture shares of the Company's common stock at an exercise price of $0.315. The Debentures are convertible into shares of the Company's common stock at $.105 per share pursuant to the following terms. If after 90 days from the original issue date of the debenture the market price of the Company's common shares during the 90 day period has not closed at a bid price at or above $.12 per share for 3 or more consecutive trading days, in such instance then the Investors' price per share shall be equal to the average closing bid price for the last 30 trading days immediately prior to the 90th day after the date of the addendum. Should the price of the common shares be $.105 or higher on the 90th day after the date of the addendum, then the purchase price per share shall remain at $.105 per share. Should the Market Price of the shares be $.105 or higher on the 90th day after the date of the addendum, but less than $.125, then the Investor shall be entitled to an amount of additional shares equal to 10% of the number of shares to which the Investor is otherwise entitled. Because the price of the common stock was greater than $.125 on the 90th day after funding, the modification was extinguished.

The Company determined that the total fair value of the warrants was $22,252 based upon the relative value of the Black Scholes valuation of the warrants and the underlying debt amount. For the Black Scholes calculation, the Company assumed no dividend yield, a risk free interest rate ranging from 1.31% to 1.40%, expected volatility of 169.01% and an expected term of the warrants of 3 years. The initial calculated fair value of warrants of $22,252 was reflected by the Company as a valuation discount and offset to the carrying value of the Notes, and are being amortized by the effective interest method over the term of the Notes. As of March 31, 2009, the Company amortized $1,236 of the valuation discount, which is reflected as financing costs in the Company's consolidated statements of operations. During st quarter 2009, no principal or interest had been converted.

As of March 31, 2009, a balance of $1,633,869 remains through convertible notes payable. The Company has accrued interest at a rate of 7% per annum, which totals $171,056 as of March 31, 2009.

On February 17, 2009, the Company entered into subscription agreement with a second accredited investor. The Company sold $30,000 of the Company's 7% Convertible Debentures, 3-year warrants to purchase a number of shares equal to 50% of the number of shares issuable upon conversion of the debenture of the Company's common stock at an exercise price of $0.21, and three-year warrants to purchase a number of shares equal to 50% of the number of shares issuable upon conversion of the debenture shares of the Company's common stock at an exercise price of $0.315. The Debentures are convertible into shares of the Company's common stock at $.105 per share pursuant to the following terms. If after 90 days from the original issue date of the debenture the market price of the Company's common shares

during the 90 day period has not closed at a bid price at or above $.12 per share for 3 or more consecutive trading days, in such instance then the Investors' price per share shall be equal to the average closing bid price for the last 30 trading days immediately prior to the 90th day after the date of the addendum. Should the price of the common shares be $.105 or higher on the 90th day after the date of the addendum, then the purchase price per share shall remain at $.105 per share. Should the Market Price of the shares be $.105 or higher on the 90th day after the date of the addendum, but less than $.125, then the Investor shall be entitled to an amount of additional shares equal to 10% of the number of shares to which the Investor is otherwise entitled. Because the price of the common stock was greater than $.125 on the 90th day after funding, the modification was extinguished.

The Company determined that the total fair value of the warrants was $5,807 based upon the relative value of the Black Scholes valuation of the warrants and the underlying debt amount. For the Black Scholes calculation, the Company assumed no dividend yield, a risk free interest rate of 1.22%, expected volatility of 169.01% and an expected term of the warrants of 3 years. The initial calculated fair value of warrants of $5,807 was reflected by the Company as a valuation discount and offset to the carrying value of the Notes, and are being amortized by the effective interest method over the term of the Notes. As of March 31, 2009, the Company amortized $645 of the valuation discount, which is reflected as financing costs in the Company's consolidated statements of operations. During 1st quarter 2009, no principal or interest had been converted.

As of March 31, 2009, a balance of $130,000 remains through convertible notes payable. The Company has accrued interest at a rate of 7% per annum, which totals $8,283 as of March 31, 2009.

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In October 2008, the Company entered into a new financing agreement for a convertible promissory note payable totaling $25,000. On February 11, 2009, $25,438 in principal and interest was converted into 238,096 shares of the Company’s common stock.

In September 2008, the Company entered into a new financing agreement for convertible promissory note payable totaling $50,000. On February 12, 2009, the Company issued 250,000 shares, valued at $9,500, as a penalty to extend the maturity to an unspecified date. On March 30, 2009, the investor foreclosed on its lien and security interest based on the previously entered into pledge agreement. The note was secured by 1,000,000 shares of common stock of the Company held by the Company’s CEO. As a result, the holder acknowledged that by virtue of its ownership of the shares, the note was deemed satisfied in full.

NOTE 5. TAO TECHNOLOGIES TRANSACTION

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 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. Additionally, Sanswire-TAO would register the patents and intellectual property of TAO Technologies and Kroplin in the United States for the exclusive use of Sanswire-TAO. On June 3, 2008, the Company treated the transaction as the investment in a joint venture and booked a $3,229,000 asset related to the investment. The balance of $2,185,000 due for the investment is accrued in accrued expenses as of March 31, 2009. The investment will be subject to impairment testing in the future.

NOTE 6. COMMITMENTS AND 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 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 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 which does not add any new defendants. The Company has been vigorously defending itself in this action.

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Mitchell Siegel v. GlobeTel

On February 2, 2007, GlobeTel was sued in the Circuit Court for Broward County, Florida entitled Mitchell Siegel v. GlobeTel Communications Corp. , Case no. 0702456 ("the Siegel Lawsuit"). In this action, Siegel sued the Company for breach of contract in regards to a Key Executive Employment Agreement. On February 15, 2008, both parties entered into a settlement agreement whereas Mr. Siegel would receive $175,000 worth of stock, payable over 12 months, and 50% of the gross proceeds, up to a total amount of $300,000, received from an October 2006 agreement. During 2009 the Company paid an additional $29,167 in the Company's common stock.

NOTE 7. COMMON STOCK TRANSACTIONS

During the three month period ended March 31, 2009, the Company issued an aggregate of 4,620,227 shares of common stock for debt, including 1,000,000 shares for the replacement of shares lost when an investor foreclosed on its lien and security interest based on the previously entered into pledge agreement. Of the shares issued, 1,000,000 shares, or 21.6% were issued to insiders and affiliates as restricted securities and in accordance with SEC Rule 144. The common stock issued was valued at prices ranging from $0.038 to $0.105 per share, based on the closing market prices on the date the board of directors authorized the issuances. Subsequent to March 31, 2009, the Company issued an aggregate of 15,790,747 shares of common stock for debt, board compensation, and consulting agreements.

NOTE 8. STOCK OPTIONS AND WARRANTS

STOCK OPTIONS

During the three months ended March 31, 2009, the Company issued no options to acquire common stock.

As of March 31, 2009, the exercise price of all options outstanding exceeds the market price of the Company's stock, and therefore there was no intrinsic value.

Employee options vest according to the terms of the specific grant and expire from 3 to 5 years from date of grant. As of March 31, 2009, all options issued and outstanding have fully vested and thus there was no deferred compensation. Stock option activity as of March 31, 2009 was as follows:

	Number of Options (in shares)	Weighted Average Exercise Price
Outstanding at December 31, 2008	15,982,752	$ .350
Options Granted	—	—
Options Forfeited	—	—
Options Cancelled	—	—
Outstanding at March 31, 2009	15,982,752	$ .350

WARRANTS

The following table summarizes certain information about the Company’s stock purchase warrants (including the warrants discussed in Note 4).

	Warrants Class A	Warrants Class B	Weighted Average Exercise Price
Outstanding at December 31, 2008	13,987,204	9,634,763	$ 0.253
Warrants Granted	666,667	444,444	0.252
Warrants Expired	3,305,383	2,203,589	0.252
Outstanding at March 31, 2009	11,348,488	7,875,618	$ 0.253

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NOTE 9. INCOME TAXES

The Company has accumulated net operating losses, 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 10. SUBSEQUENT EVENTS

Amendment to September 2008 Financing Documents

On April 17, 2009, the Company entered into an amendment to the Subscription Agreement, dated September 17, 2008 pursuant to which the Company agreed (i) to extend the expiration date of both the Series A Warrant and Series B Warrant issued from October 15, 2010 to December 31, 2010 and (ii) extend the final date that the holder may make up to two additional purchases of the Company’s securities, from October 15, 2008 and December 15, 2008, respectively, until December 31, 2010 and December 31, 2010, respectively. The Company may have non cash charges associated with this transaction in the future.

April 2009 Credit Facility

On April 15, 2009, Sanswire-Tao Corp. entered into a credit facility agreement pursuant to which the holder agreed to lend up to an aggregate principal amount of €800,000 until the earlier of (i) December 31, 2009 or (ii) until the holder loans Sanswire Tao Corp. the full amount. Any loan made under the Credit Facility Agreement shall mature and become due and payable, in full, together with all accrued but unpaid interest thereon, on the later of (i) December 31, 2011 or (ii) the date the Company receives the proceeds from its customers from the sale of its first 34 meter unmanned autonomously controlled mid-altitude airship (the “STS-111”). As consideration for entering into the Credit Facility Agreement, Sanswire-Tao agreed to pay an amount equal to fifty percent (50%) of the STS-111 Net Sale Proceeds, when, and if the Company receives such proceeds. For purposes of the Credit Facility Agreement, the term “STS-111 Net Sale Proceeds” shall mean the actual proceeds received by STC for the sale of the first STS-111 minus the actual cost of construction.

On April 15, 2009, Sanswire-Tao entered into an assignment and assumption agreement pursuant to which the holder assigned all of its rights, title and interest in and to the Credit Facility Agreement to a third party.

April 2009 Services Agreement

On April 15, 2009, the Company entered into a services agreement (the “2009 Services Agreement”) to engage a vendor to provide various, design, marketing and other services and assistance to the Company in connection with the development the STS-111. The initial term of the 2009 Services Agreement shall be until the earlier of (i) the completion of the all of the services to be provided by the vendor in accordance with the 2009 Services Agreement or (ii) December 31, 2010. In consideration for the services to be provided by the vendor in accordance with the 2009 Services Agreement, the Company will issue an aggregate amount of 12,500,000 shares of the Company’s common stock to be issued in accordance with the following schedule: (i) 7,500,000 shares of common stock to be issued upon

execution of the 2009 Services Agreement (ii) 833,335 shares of the Company's common stock to be issued on May 1, 2009 and (iii) 833,333 shares of the Company's common stock to be issued on the first day of each month beginning on June 1, 2009 and continuing until October 1, 2009. On April 30, 2009, the Company issued 7,500,000 shares in accordance with the agreement.

April 2009 Subscription Agreements

On April 17, 2009, the Company entered into a subscription agreement pursuant to which an investor purchased 3,809,524 shares of the Company's common stock for an aggregate purchase price of $400,000. On April 30, 2009 the Company issued 3,809,524 shares in accordance with the agreement.

SANSWIRE CORP. (FORMERLY GLOBETEL COMMUNICATIONS CORP.)
AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED MARCH 31, 2009 AND 2008
(RESTATED)

Addition of Board Members

On April 22, 2009, the Company appointed Maj. Gen. Wayne P. Jackson (USA-Ret.) to the Board of Directors. The Company has agreed to compensate Gen. Jackson by paying him $5,000 per quarter and 250,000 common shares per quarter during this term of service. On April 30, 2009 the Company issued 250,000 shares in accordance with the agreement.

On May 3, 2009, the Company appointed David A. Christian as a director and chairman of the Board of Directors of the Company. Mr. Christian will receive $5,000 per quarter in cash compensation and 250,000 shares of common stock per quarter during his tenure as a director. On April 30, 2009 the Company issued 250,000 shares in accordance with the agreement.

Series E 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.

On May 5, 2009, the Company entered into a conversion agreement with Rocky Mountain Advisors Corp., a consultant to the Company wholly owned by Thomas Seifert (“RMAC”), pursuant to which the Company agreed to convert $185,387 in consulting fees owed to RMAC for consulting services performed from October 19, 2007 to April 9, 2009 into 29,615 shares of Series E Preferred Stock, par value $0.001 per share.

On May 5, 2009, the Company entered into a conversion agreement with Daniyel Erdberg, the Company’s Vice President of Operations, pursuant to which the Company agreed to convert $121,487.99 in outstanding wages owed to Mr. Erdberg from July 1, 2008 to April 3, 2009 into 19,407 shares of Series E Preferred Stock.

On May 5, 2009, the Company entered into a conversion agreement with Jonathan Leinwand, the Chief Executive Officer, pursuant to which the Company agreed to convert $ 319,118.85 in outstanding wages owed to Mr. Leinwand from October 17, 2007 to April 3, 2009 into 50,978 shares of Series E Preferred Stock.

Leinwand Employment Agreement

On May 3, 2009, the Board of Directors of the Company ratified an employment agreement (effective March 1, 2008 (the “Effective Date”) by and between the Company and Mr. Jonathan Leinwand (“Executive”), whereby Executive was appointed as Chief Executive Officer and General Counsel of the Company. The Employment Agreement has an initial term of one year from the Effective Date and will automatically renew for consecutive one year terms until such time that the Employment Agreement is terminated upon mutual agreement between the parties upon 30 days written notice or upon termination for cause. Pursuant to the Employment Agreement, Executive is to receive an annual base

salary of $250,000 per year, subject review by the Board of Directors on an annual basis (the “Base Salary”). Executive was provided a signing bonus of 2,000,000 shares of the Company’s common stock upon execution of the Employment Agreement and will also be entitled to receive an annual bonus in the form of cash and/or equity compensation in amount equal to up to one hundred and fifty percent (150%) of Employee’s Base Salary. Executive shall also be entitled to receive additional equity compensation in the amounts and upon completion of the following milestones as set forth below: (1) 2,000,000 shares upon the filing of the Company’s restated Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and the fiscal year ended December 31, 2004; (2) 2,000,000 shares upon the filing of the Company’s Annual Report on Form 10- K for the fiscal year December 31, 2007 and the fiscal year ended December 31, 2006; (3) 1,000,000 shares upon the Company’s quotation for trading on the Over-the-Counter Bulletin Board; (4) 2,000,000 shares upon the Company entering into an agreement that results in revenue for the Company in either the form of funds for research and development from an established defense contractor or government agency or the sale of an airship or revenues from other projects in excess of $250,000; (5) 2,000,000 shares upon the closing of financing of at least $1,000,000 in gross proceeds, in the aggregate, commencing from the date of initial appointment as CEO on September 10, 2007; and (6) 2,000,000 shares upon the Company’s market cap reaching $50,000,000. Executive is entitled to participate in any and all benefit plans, from time to time, in effect for senior management, along with vacation, sick and holiday pay in accordance with the Company’s policies established and in effect from time to time. Executive’s employment with the Company may be terminated at any time, with or without cause or good reason. In the event that Executive’s employment is terminated by the Company prior to the end of the Employment Agreement for any reason except malfeasance, fraud, or gross negligence then Executive shall be entitled to payment of salary, benefits and bonus for the three (3) months following such termination and shall be entitled to a pro-rata bonus for the term thereunder. To the extent permitted by law, the Company also agreed to indemnify Executive against any claim or liability and will hold Executive harmless from and pay any expenses (including, without limitation, legal fees and court costs), judgments, fines, penalties, settlements and other amounts arising out of or in connection with any act or omission of the Executive performed or made in good faith on behalf of the Company pursuant to the Employment Agreement, regardless of negligence. Though Mr. Leinwand resigned as CEO and director on August 6, 2009, the agreement still remains in effect.

Settlement of Trimax Wireless Litigation

On April 6, 2009, the Company entered into a settlement agreement with Ulrich Altvater, a former employee, and his company, Trimax Wireless. As per the terms of the settlement, Mr. Altvater will return 1,640,000 shares of the Company's common stock and certain equipment that was held by Trimax Wireless.

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, 2008.

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 (See "Recent Developments"). Thus, moving forward, 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 and HALEs (High Altitude Platforms, 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 periods ended March 31, 2009 and 2008.

COMPARISON OF THREE MONTHS ENDED MARCH 31, 2009 AND 2008

REVENUES. The Company had no revenue for the three month periods ended March 31, 2009 and 2008.

COST OF SALES. The Company had no cost of sales for the three month periods ended March 31, 2009 and 2008.

GROSS MARGIN. The Company had no gross margin for the three month periods ended March 31, 2009 and 2008.

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 March 31, 2009 were $332,084 compared to the three month period ended March 31, 2008 which had operating expenses of $897,893 a decrease of $565,809 or 63.0%. The decrease was primarily due to a continued reduction of expenses related to our operations, facilities and workforce during the second half of 2008.

During the three month period ended March 31, 2009 and 2008, Sanswire and its subsidiaries incurred payroll tax liability 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 contacted the IRS accordingly 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 $332,084 for the three month period ended March 31, 2009 as compared to an operating loss of $897,893 for the three month period ended March 31, 2008, primarily due to decreased operating expenses as described above, including lower operating costs and reductions of our various programs.

OTHER INCOME (EXPENSE). We had net other expenses totaling $117,672 during the three month period ended March 31, 2009 compared to other income of $1,827,799 during the three month period ended March 31, 2008. This variance was due primarily to the non cash charges related to the change in the fair value of derivatives as well as the modifications of our convertible debentures of $1,096,650 in 2008.

Interest expense for the three month period ended March 31, 2009 was $188,091 compared to $209,536 for the three month period ended March 31, 2008. Interest expense increase was primarily due to an increase in non cash charges related to the Company's convertible debentures.

LOSS FROM DISCONTINUED OPERATIONS. During the three month period ended March 31, 2009 we had no activity related to our discontinued operations compared to a loss of $244 during the three month period ended March 31, 2008. See note 2 in the financial statements for more information regarding the discontinued operations.

NET LOSS. We had a net loss of $449,756 in the three month period ended March 31, 2009 compared to $2,725,936 in the three month period ended March 31, 2008. The decrease in net loss is primarily attributable to the decrease in the operating expenses as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

ASSETS. At March 31, 2009, the Company had total assets of $3,338,991 compared to total assets of $3,240,215 as of December 31, 2008.

The current assets at March 31, 2009, were $109,991 compared to $11,215 at December 31, 2008. As of March 31, 2009, the Company had $103,585 of cash and cash equivalents compared to $4,809 at December 31, 2008.

The Company had $3,229,000 of investments in joint venture as of March 31, 2009 and December 31, 2008.

LIABILITIES. At March 31, 2009, the Company had total liabilities of $18,923,738 compared to total liabilities of $18,692,369 as of December 31, 2008. The increase of $231,369 was principally due non cash charges associated with the derivative liabilities (see note 2 of the financial statements.) and the increase in convertible notes payable of $140,000 (see note 4 of the financial statements.)

CASH FLOWS. Our cash used in operating activities was $141,224 compared to $226,093 for the comparative 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 was $240,000 principally from the execution of new convertible debentures, as compared to $331,139 in the prior year.

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 $449,756 and a negative cash flow from operations of $141,224 for the three months ended March 31, 2009, and had a working capital deficiency of $18,813,747 and a stockholders' deficit of $15,584,747 at March 31, 2009. 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 fiscal 2010.

Throughout 2008 and continuing into 2009, the Company has been dependent upon monthly funding from its existing debt holders. Funding decisions have typically not extended beyond thirty days at any given time, and the Company does not currently have a defined funding source. Funding delays and uncertainties have seriously damaged vendor relationships, new product development and revenues. In the absence of continued monthly funding by its current debt holders, the Company would have insufficient funds to continue operations. There is no assurance that additional funding from the current debt holders will be available or available on terms and conditions acceptable to the Company.

Subsequent to March 31, 2009, the Company has raised $300,000 from investors; however this is not adequate funding to cover the Company's working capital deficit or the net loss for the three month period ended March 31, 2009 of approximately $449,756.

As reflected in the accompanying financial statements, during the three month period ended March 31, 2009 we had a net loss of $449,756 compared to a net loss of $2,725,936 during the three month period ended March 31, 2008. Consequently, there is an accumulated deficit of $125,752,339 at March 31, 2009 compared to $125,302,582 at December 31, 2008.

The Company's Articles of Incorporation currently allow for issuance of a maximum of 250,000,000 shares of common stock. As of September 14, 2009, the Company has approximately 226,070,599 shares outstanding, leaving an unissued balance of authorized shares that is not sufficient to service the maximum requirements of all of its convertible securities. In the event we are unable to obtain an increase in our authorized common stock, we will be required to repay the various convertible debentures that we have issued and we will be subject to penalties associated with such failure to deliver shares of common stock upon conversion of the debentures as well as prepayment penalties. In addition, if we are unable to deliver shares of common stock upon exercise of various derivative securities, such holders may commence litigation against the Company.

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

SFAS No. 159, The Fair Value Option of Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159. The Fair Value Option of Financial Assets and Financial Liabilities ("SFAS No. 159"). SFAS No. 159 provides an option to report selected financial assets and financial liabilities using fair value. The standard establishes required presentation and disclosures to facilitate comparisons with companies that use different measurements for similar assets and liabilities. The Company has adopted this standard effective January 1, 2009 and the Company's adoption of this standard did not have a material impact on its condensed consolidated financial statements.

SFAS No. 141 (R), Business Combinations and SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements

In December 2007, the FASB issued SFAS No. 141R, Business Combinations, and SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements. SFAS No. 141R requires an acquirer to measure the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS No. 160 clarifies that a non-controlling interest in a subsidiary should be reported as equity in the consolidated financial statement. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS No. 141R and SFAS No. 160 are effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited. The Company has adopted this standard effective January 1, 2009 and the Company's adoption of this standard did not have a material impact on its condensed consolidated financial statements.

SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities

In March 2008, the FASB issued FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities". The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Company has adopted this standard effective January 1, 2009 and the Company's adoption of this standard did not have a material impact on its condensed consolidated financial statements.

FSP FAS No. 115-2 and FAS No. 124-2, Recognition and Presentation of Other-Than-Temporary Impairments

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments . This FSP amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments in the financial statements. The most significant change the FSP brings is a revision to the amount of other-than-temporary loss of a debt security recorded in earnings. FSP FAS 115-2 and FAS 124-2 is effective for interim and annual reporting periods ending after June 15, 2009. The Company does not believe that the implementation of this standard will have a material impact on its condensed consolidated financial statements.

FSP FAS No. 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly

In April 2009, the FASB issued FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly . This FSP provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, Fair Value Measurements , when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. This FSP emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. FSP FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is applied prospectively. The Company does not believe that the implementation of this standard will have a material impact on its condensed consolidated financial statements.

FAS No. 107-1 and APB No. 28-1, Interim Disclosures about Fair Value of Financial Instruments

In April 2009, the FASB issued FSP FAS FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments. This FSP amends FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments , to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, Interim Financial Reporting , to require those disclosures in summarized financial information at interim reporting periods. FSP FAS 107-1 and APB 28-1 is effective for interim and annual reporting periods ending after June 15, 2009. The Company does not believe that the implementation of this standard will have a material impact on its condensed consolidated 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 and with the participation of Jonathan Leinwand, the Company's Chief Executive Officer and Chief Financial Officer (the "Reviewing Officers"), of the effectiveness of the Company's disclosure controls and procedures as of March 31, 2009 (the "Quarter"). 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 the end of the Quarter, 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, except for the establishment of the audit committee as contemplated below.

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

Our remediation efforts in light of the improper accounting of our derivative liabilities include restating our financial statements for March 31, June 30, September 30 and December 31, 2008 as well as March 31, 2009.

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.

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 and with the participation of Jonathan Leinwand, the Company’s Chief Executive Officer and Principal Financial Officer (the “Reviewing Officer”), of the effectiveness of the Company's disclosure controls and procedures as of March 31, 2009. 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 Officer concluded that as of March 31, 2009, the Company's disclosure controls and procedures were 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, except for the establishment of the audit committee as contemplated below.

Remediation of Material Weaknesses identified in prior years have been addressed. 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.

Additionally we had determined that the Company had ineffective controls over revenue recognition. 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, commencing with the filing of our current financial statements, we will be implementing 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

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 period ended March 31, 2009 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

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 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 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 which does not add any new defendants. The Company has been vigorously defending itself in this action.

Joseph Monterosso

In October 2007 the Company filed a lawsuit in the Circuit Court for Broward County, Florida against Joseph J. Monterosso alleging Libel, Slander and Defamation, Tortuous Interference, Violations of FS § 836.05 (Threats Extortion) and violations of FS §517 (Securities Fraud). Mr. Monterosso has not yet been served with the complaint pending additional information arising from the SEC lawsuit.

Mitchell Siegel v. GlobeTel

On February 2, 2007, GlobeTel was sued in the Circuit Court for Broward County, Florida entitled Mitchell Siegel v. GlobeTel Communications Corp. , Case no. 0702456 ("the Siegel Lawsuit"). In this action, Siegel sued the Company for breach of contract in regards to a Key Executive Employment Agreement. On February 15, 2008, both parties entered into a settlement agreement whereas Mr. Siegel would receive $175,000 worth of stock, payable over 12 months, and 50% of the gross proceeds, up to a total amount of $300,000, received from an October 2006 agreement. During 2008 the Company paid $131,250 in the Company's common stock associated with the settlement agreement. During 2009, the Company paid the remaining $43,750 in the Company's common stock.

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. The complaint demands the delivery of 10,000,000 pre split shares of ADGI stock to Milo and 10,000,000 to Quattrocchi. The Company was entered into the action as ADGI was the predecessor of the Company. The suit also requests an accounting for the sales generated by the consultants and attorneys fees and costs for the action. The lawsuits relate to consulting services that were provided by Mr. Milo and Mr. Quattrocchi and a $50,000 loan advanced by these individuals, dated May 14, 1997, of which $35,000 has been repaid.

The Company entered into an agreement with Mr. Milo and Mr. Quattrocchi as consultants on June 25, 1998. The agreement was amended on August 15, 1998. On November 30, 1998, both Mr. Milo and Mr. Quattrocchi resigned from their positions as consultants to the Company without fulfilling all of their obligations under their consulting agreement. The Company issued 3 million pre split shares each to Mr. Milo and Mr. Quattrocchi as consideration under the consulting agreement. The Company has taken the position that Mr. Milo and Mr. Quattrocchi received compensation in excess of the value of the services that they provided and the amounts that they advanced as loans.

Mr. Milo and Mr. Quattrocchi disagreed with the Company's position and commenced action against us that is pending in the Supreme Court of the State of New York. Mr. Milo and Mr. Quattrocchi claim that they are entitled to an additional 24,526,000 pre split shares of common stock as damages under the consulting agreement and to the repayment of the loan balance. The Company believes that it has meritorious defenses to the Milo and Quattrocchi action, and the Company has counterclaims against Mr. Milo and Mr. Quattrocchi.

With regard to the issues related to original index number 12119/00, as a result of a summary judgment motion, the plaintiffs were granted a judgment in the sum of $15,000. The rest of the plaintiff's motion was denied. The court did not order the delivery of 24,526,000 pre split shares of ADGI common stock as the decision on that would be reserved to time of trial.

An Answer and Counterclaim had been interposed on both of these actions. The Answer denies many of the allegations in the complaint and is comprised of eleven affirmative defenses and five counterclaims alleging damages in the sum of $1,000,000. The counterclaims in various forms involve breach of contract and breach of fiduciary duty by the plaintiffs.

For the most part, the summary judgment motions that plaintiffs brought clearly stated that their theories of recovery and the documents that they will rely on in prosecuting the action. The case was assigned to a judicial hearing officer and there was one week of trial. The trial has been since adjourned with no further trial dates having been set.

It is still difficult to evaluate the likelihood of an unfavorable outcome at this time in light of the fact that there has been no testimony with regard to the actions. However, the plaintiffs have prevailed with regard to their claim of $15,000 as a result of the lawsuit bearing the original index Number 12119/00.

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. The outcome cannot be projected with any certainty. However, the Company does not believe that it will be materially adversely affected by the outcome of the proceeding. The Company has not been informed of any further developments since the hearing.

Trimax Wireless

On July 3, 2007 the Company filed suit against its former employee Ulrich Altvater and his company Trimax Wireless seeking the return of certain equipment held at the former GlobeTel Wireless offices and for the return of $175,000 lent to Altvater by the Company. The replevin action against Trimax was dismissed on the basis of venue and the Company intends to refile the suit with regard to Trimax in Collier County, Florida.

On July 12, 2007, the Company terminated its agreement with Mr. Altvater and his company, Trimax Wireless, Inc.

In August 2007, Altvater and Trimax filed suit against the Company alleging, defamation, conversion, breach of contract and seeking injunctive relief. On April 6, 2009, the parties entered into a settlement agreement. As per the terms of the settlement, Mr. Altvater will return 1,640,000 shares of the Company's common stock and certain equipment that was held by Mr. Altvater's company, Trimax Wireless.

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

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.

On May 5, 2009, the Company entered into a conversion agreement with Rocky Mountain Advisors Corp., a consultant to the Company ("RMAC"), pursuant to which the Company agreed to convert $185,387 in consulting fees owed to RMAC for consulting services performed from October 19, 2007 to April 9, 2009 into 29,615 shares of Series E Preferred Stock, par value $0.001 per share.

On May 5, 2009, the Company entered into a conversion agreement with Daniyel Erdberg, the Company's Vice President of Operations, pursuant to which the Company agreed to convert $121,487.99 in outstanding wages owed to Mr. Erdberg from July 1, 2008 to April 3, 2009 into 19,407 shares of Series E Preferred Stock.

On May 5, 2009, the Company entered into a conversion agreement with Jonathan Leinwand, the Chief Executive Officer, pursuant to which the Company agreed to convert $ 319,118.85 in outstanding wages owed to Mr. Leinwand from October 17, 2007 to April 3, 2009 into 50,978 shares of Series E Preferred Stock.

The above securities were issued pursuant to an exemption under Section 4(2) of the Securities Act of 1933.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit 3.1	Amendment No. 1 to the Series E Certificate of Designation
Exhibit 31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification of the Chief Executive Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification of the Chief Financial Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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.

Dated: October 13, 2009

SANSWIRE CORP.

By: /s/ David A. Christian
David A. Christian, Chief Executive Officer and Chairman of
the Board of Directors (Principal Executive Officer)

SANSWIRE CORP.

By: /s/ Thomas Seifert
Thomas Seifert, Chief Financial Officer
(Principal Accounting and Financial Officer)