

Sanswire Corp.
Form 10-K/A
September 22, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1 to the
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-23532

SANSWIRE CORP.
(formerly GlobeTel Communications Corp.)

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

88-0292161
(I.R.S. Employer Identification No.)

101 NE 3rd Ave, Suite 1500, Fort Lauderdale, Florida 33301
(Address of Principal Executive Offices) (Zip Code)

Issuer's telephone number: (954) 332-3759

Securities registered under Section 12 (b) of the Exchange Act:

Title of each class

Name of exchange on which registered

Securities registered pursuant to Section 12 (g) of the Exchange Act: Common Stock Par Value \$.00001 per share

Indicate by check mark whether the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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Indicate by check mark whether the registrant (1) has 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. R

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
 R

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

State issuer's revenues for its most recent fiscal year ended December 31, 2008: \$0.

As of September 14, 2009, there were 226,070,599 shares of the issuer's common stock issued and outstanding. Affiliates of the issuer own 6,735,586 shares of the issuer's issued and outstanding common stock and the remaining 219,335,013 shares are held by non-affiliates. The aggregate market value of the shares held by non-affiliates at September 14, 2009 was \$28,513,552.

DOCUMENTS INCORPORATED BY REFERENCE:

There are documents incorporated by reference in this Annual Report on Form 10-K, which are identified in Part III, Item 13.

(*) Affiliates for the purposes of this Annual Report refer to the officers, directors of the issuer and subsidiaries and/or persons or firms owning 5% or more of issuer's common stock, both of record and beneficially.

EXPLANATORY NOTE:

The purpose of this Amendment No. 1 to Form 10-K ("Amendment") is to amend our initial filing of an Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission ("SEC") on April 9, 2009 and to amend our initial filing of an Annual Report on Form 10-K for the year ended December 31, 2007, filed with the Securities and Exchange Commission ("SEC") on October 8, 2008 (collectively, the "Initial Filing"). Defined terms used in this Amendment but not defined herein have the meanings ascribed to them in the Initial Filing.

On September 11, 2009, we filed a Current Report on Form 8-K with the SEC disclosing that our management concluded that an accounting error had been made in the Company's historical December 31, 2008 and 2007 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 financial statements for the years ended December 31, 2008 and 2007 must be restated (the "Restatements"). In light of the Restatements, the financial statements and other financial information included in the Initial Filing are being restated in this Amendment.

Unless specified, the disclosures provided in this document have not been updated for more current information. Therefore, this Amendment should be read in conjunction with our other filings made with the SEC subsequent to the date of the Initial Filing.

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PART I

Forward-Looking Statements and Risk Factors

Certain information included in this amended Form 10-K and other materials filed or to be filed by Sanswire Corp. ("Sanswire," "GlobeTel," the "Company", "we", "us" or "our") with the Securities and Exchange Commission (as well as information included in oral or written statements made from time to time by us, may contain forward-looking statements about our current and expected performance trends, business plans, goals and objectives, expectations, intentions, assumptions and statements concerning other matters that are not historical facts. These statements may be contained in our filings with the Securities and Exchange Commission, in our press releases, in other written communications, and in oral statements made by or with the approval of one of our authorized officers. Words or phrases such as "believe", "plan", "will likely result", "expect", "intend", "will continue", "is anticipated", "estimate", "project", "may", "could", "would", "should" and similar expressions are intended to identify forward-looking statements. These statements, and any other statements that are not historical facts, are forward-looking statements.

Those statements include statements regarding our intent, belief or current expectations, and those of our officers and directors and the officers and directors of our subsidiaries as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results and the timing of certain events may differ materially from those contemplated by such forward-looking statements.

We are filing the following summary to identify important factors, risks and uncertainties that could cause our actual results to differ materially from those projected in forward-looking statements made by us, or on our behalf. These cautionary statements are to be used as a reference in connection with any forward-looking statements. The factors, risks and uncertainties identified in these cautionary statements are in addition to those contained in any other cautionary statements, written or oral, which may be made or otherwise addressed in connection with a forward-looking statement or contained in any of our subsequent filings with the Securities and Exchange Commission. Because of these factors, risks and uncertainties, we caution against placing undue reliance on forward-looking statements. Although we believe that the assumptions underlying forward-looking statements are reasonable, any of the assumptions could be incorrect, and there can be no assurance that forward-looking statements will prove to be accurate. Forward-looking statements speak only as of the date on which they are made. We do not undertake any obligation to modify or revise any forward-looking statement to take into account or otherwise reflect subsequent events, or circumstances arising after the date that the forward-looking statement was made.

The following risk factors may affect our operating results and the environment within which we conduct our business. If our projections and estimates regarding these factors differ materially from what actually occurs, our actual results could vary significantly from any results expressed or implied by forward-looking statements. These risk factors include, but are not limited to, changes in general economic, demographic, geopolitical or public safety conditions which affect consumer behavior and spending, including the armed conflict in Iraq or other potential countries; various factors which increase the cost to develop airships, including factors under the influence and control of government agencies and others; fluctuations in the availability and/or cost of helium, carbon fiber or other resources necessary to successfully assemble our airships; our Company's ability to raise prices sufficiently to offset cost increases, including increased costs for resources; the feasibility and commercial viability of our Stratellite project; related contemplated funding from third parties to finance the project, and necessary cooperation with various military and non-military agencies of the United States government, and similar agencies of foreign governments; depth of management and technical expertise and source of intellectual and technological resources; adverse publicity about us and our airships; relations between our Company and its employees and partners; legal claims and litigation against the Company; including the recently commenced SEC lawsuit; the availability, amount, type, and cost of capital for the Company and the deployment of such capital, including the amounts of planned capital expenditures;

changes in, or any failure to comply with, governmental regulations; the amount of, and any changes to, tax rates and the success of various initiatives to minimize taxes; and other risks and uncertainties referenced in this amended Annual Report on Form 10-K. This statement, and any other statements that are not historical facts, are forward-looking statements.

This annual report also contains certain estimates and plans related to the airship industry. The estimates and plans assume that certain events, trends and activities will occur, of which there can be no assurance. In particular, we do not know what level of growth will exist, if any, in the market for lighter than air unmanned aerial vehicles. Our growth will be dependent upon our ability to compete with larger, well-established companies. If our assumptions are wrong about any events, trends and activities, then our estimates for the future growth of Sanswire and our consolidated business operations may also be wrong. There can be no assurance that any of our estimates as to our business growth will be achieved.

ITEM 1. DESCRIPTION OF BUSINESS

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.

Reverse Stock Split

Sanswire is authorized to issue up to 250,000,000 shares of Common Stock, par value \$0.00001 per share, (subsequent to a 15-for-1 reverse stock split on May 23, 2005 and subsequent to an increase in the authorized shares from 150,000,000 to 250,000,000 at the shareholder meeting on June 21, 2006) and 10,000,000 shares of Preferred Stock, par value \$0.001. The post split share calculation will be used throughout this report, unless noted. 760,000 shares of Preferred Stock has been allocated into different series of issuance and the remaining 9,240,000 shares is a so-called "blank check" preferred, meaning that its terms such as dividends, liquidation and other preferences, are to be fixed by our Board of Directors at the time of issuance.

Recent Developments

On October 5, 2007, Sanswire received a "Wells Notice" from the Securities and Exchange Commission (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 the Company's securities pursuant to Section 12(j) of the Exchange Act.

On November 26, 2007 the SEC announced that it had filed a civil lawsuit against two former employees of Sanswire alleging that Joseph J. Monterosso, former Chief Operating Officer of Sanswire and former president of the Company's Centerline Communications Subsidiary, and Luis Vargas, an employee of Centerline, engaged in a scheme to create \$119 million in revenue that was subsequently reported in the Company's financial statements as filed with the Commission. Securities and Exchange Commission v. Joseph J. Monterosso and Luis E. Vargas, Civil Action No. 07-61693 (S.D. Fla., filed on November 21, 2007).

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.

Background

We were previously a wholly-owned subsidiary of American Diversified Group, Inc. ("ADGI"). At a special meeting of stockholders of ADGI held on July 24, 2002, the stockholders of ADGI approved a plan (the "Plan") for the exchange of all outstanding shares of ADGI for an equal number of shares of Sanswire.

ADGI was incorporated under the laws of the State of Nevada as Terra West Homes, Inc. on January 16, 1979. On March 15, 1995, its name was changed to "American Diversified Group, Inc." During the period ended July 24, 2002, ADGI's business activities included (i) sale of telecommunication services primarily involving Internet telephony using VoIP through its Global Transmedia Communications Corporation subsidiary ("Global"), and (ii) wide area network and local area network services provided through its NCI Telecom, Inc. subsidiary ("NCI").

Global was acquired by ADGI on February 19, 2000, and NCI was acquired on June 29, 2000. During 2002, Global and NCI were merged with and into ADGI, with ADGI as the surviving corporation.

When ADGI exchanged all of its outstanding shares of common stock for Sanswire common stock, ADGI became a wholly-owned subsidiary of Sanswire and Sanswire began conducting the business formerly conducted by ADGI.

In 2004, we formed wholly-owned subsidiaries: Sanswire Networks, LLC ("Sanswire-FL") for our Stratellite project; and Centerline Communications, LLC, ("Centerline" or "CLC") and its wholly-owned subsidiaries, EQ8, LLC, G Link Solutions, LLC, Volta Communications, LLC, and Lonestar Communications, LLC for the purpose of the recording and managing the sale of wholesale minutes and related network management functions. We have since closed Centerline and its subsidiaries.

In 2004, we acquired a 73.15% interest in Consolidated Global Investments, Ltd. (“CGI”), formerly known as Advantage Telecommunications, Ltd. (“ATC”), an Australian company. CGI was to be utilized in the carrier sales sector of our business and was later to be a licensee of the Sanswire Networks, LLC in Australia. However, we have since sold our shares in CGI back to the Company and no longer have any interest in CGI. Certain shares of Sanswire acquired by CGI were sold by CGI. The Securities and Exchange Commission has questioned the validity of the exemption used for the sale of such shares as more fully discussed below in Item 3 “Legal Proceedings.”

In 2008 we incorporated Sanswire Corp., a Florida corporation and wholly-owned subsidiary, to deal directly with airship opportunities based upon our agreement with TAO Technologies, GmbH. We also incorporated Sanswire-TAO Corp., a Florida corporation that is a 50/50 joint venture with TAO Technologies. The agreements with TAO are discussed below.

On September 22, 2008 we filed a Certificate of Merger with the Secretary of State of the State of Delaware pursuant to which our wholly owned subsidiary, Sanswire Corp., a Delaware corporation, was merged into us. As a result of the filing of the Certificate of Merger, our corporate name was changed from GlobeTel Communications Corp. to Sanswire Corp.

Business of Sanswire

Sanswire Corp. has sharply refined its operating model focusing exclusively on opportunities in Lighter Than Air (LTA) Unmanned Aerial Vehicles (UAV). We seek to build and run a UAV business that includes low-, mid- and high-altitude, lighter-than-air vehicles; adding value to their security, surveillance and broadcasting abilities through the integration of wireless technologies with a wide array of customer payloads. Our long-term objective is to provide commercial and government customers advanced seamless wireless broadband capabilities and surveillance sensor suites utilizing a state of the art High Altitude Airship technology. Building upon this high altitude technology, Our near term goal is to penetrate the military/government use market for low to mid altitude unmanned airships

Our 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. 65,000 ft is the sweet spot in the stratosphere for optimal wind conditions to keep station using the least amount of power.

STRATELLITE™ The brand name for our HAA offering is the Stratellite™, so named because they offer the functionality of a satellite, but in the stratosphere. This class of airship will consist of several models to suit various purposes. Stratellites™ were conceived to help solve infrastructure issues that plague many parts of the world, including the so called "last mile" (building expensive ground based infrastructure for very low density areas) issues. The Stratellite™ can bring a full range of telecommunications or broadcasting capabilities to any area of the world, accessible to people with customer premise equipment that is inexpensive and available. We are not yet producing the Stratellite.

The Stratellite™ is a high altitude long endurance airship intended to populate “near space” with telecommunications capability. A presence in near space with high tech sensors and communications suites offers enormous potential for both commercial and government applications. Whether hovering at 65,000 feet or flying a variety of mission profiles, the Stratellite offers many of the features of satellites with cost savings, refurbishment ability, and opportunity for regular system upgrades.

There is a great need for information-transmission in the future performed by High Altitude Platforms in various fields;

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- mobile broadband communications
- emergencies, use in disaster areas
 - marine radio service
- new traffic engineering systems
- weather observation
- water surveillance (pollution)
- ozone and smog monitoring
- radiation monitoring (UV and radioactive)
- astronomic and terrestrial observation
- documentation of conditions in the upper atmosphere
- border control, coastal surveillance
- private communication services e.g. cellular phones
- transmission of radio- and television programmers etc.

SANSWIRE-TAO

Sanswire first entered into an agreement with TAO Technologies GmbH, Stuttgart, Germany, in 2005. At that time, TAO provided engineering support to the efforts of former subsidiary Sanswire Networks, LLC then working out of facilities in California. In September 2007, the companies reached an agreement in principle to share sales and marketing rights of various aerial vehicles developed and currently owned by TAO. Additionally, upon closing of definitive agreements, TAO will grant to Sanswire-TAO the respective patents and intellectual property rights covering the products, including the AirChain segmented airship.

In November 2007, the Company entered into a Licensing and Technical Cooperation Agreement with TAO. TAO granted to Sanswire an exclusive license for the territories of the US, Canada, Mexico and Chile for the marketing and distribution of airships based upon the technologies patented and developed by TAO. TAO will also provide testing and engineering support for the development of airships to meet the criteria required by Sanswire customers. Sanswire was obligated to provide TAO with engineering orders of at least \$1,000,000 per year and certain cash and stock payments on a quarterly basis.

On June 3, 2008 Sanswire and TAO restructured the November 2007 agreement and entered into a new agreement to form a 50/50 US based joint venture to place, among other things, the rights to the TAO intellectual property in US, Canada, and Mexico into the US based JV company to be called Sanswire-TAO. This integration of Sanswire and Stuttgart, Germany-based TAO Technologies GmbH took place to create various strategic advantages for both companies. Each group entered the relationship with synergistic, yet very distinct core competencies. Sanswire's business development, its inroads into the U.S. Government review process as well as inroads into overseas markets and other marketing resources complement TAO's vast airship product research and development ability.

On June 19, 2008, we announced that we had agreed to form and commence operations of Sanswire-TAO Corp., a Florida corporation equally owned by the Company and TAO, for the customized production, marketing and sales of unmanned aerial vehicles for the markets of the United States, Canada and Mexico.

The Sanswire-TAO research and development efforts are centered in Stuttgart, taking advantage of the relationship between TAO and the University of Stuttgart. This relationship provides cost-effective access to aerospace testing facilities including wind tunnels, environmental test chambers, structural testing devices, computer aided design and a legion of aerospace and physics professionals along with their more than 10 years of solar powered airship experience. The Sanswire-TAO joint venture provides the following:

- (1) Multiple Airship Platforms – Ranging from short range low altitude platforms to Stratospheric solutions.

- (2) Access to Resources – Through contractual relationships with world-renowned universities, including their hometown University of Stuttgart.
- (3) Research and Development – More than a decade of knowledge and experience resulting from significant data gathered from vital airship testing.

- (4) Proprietary Systems – Custom developed systems from the design and modeling of airships to specialized flight control systems.
 - (5) Intellectual Property – Patented designs and concepts providing worldwide protection.
 - (6) Constructed Airships – Several platforms built for demonstrations
- (7) Testing Facilities – Including aerospace laboratories, assembly and storage hangars, wind tunnels, certified launch and flight facilities, and certified manufacturing and production facilities.

Competitive Business Conditions

We are aware of other companies that are also developing high altitude platforms similar in nature to our Stratellite project. Our competitors, though, may have more resources available to develop their respective products. Even if a properly functioning, commercially viable product is established there can be no assurance that revenues will be achieved from the sales of Stratellites or other airships or that the costs to produce such revenues will not exceed the revenues or that the project will otherwise be profitable. There can be no assurance that we will be able to successfully achieve the results we anticipate with this project.

Sources and Availability of Hardware and Software

Equipment for the Stratellite, SAS-51 and the prototypes thereof are custom made for those products and are dependent upon either single or limited number of suppliers for certain goods. Failure of a supplier could cause significant delays in delivery of the airships if another supplier cannot be promptly found.

Sources and Availability of Technical Knowledge and Component Parts

The Sanswire project requires a high level of technological knowledge and adequately functioning component parts and sub-assemblies to continue the project and achieve commercial viability. We have current and contemplated arrangements for supply of both internal and external technical knowledge to provide the intellectual capital to continue with this project. Similarly, we have current and contemplated arrangements for supply required component parts, both internally developed, as well as, outsourced from specialty contractors to provide component parts to continue with this project in the near term.

Dependence on a Few Customers

As discussed below in Item 6, Management Discussion and Analysis and Plan of Operation, we are currently dependent on a limited number of customers. As we expand our products, services, and markets, we expect to substantially broaden our customer base and reduce our dependence upon just a few customers. However, there is no guarantee that we will be able to broaden our customer base.

Trademarks

We have filed for registration of the names "Stratellite" and "Sanswire" under the Madrid Protocol (that includes the United States) and in many non-Madrid Protocol countries.

We have additionally entered into an agreement with TAO Technologies GmbH, with whom Sanswire has collaborated with since 2005. The current agreement provides exclusive licensing and existing and future patent rights for TAO's airship technologies and allows Sanswire to register the TAO patents in the United States. As soon as the design and engineering for the Stratellite are finalized, we intend to file for patents covering unique design and intellectual property.

Regulatory Matters

The export of the airship products may be subject to United States State Department restrictions on the transfer of technology. We are currently investigating whether or not the export of the Sanswire products would require export licenses and how the production of these vehicles in Germany through our agreement with TAO Technologies, GmbH would impact this.

During 2007 and 2008, Sanswire and its subsidiaries incurred payroll tax liability during the normal course of business at each payroll cycle. The Company submitted certain withholding tax payments during the first quarter through a payroll processor, ADP. Subsequent thereto, the Company no longer processed its payroll through ADP. During this time, the Company did not file the appropriate tax forms or deposit the appropriate withholding amounts. The Company has recognized this issue and contacted the IRS accordingly to bring its filings up-to-date and pay any taxes due. The Company may be subject to penalties and interest from the IRS.

Number of Total Employees and Number of Full-Time Employees

As of September 14, 2009 we have 5 full-time employees, including our executive officers and employees of our subsidiaries. We do not believe that we will have difficulty in hiring and retaining qualified individuals for our general operations and any technical personnel required for the aerospace projects will primarily be hired overseas to work with the existing TAO personnel.

ITEM 2. PROPERTIES

Sanswire's corporate offices are now located at 101 NE 3 rd Ave., Suite 1500, Fort Lauderdale, FL 33301. Base rent is \$575 per month plus the cost of services used by Sanswire. The lease is for a period of 6 months and terminates on September 30, 2009. We believe our facilities are adequate for our current and near-term needs.

GlobeTel previously leased office facilities at 9050 Pines Blvd., Suite 110, Pembroke Pines, Florida 33024, as of April 1, 2004, and vacated the premises in March 2006, having turned over the space as part of the sale of the Stored Value assets. However, there was unpaid rent due on both the first and second floor suites. In August 2007, the landlord received a judgment in the amount of \$206,730.

Until September 2007, GlobeTel leased a 66,000 square foot space hanger in Palmdale, California. The initial lease, between Sanswire Networks, LLC and the City of Los Angeles World Airports, was for a term of three months, ended July 22, 2005 with a monthly rent of \$19,990. On June 8, 2005 the lease term was amended for fifteen months, commencing June 8, 2005 through September 7, 2006, with two one-year options. Concurrently with the signing of the amended lease, the parties entered into a reimbursement agreement to share the cost of certain improvements.

As of October 2007, the Company no longer occupies a hangar at Palmdale Regional Airport, the monthly cost of this space was \$20,847. This facility was adjacent to the United States Air Force's Plant 42 and Edwards Air Force Base. Sanswire constructed and tested Stratellite and Sky Sat prototypes at the facility. The hangar also included administrative office space. Sanswire is indebted to Los Angeles World Airports, the lessor of the hangar, in the amount of \$161,761.

ITEM 3. 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, Sanswire 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 Sanswire 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, which motion to amend is still pending with the Court. On March 23, 2009 the Court granted the SEC’s motion and extended the fact discovery deadline in the case until July 31, 2009. The parties are currently engaged in discovery. 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. This action has been dismissed for lack of prosecution but may be refiled by the Company in the future.

Hudson Bay Fund LP et al.

Hudson Bay Fund LP and Hudson Bay Overseas Fund Ltd. filed an action in Supreme Court of the State of New York, New York County against the Company claiming declaratory judgment, specific performance, and breach of contract relating to the warrants it acquired in connection with its investment. . The Hudson Bay entities are seeking to reprice the warrants, increase the number of shares they can purchase pursuant to the warrants, certain equitable remedies, and unspecified damages. The Company has retained outside counsel and has filed an answer and affirmative defenses in the case. The Company intends to vigorously defend the action, but the outcome of the action cannot be predicted.

Wachovia v. GlobeTel

In connection with the operations of Globetel Wireless Europe GmbH and the acquisition of Altvater GmbH, the Company guaranteed a letter of credit in the amount of \$600,000. Upon Globetel Wireless Europe GmbH ceasing operations, the letter of credit was drawn upon. The letter of credit was not collateralized. In September 2007, Wachovia filed a lawsuit in Broward County in an attempt to recover the amount through arbitration with the American Arbitration Association. On June 2, 2008, the American Arbitration Association awarded Wachovia \$762,902.

Richard Stevens v. GlobeTel

The Company and its directors were sued in the case RICHARD STEVENS vs. GLOBETEL COMMUNICATIONS CORP., et al. Case No.: 06-cv 21071. The original allegations of the complaint were that the Company’s proposed transaction to build wireless networks in Russia was a sham. The amended complaint alleged that the transaction was

not a sham, but that the Company refused to accept payment of \$300 million. Recently, the officers and directors with the exception of Timothy Huff have been dismissed from the case.

In February 2008, the Company and the Plaintiff reached a settlement in principle that has been filed with the Court for approval. Under the terms of the proposed settlement agreement in the class action, the Company's D&O insurance carrier will make a cash payment to the class of \$2,300,000, less up to \$100,000 for potential counsel fees and expenses. All claims in the class action will be dismissed with prejudice. The US District Court for the Southern District of Florida has approved the settlements reached in its pending securities class action and a shareholder derivative action on February 4, 2008.

Derivative Action

On July 10, 2006 a derivative action was filed against the officers and directors of Sanswire alleging that they have not acted in the best interest of the Company or the shareholders and alleged that the transaction to install wireless networks in Russia was a sham. The lawsuit is pending in the Federal District Court for the Southern District of Florida (Civil Case No. 06-60923). The Company believes that the suits are without merit and will vigorously defend against it. The Company has hired outside counsel to defend it in this action. The Company and the Plaintiff have reached an agreement in principle to settle this action and have submitted such settlement with the Court for its approval. Under the terms of the settlement, Company's D&O insurance carrier will pay \$60,000 in attorneys' fees to plaintiff's counsel, the Company will implement or maintain certain corporate governance changes, and all claims will be dismissed with prejudice.

Mitchell Siegel v. GlobeTel

On February 2, 2007, the Company 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. Sanswire 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 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 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. The Company has received the shares and certain equipment pursuant to the settlement and the matter has been dismissed.

American Express

American Express Travel Related Services Company, Inc. has filed a lawsuit against the Company and Sanswire Networks LLC (CASE NO: CACE 08-013239, Broward County Florida), seeking to recover a total of \$394,919 for unpaid charges on the Companies' corporate purchasing account. On October 3, 2008, American Express received a final judgment for \$404,113.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters brought to a vote of security holders in 2008 and 2007.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

(a) MARKET PRICE

In October 2006, our stock was delisted from the American Stock Exchange and began trading on the Pink Sheets under the symbol "GTEM". From October 2006 to October 2008 our shares of common stock have been quoted on the Pink Sheets quotation system under the symbol "GTEM." Effective October 8, 2008 our shares of common stock have been quoted on the Pink Sheets quotation system under the symbol "SNSR" and effective August 7, 2009 our shares of common stock have been quoted on the OTCBB quotation system under the symbol "SNSR"

The following information sets forth the high and low bid price of our common stock during fiscal 2008, and 2007 and was obtained from the National Quotation Bureau. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

	HIGH	LOW
CALENDAR 2007		
Quarter Ended March 31	\$ 0.52	\$ 0.24
Quarter Ended June 30	\$ 0.32	\$ 0.18
Quarter Ended September 30	\$ 0.26	\$ 0.08
Quarter Ended December 31	\$ 0.16	\$ 0.04
CALENDAR 2008		
Quarter Ended March 31	\$ 0.14	\$ 0.07
Quarter Ended June 30	\$ 0.09	\$ 0.03
Quarter Ended September 30	\$ 0.10	\$ 0.04
Quarter Ended December 31	\$ 0.08	\$ 0.03

(b) HOLDERS

As of the date of this report, there were approximately 21,000 registered holders of our common stock.

(c) DIVIDENDS

The Company has never paid a dividend and does not anticipate that any dividends will be paid in the foreseeable future.

(d) SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth the information indicated with respect to our compensation plans as of December 31, 2008, under which our common stock is authorized for issuance.

	Number of Securities to be issued upon exercise of options, warrants and rights	Weighted average exercise price of outstanding warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)

Equity compensation plans approved by security holders	15,982,752	\$ 0.35	—
Equity compensation plans not approved by security holders	—	—	—
Total	15,982,752	\$ 0.35	—

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth our selected historical financial data for the periods indicated. The selected statement of operations data for the years ended December 31, 2008 and 2007, and the selected balance sheet data as of December 31, 2008 and 2007, have been derived from our audited financial statements and related notes thereto included elsewhere in this annual report.

The information presented below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and the notes thereto included elsewhere in this annual report.

	Year Ended December 31,	
	2008 (Restated)	2007 (Restated)
Statement of Operations Data:		
Revenue	\$ —	\$ 53,754
Cost of revenue	—	15,529
Gross margin (loss)	—	38,225
Operating expenses		
General and administrative expenses	476,827	1,567,968
Consulting fees	1,415,235	1,635,303
Payroll and related taxes	887,283	3,611,596
Research and development	—	(14,856)
Officers’ and directors’ compensation	435,000	696,790
Loss from operations	(3,214,345)	(7,458,576)
(Loss) gain on extinguishment of debt	(1,096,650)	254,200
Extinguishment of derivative liability	465,173	123,313
Change in fair value of derivative liability	375,166	962,304
Interest expense, net	(1,127,420)	(2,482,296)
Loss from continuing operations	(4,598,076)	(8,601,055)
Loss/Gain from discontinued operations	(197)	(1,918,806)
Net loss	\$ (4,598,273)	\$ (10,519,861)
Net loss per share		
Basic and diluted	\$ (0.03)	\$ (0.09)

	As of December 31,	
	2008	2007
	(Restated)	(Restated)
Balance Sheet Data:		
Cash and cash equivalents	\$ 4,809	\$ 32,278
Investment in joint venture	3,229,000	—
Deposits	—	391,000
Total assets	3,240,215	441,956
Total liabilities	18,692,369	15,255,261
Stockholders' deficit	(15,452,154)	(14,813,305)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

GENERAL

Twelve months ended December 31, 2008 ("Fiscal 2008" or "2008" or "the current year") compared to twelve months ended December 31, 2007 ("Fiscal 2007" or "2007" or "the prior year").

RESULTS OF OPERATIONS

REVENUES. During fiscal 2008, we had no gross sales, representing a decrease of 100% over the prior year when our gross sales were \$53,754. Our revenues decreased primarily due to the Company focusing on the airship development and continuing to prepare a commercially feasible product for our future potential customers.

COST OF SALES. During fiscal 2008, we had no cost of sales representing a decrease of 100% from \$15,529 for fiscal 2007.

GROSS MARGIN. Our gross margin was \$0 for fiscal 2008, compared to our gross margin of \$38,225 or 71.1% for fiscal 2007, a decrease of \$38,225 or 100%. The decrease is due to the fact the Company had no revenues.

OPERATING EXPENSES. Our operating expenses consist primarily of payroll and related taxes, professional and consulting services, expenses for executive and administrative personnel and insurance, investor and public relations, research and development, telephone and communications, facilities expenses, travel and related expenses, and other general corporate expenses. Our operating expenses for fiscal 2008 were \$3,214,345 compared to fiscal year 2007 operating expenses of \$7,496,801 a decrease of \$4,282,456 or 57.1%.

In addition, employee payroll and related taxes for fiscal 2008 were \$887,283 compared to \$3,611,596, a decrease of \$2,724,313 or 75.4%. This decrease was due to our continued reduction of our operations, facilities and workforce during 2008.

The overall decrease is primarily due to a decrease in officers' and directors' compensation to \$435,000 (including non-cash compensation), from \$696,790 in the prior year.

During 2008 and 2007, Sanswire and its subsidiaries incurred payroll tax liability during the normal course of business at each payroll cycle. The Company submitted certain withholding tax payments during the first and second quarters of 2007 through a payroll processor, ADP. Subsequent thereto, the Company no longer processed its payroll through ADP. The Company did not file its 2007 tax forms until 2008 but 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.

We incurred \$1,415,235 of consulting fees, a decrease of \$220,068 or 13.5% for 2008 compared to \$1,635,303 in 2007. This decrease is primarily related to reduction of services required to develop and expand our geographical and product markets.

We received a \$14,856 of research and development refund for our Sanswire project during 2007, compared to \$0 during 2008, a decrease of \$14,856 or 100%. During 2008 and 2007, there were no direct expenses for development and building of the airship. This is due mainly to the fact that Company entered into a revised agreement with TAO Technologies (See note 3 to the attached financial statements). The Company believes that further development will increase during 2009 and thus associated expenses are expected to increase for 2009.

During 2008, we incurred \$476,827 of general and administrative expenses as compared to \$1,567,968 during 2007. The \$1,091,141 decrease was due to a continued reduction of expenses related to our operations, facilities and workforce during 2008.

LOSS FROM OPERATIONS. We had an operating loss of (\$3,214,345) for fiscal year 2008 as compared to an operating loss of (\$7,458,576) for fiscal 2007, 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 (\$1,383,731) during fiscal year 2008 compared to (\$1,142,479) during fiscal 2007. This variance was due primarily to the non cash charges related to the non cash charges related to derivatives of \$840,339 during fiscal year 2008 compared to the \$1,085,617 for fiscal year 2007. Also included are the non cash charges related to the modifications of our convertible debentures of (\$1,096,650) compared to a \$254,200 gain in 2007.

Interest expense for fiscal year 2008 was \$1,127,420 compared to \$2,482,296 for the prior year. Interest expense decrease was primarily due to a reduction in noncash financing charges associated with the Company's convertible debentures.

LOSS FROM DISCONTINUED OPERATIONS. During 2008 we had a loss of (\$197), related to our discontinued operations compared to a loss of (\$1,918,806) during fiscal year 2007. See note 2 in the financial statements for more information regarding the discontinued operations.

NET LOSS. We had a net loss of (\$4,598,273) in fiscal year 2008 compared to a net loss of (\$10,519,861) in fiscal 2007. The decrease in net loss is primarily attributable to the decrease in the operating expenses as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

ASSETS. At December 31, 2008, we had total assets of \$3,240,215 compared to total assets of \$441,956 as of December 31, 2007.

The current assets at December 31, 2008, were \$11,215 compared to \$50,956 at December 31, 2007. As of December 31, 2008, we had \$4,809 of cash and cash equivalents compared to \$32,378 at December 31, 2007.

The Company had no deposits as of December 31, 2008 compared to \$391,000 as of December 31, 2007. The \$391,000 relates to payments accrued toward an agreement reached in May 2008 for \$3,229,000 as an investment in a joint venture. This deposit was applied as an investment in joint venture in June 2008. See note 3 in the financial statements for more information regarding the transaction.

We had \$6,406 of current assets from discontinued operations as of December 31, 2008 as compared to \$18,678 at December 31, 2007. See note 2 in the financial statements for more information regarding the discontinued operations.

LIABILITIES. At December 31, 2008, we had total liabilities of \$18,692,369 compared to total liabilities of \$15,255,261 as of December 31, 2007.

The current liabilities at December 31, 2008 were \$18,692,369 compared to \$15,255,261 at December 31, 2007, an increase of \$3,437,108. The increase is principally due to the increase in current portion of payments due on the notes payable of \$1,208,512 (see note 6 of the financial statements), the increase in accounts payable of \$647,055, and the increase in accrued expenses of \$2,421,855.

CASH FLOWS. Our cash used in operating activities was \$909,608 compared to \$2,286,113 for the prior year. The decrease was primarily due to the decreased level of operations and operating activities and changes in our current assets and liabilities.

During 2008 there was \$385,000 used in investing activities which was a payment on the Sanswire-Tao joint venture compared to \$372,500 used in investing activities of which \$130,000 was used as a deposit for the joint venture and \$242,500 from its discontinued operations.

Net cash provided by financing activities was \$1,267,139 principally from the execution of new convertible debentures, as compared to \$2,686,648 in the prior year.

The accompanying 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 financial statements, the Company had a net loss of \$4,598,273 and a negative cash flow from operations of \$909,608 for the year ended December 31, 2008, and had a working capital deficiency of \$18,681,154 and a stockholders' deficit of \$15,452,154 at December 31, 2008. 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 financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

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.

During 2009, the Company has subsequently raised approximately \$1,443,450 from investors; however this is not adequate funding to cover the estimated working capital deficit of approximately \$18.7 million or the net loss for 2008 of approximately \$4.6 million. The Company is currently working to secure additional funding for its current operations as well as for the payments associated with the Company's joint venture.

As reflected in the accompanying financial statements, for the year ended December 31, 2008 we had a net loss of (\$4,598,273) compared to a 2007 net loss of (\$10,519,861). Consequently, there is an accumulated deficit of (\$125,302,582) at December 31, 2008 compared to (\$120,704,309) at December 31, 2007.

CRITICAL ACCOUNTING POLICIES

REGISTRATION RIGHTS

In connection with the sale of debt or equity instruments, we may enter into Registration Rights Agreements. Generally, these Agreements require us 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.

These Agreements usually require us 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 we received on issuance of the debt or preferred stock, common shares, options or warrants. We account for these penalties when it is probable that a penalty will be incurred. At December 31, 2008 the Company has no registration rights agreement requiring penalties to be recorded.

REVENUE RECOGNITION

Revenue is recognized when there is persuasive evidence of an arrangement, goods are shipped and title passes, collection is probable, and the fee is fixed or determinable. The Company records deferred revenue when cash is received in advance of the revenue recognition criteria being met.

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.

STOCK-BASED COMPENSATION

The Company adopted SFAS No. 123(R) using the prospective transition method, which requires the application of the accounting standard as of January 1, 2006, the first day of its year ended December 31, 2006. In accordance with this transition method, the Company's consolidated financial statements for prior periods have not been restated to reflect, and do not include the impact of, SFAS No. 123(R). The Company's consolidated financial statements for the year ended December 31, 2008 and 2007 reflect the impact of SFAS No. 123(R). Upon adopting SFAS No. 123(R), for awards with service conditions and graded-vesting, a one-time election was made to recognize stock-based compensation expense on a straight-line basis over the requisite service period for the entire award.

Stock-based compensation expense recognized under SFAS No. 123(R) for the years ended December 31, 2008 and 2007 were \$712,501 and \$1,667,107, respectively.

The Company's determination of fair value of share-based payment awards to employees and directors on the date of grant uses the Black-Scholes model, which is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to our expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. Forfeitures are recognized as incurred.

The Company accounts for stock option and warrant grants issued to non-employees for goods and services using the guidance of SFAS No. 123 and Emerging Issues Task Force ("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," whereby the fair value of such option and warrant grants is determined using the Black-Scholes option pricing model at the earlier of the date at which the non-employee's performance is completed or a performance commitment is reached.

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-Merton 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.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

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 does not expect that the adoption of SFAS No. 159 for financial assets and financial liabilities to have a material impact on our consolidated financial statements in subsequent reporting periods.

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

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 does not expect that the adoption of SFAS 141R or SFAS No. 160 to have a material impact on our financial condition and results of operations, although its effects on future periods will depend on the nature and significance of business combinations subject to this statement.

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

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 does not expect the adoption of SFAS 161 to have a material impact on the presentation of our annual and interim period disclosures.

Management does not believe that there are any recently-issued, but not yet effective accounting pronouncements, which could have a material effect on the accompanying condensed consolidated financial statements

RISK FACTORS

Risks Related to Our Business and Industry

We need to raise a significant amount of additional capital to meet our current and future business requirements and such capital raising may be costly or difficult to obtain and could dilute current stockholders’ ownership interests.

We need to raise \$4.5 million of additional financing in order to meet our cash requirements for the next twelve (12) months and to fully implement our business plan during the next twelve months. The funds would be used to increase manufacturing of our products, expand our research and development efforts, and attract a larger talented sales force. We intend to raise the financing from the sale of common stock in one or more private placements or public offerings and/or from bank financing. We do not have any firm commitments or identified sources of additional

capital from third parties or from our officers, directors or shareholders. Although our officers and directors or their affiliates have in the past facilitated capital for us, or provided us with capital, they are not legally bound to do so. There can be no assurance that additional capital will be available to us, or that, if available, it will be on terms satisfactory to us. Any additional financing may involve dilution to our shareholders. If we are unable to raise additional financing on terms satisfactory to us, or at all, we would not be able to fully implement our business plan which would have a materially adverse effect our business and financial position and could cause us to delay, curtail, scale back or forgo some or all of our operations or we could cease to exist.

We presently do not have an adequate number of shares of common stock authorized but unissued to deliver upon conversion or exercise of all of our derivative securities which may result in various liabilities if we do not increase our authorized shares of common stock to allow for the issuance of shares of common stock upon conversion of our convertible securities.

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.

We have a history of operating and net losses which we anticipate will continue.

We have a history of losses from operations. We anticipate that for the foreseeable future, we will continue to experience losses from operations. We had a net loss from continuing operations of \$4,598,076 during fiscal 2008 and a net loss from continuing operations of \$8,601,055 during fiscal 2007. We anticipate that our net loss will increase for fiscal 2009.

Our independent auditors have issued a report questioning our ability to continue as a going concern. This report may impair our ability to raise additional financing and adversely affect the price of our common stock.

The report of our independent auditors contained in our financial statements for the years ended December 31, 2008 and 2007 includes a paragraph that explains that we have incurred substantial losses. This report raises substantial doubt about our ability to continue as a going concern. Reports of independent auditors questioning a company's ability to continue as a going concern are generally viewed unfavorably by analysts and investors. This report may make it difficult for us to raise additional debt or equity financing necessary to continue the development of our airships. We urge potential investors to review this report before making a decision to invest in the Company.

We have material weaknesses in our internal control over financial reporting structure which until remedied, may cause errors in our financial statements that could require a restatement or our filings may not be timely and investors may lose confidence in our reported financial information, which could lead to a decline in our stock price.

We have identified two material weaknesses in our internal control over financial reporting and cannot assure you that additional material weaknesses will not be identified in the future. If our internal control over financial reporting or disclosure controls and procedures are not effective, there may be errors in our financial statements that could require a restatement or our filings may not be timely and investors may lose confidence in our reported financial information, which could lead to a decline in our stock price.

If we fail to protect our intellectual property rights, our competitors may take advantage of our ideas to compete more effectively with us.

Our proprietary rights are one of the keys to our performance and ability to remain competitive. We rely on a combination of patent, trademark, copyright and trade secret laws in the U.S. and other jurisdictions as well as confidentiality agreements and procedures, non-compete agreements and other contractual provisions to protect our intellectual property, other proprietary rights and our brand. Our intellectual property rights may be challenged, invalidated or circumvented by third parties. We may not be able to prevent the unauthorized disclosure or use of our

technical knowledge or other trade secrets by employees. Furthermore, the laws of foreign countries may not protect our intellectual property rights to the same extent as the laws of the U.S. Litigation may be necessary to enforce our intellectual property rights which could result in substantial costs to us and substantial diversion of management attention. If we do not adequately protect our intellectual property, our competitors could use it to enhance their products. Our inability to adequately protect our intellectual property rights could adversely affect our business and financial condition, and the value of our brand name and other intangible assets.

Risk Related To Ownership of Our Common Stock

There is currently a small market for our common stock, and we expect that any market that does develop will be illiquid and extremely volatile.

As of September 14, 2009, we had approximately twenty one thousand (21,000) shareholders of record, and we had been subject to the reporting requirements of the Exchange Act for at least ninety (90) days. There were shares of our common stock that had been held by non-affiliates for a minimum of one year which could be freely resold under Rule 144, and shares of our common stock that had been held by such persons for a minimum of six months which could be resold under Rule 144 subject to public information requirements for reporting issuers. There were also shares of our common stock that had been held by affiliates for a minimum of six months which could be resold under Rule 144 subject to the volume limitations, manner of sale provisions, public information requirements for reporting issuers and notice requirements.

The market for our common stock is illiquid and subject to wide fluctuations in response to several factors, including, but not limited to:

- limited numbers of buyers and sellers in the market;
- actual or anticipated variations in our results of operations;
- our ability or inability to generate new revenues;
- increased competition; and

Furthermore, our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance which include stock market fluctuations, general economic, political and overall global market conditions, such as recessions, interest rates or international currency fluctuations. Any and all of these factors, while unrelated directly to us, may adversely affect the market price and liquidity of our common stock.

We have authorized preferred stock which can be designated by our board of directors without shareholder approval.

We have authorized 10,000,000 shares of preferred stock. The shares of preferred stock may be issued from time to time in one or more series, each of which shall have distinctive designation or title as shall be determined by our board of directors prior to the issuance of any shares thereof. The preferred stock shall have such voting powers, full or limited, or no voting powers, and such preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof as adopted by our board of directors. Because our board of directors is able to designate the powers and preferences of the preferred stock without the vote of the holders of our common stock, the holders of our common stock will have no control over what designations and preferences our preferred stock will have. As a result of this, our board of directors could designate one or more series of preferred stock with superior rights to the rights of the holders of our common stock.

We do not expect to pay dividends for the foreseeable future.

We have not declared or paid, and do not anticipate declaring or paying in the foreseeable future, any cash dividends on our common stock. Our ability to pay dividends is dependent upon, among other things, our future earnings, operating and financial condition, our capital requirements, general business conditions and other pertinent factors, and is subject to the discretion of our board of directors. Accordingly, there is no assurance that any dividends will ever be paid on our common stock.

Investors may face significant restrictions on the resale of our common stock due to federal regulations of penny stock.

Our common stock is subject to the requirements of Rule 15(g)9, promulgated under the Securities Exchange Act as long as the price of our common stock is below \$5.00 per share. Under such rule, broker-dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements, including a requirement that they make an individualized written suitability determination for the purchaser and receive the purchaser's consent prior to the transaction. The Securities Enforcement Remedies and Penny Stock Reform Act of 1990, also requires additional disclosure in connection with any trades involving a stock defined as a penny stock. Generally, the SEC defines a penny stock as any equity security not traded on an exchange or quoted on NASDAQ that has a market price of less than \$5.00 per share. The required penny stock disclosures include the delivery, prior to any transaction, of a disclosure schedule explaining the penny stock market and the risks associated with it. Such requirements could severely limit the market liquidity of the securities and the ability of purchasers to sell their securities in the secondary market. In addition, various state securities laws impose restrictions on transferring penny stocks.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

NA

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of:
Sanswire Corp. (formerly known as GlobeTel Communications Corp.) and Subsidiaries

We have audited the accompanying consolidated balance sheets of Sanswire Corp. (formerly known as GlobeTel Communications Corp.) and Subsidiaries (the “Company”), as of December 31, 2008 (as restated) and 2007 (as restated), and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We were not engaged to examine management's assertion about the effectiveness of Sanswire Corp. (formerly known as GlobeTel Communications Corp.) and Subsidiaries' internal control over financial reporting as of December 31, 2008 included in the Company's Item 9A “Controls and Procedures” in the Annual Report on Form 10-K and, accordingly, we do not express an opinion thereon.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sanswire Corp. (formerly known as GlobeTel Communications Corp.) and Subsidiaries as of December 31, 2008 (as restated) and 2007 (as restated) and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has experienced net losses and negative cash flows from operations and expects such losses to continue. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note 4 “Restatement of Financial Statements” to the financial statements, the Company has restated its 2008 and 2007 financial statements.

As discussed in Note 1, 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 has advised that it intends to vigorously defend itself in this action. The SEC

lawsuit states that 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. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Weinberg & Company, P.A.

Boca Raton, Florida

March 30, 2009, except for Notes 4 and 6, as to which the date is September 8, 2009.

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

	DECEMBER 31, 2008 (as Restated)	DECEMBER 31, 2007 (as Restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,809	\$ 32,278
Current assets from discontinued operations	6,406	18,678
TOTAL CURRENT ASSETS	11,215	50,956
Deposits	—	391,000
Investment in joint venture	3,229,000	—
TOTAL NONCURRENT ASSETS	3,229,000	391,000
TOTAL ASSETS	\$ 3,240,215	\$ 441,956
LIABILITIES AND STOCKHOLDERS' DEFICIT		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 3,802,777	\$ 3,155,722
Notes and convertible notes payable, net of discount of \$134,423 and \$1,257,364	9,264,732	8,056,220
Accrued expenses and other liabilities (including \$2,185,000 due to related party at December 31, 2008)	3,489,210	1,067,355
Derivative liabilities	748,244	1,588,583
Current liabilities from discontinued operations	1,387,406	1,387,381
TOTAL LIABILITIES	18,692,369	15,255,261
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; 184,704,015 and 129,756,897 shares issued and outstanding	1,848	1,299
Additional paid-in capital	109,848,580	105,889,705
Accumulated deficit	(125,302,582)	(120,704,309)
TOTAL STOCKHOLDERS' DEFICIT	(15,452,154)	(14,813,305)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 3,240,215	\$ 441,956

See accompanying notes to consolidated financial statements

SANSWIRE CORP. (FORMERLY GLOBETEL COMMUNICATIONS CORP.)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,

	2008 (as Restated)	2007 (as Restated)
REVENUES	\$ —	\$ 53,754
COST OF REVENUES	—	15,529
GROSS MARGIN	—	38,225
EXPENSES		
Payroll and related taxes	887,283	3,611,596
Consulting fees	1,415,235	1,635,303
Noncash officers' and directors' compensation	435,000	696,790
Research and development	—	(14,856)
General and administrative	476,827	1,567,968
TOTAL EXPENSES	3,214,345	7,496,801
LOSS FROM OPERATIONS	(3,214,345)	(7,458,576)
OTHER INCOME (EXPENSE)		
(Loss) gain on extinguishment of debt	(1,096,650)	254,200
Extinguishment of derivative liabilities	465,173	123,313
Change in fair value of derivative liabilities	375,166	962,304
Interest expense, net	(1,127,420)	(2,482,296)
NET OTHER EXPENSE	(1,383,731)	(1,142,479)
LOSS FROM CONTINUING OPERATIONS	(4,598,076)	(8,601,055)
LOSS FROM DISCONTINUED OPERATIONS	(197)	(1,918,806)
NET LOSS	\$ (4,598,273)	\$ (10,519,861)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
BASIC and DILUTED	151,534,774	121,171,392
LOSS PER SHARE FROM CONTINUING OPERATIONS		
BASIC and DILUTED	\$ (0.03)	\$ (0.07)
LOSS PER SHARE FROM DISCONTINUED OPERATIONS		
BASIC and DILUTED	\$ (0.00)	\$ (0.02)
NET LOSS PER SHARE		
BASIC and DILUTED	\$ (0.03)	\$ (0.09)

See accompanying notes to consolidated financial statements

SANSWIRE CORP. (FORMERLY GLOBETEL COMMUNICATIONS CORP.)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(as RESTATED)

Description	SHARES	AMOUNT	COMMON STOCK	
			ADDITIONAL PAID-IN CAPITAL	STOCK SUBSCRIPTIONS RECEIVABLE
BALANCE, DECEMBER 31, 2006, (as Reported)	109,470,803	\$ 1,095	\$ 94,733,346	\$ (130,282)
Cumulative effect of correction of accounting for warrants and conversion feature of convertible notes as derivative liabilities	—	—	(1,280,000)	—
BALANCE, DECEMBER 31, 2006, (as Restated)	109,470,803	1,095	93,453,346	(130,282)
Shares issued for cash	3,750,000	38	749,962	—
Shares issued for services	6,824,920	68	1,667,039	—
Shares issued for settlement of debt obligations	1,333,333	13	4,598,320	—
Shares issued related to discontinued operations	4,001,599	41	1,056,438	—
Shares issued for interest and financing costs	1,572,951	16	557,616	—
Shares issued for conversion of notes	939,005	9	98,556	—
Shares issued for deposit	1,864,286	19	260,981	—
Writedown of receivable related to options	—	—	(130,282)	130,282
Options issued for executive compensation	—	—	1,922,992	—
Change of fair value of warrants	—	—	421,737	—
Fair value of warrants issued with convertible notes	—	—	1,233,000	—
Net loss	—	—	—	—
BALANCE, DECEMBER 31, 2007 (as Restated)	129,756,897	\$ 1,299	\$ 105,889,705	\$ —
Shares issued for conversion of notes	27,265,195	272	1,788,566	—
Shares issued for services	12,269,444	123	712,378	—
Shares issued for settlement of debt	2,700,701	27	99,647	—
Shares issued for accrued expenses	6,831,778	68	367,852	—
Shares issued for interest	3,200,000	32	189,368	—
Shares issued for joint venture	2,680,000	27	267,973	—
Options issued for executive compensation	—	—	244,831	—
Fair value of warrants issued with convertible notes	—	—	288,260	—
Net loss	—	—	—	—
BALANCE, DECEMBER 31, 2008 (as Restated)	184,704,015	\$ 1,848	\$ 109,848,580	\$ —

See accompanying notes to consolidated financial statements

SANSWIRE CORP. (FORMERLY GLOBETEL COMMUNICATIONS CORP.)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(RESTATED)

Description	SHARES	AMOUNT	SERIES A ADDITIONAL PAID-IN CAPITAL	STOCK SUBSCRIPTIONS RECEIVABLE
BALANCE, DECEMBER 31, 2006	—	—	—	—
Cumulative effect of correction of accounting for warrants and conversion feature of convertible notes as derivative liabilities	—	—	—	—
Shares issued for cash	—	—	—	—
Shares issued for services	—	—	—	—
Shares issued for settlement of debt obligations	—	—	—	—
Shares issued related to discontinued operations	—	—	—	—
Shares issued for interest and financing costs	—	—	—	—
Shares issued for conversion of notes	—	—	—	—
Shares issued for deposit	—	—	—	—
Writedown of receivable related to options	—	—	—	—
Options issued for executive compensation	—	—	—	—
Change of fair value of warrants	—	—	—	—
Fair value of warrants issued with convertible notes	—	—	—	—
Net loss	—	—	—	—
BALANCE, DECEMBER 31, 2007	—	—	—	—
Shares issued for conversion of notes	—	—	—	—
Shares issued for services	—	—	—	—
Shares issued for settlement of debt	—	—	—	—
Shares issued for accrued expenses	—	—	—	—
Shares issued for interest	—	—	—	—
Shares issued for joint venture	—	—	—	—
Options issued for executive compensation	—	—	—	—
Fair value of warrants issued with convertible notes	—	—	—	—
Net loss	—	—	—	—
BALANCE, DECEMBER 31, 2008	—	—	—	—

See accompanying notes to consolidated financial statements

SANSWIRE CORP. (FORMERLY GLOBETEL COMMUNICATIONS CORP.)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(RESTATED)

Description	SHARES	AMOUNT	SERIES B ADDITIONAL PAID-IN CAPITAL	STOCK SUBSCRIPTIONS RECEIVABLE
BALANCE, DECEMBER 31, 2006	—	—	—	—
Cumulative effect of correction of accounting for warrants and conversion feature of convertible notes as derivative liabilities	—	—	—	—
Shares issued for cash	—	—	—	—
Shares issued for services	—	—	—	—
Shares issued for settlement of debt obligations	—	—	—	—
Shares issued related to discontinued operations	—	—	—	—
Shares issued for interest and financing costs	—	—	—	—
Shares issued for conversion of notes	—	—	—	—
Shares issued for deposit	—	—	—	—
Writedown of receivable related to options	—	—	—	—
Options issued for executive compensation	—	—	—	—
Change of fair value of warrants	—	—	—	—
Fair value of warrants issued with convertible notes	—	—	—	—
Net loss	—	—	—	—
BALANCE, DECEMBER 31, 2007	—	—	—	—
Shares issued for conversion of notes	—	—	—	—
Shares issued for services	—	—	—	—
Shares issued for settlement of debt	—	—	—	—
Shares issued for accrued expenses	—	—	—	—
Shares issued for interest	—	—	—	—
Shares issued for joint venture	—	—	—	—
Options issued for executive compensation	—	—	—	—
Fair value of warrants issued with convertible notes	—	—	—	—
Net loss	—	—	—	—
BALANCE, DECEMBER 31, 2008	—	—	—	—

See accompanying notes to consolidated financial statements

SANSWIRE CORP. (FORMERLY GLOBETEL COMMUNICATIONS CORP.)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(RESTATED)

Description	SHARES	AMOUNT	SERIES C ADDITIONAL PAID-IN CAPITAL	STOCK SUBSCRIPTIONS RECEIVABLE
BALANCE, DECEMBER 31, 2006	—	\$ —	\$ —	\$ —
Cumulative effect of correction of accounting for warrants and conversion feature of convertible notes as derivative liabilities	—	—	—	—
Shares issued for cash	—	—	—	—
Shares issued for services	—	—	—	—
Shares issued for settlement of debt obligations	—	—	—	—
Shares issued related to discontinued operations	—	—	—	—
Shares issued for interest and financing costs	—	—	—	—
Shares issued for conversion of notes	—	—	—	—
Shares issued for deposit	—	—	—	—
Writedown of receivable related to options	—	—	—	—
Options issued for executive compensation	—	—	—	—
Change of fair value of warrants	—	—	—	—
Fair value of warrants issued with convertible notes	—	—	—	—
Net loss	—	—	—	—
BALANCE, DECEMBER 31, 2007	—	\$ —	\$ —	\$ —
Shares issued for conversion of notes	—	—	—	—
Shares issued for services	—	—	—	—
Shares issued for settlement of debt	—	—	—	—
Shares issued for accrued expenses	—	—	—	—
Shares issued for interest	—	—	—	—
Shares issued for joint venture	—	—	—	—
Options issued for executive compensation	—	—	—	—
Fair value of warrants issued with convertible notes	—	—	—	—
Net loss	—	—	—	—
BALANCE, DECEMBER 31, 2008	—	\$ —	\$ —	\$ —

See accompanying notes to consolidated financial statements

SANSWIRE CORP. (FORMERLY GLOBETEL COMMUNICATIONS CORP.)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(as RESTATED)

Description	SERIES D				ACCUMULATED STOCKHOLDERS' DEFICIT	TOTAL STOCKHOLDERS' DEFICIT
	SHARES	AMOUNT	ADDITIONAL CAPITAL	STOCK RECEIVABLE		
BALANCE, DECEMBER 31, 2006 (as Reported)	—	\$ —	\$ —	\$ —	(108,790,248)	\$ (14,186,089)
Cumulative effect of correction of accounting for warrants and conversion feature of convertible notes as derivative liabilities	—	—	—	—	(1,394,200)	(2,674,200)
BALANCE, DECEMBER 31, 2006, (as Restated)	—	—	—	—	(110,184,448)	(16,860,289)
Shares issued for cash	—	—	—	—	—	750,000
Shares issued for services	—	—	—	—	—	1,667,107
Shares issued for settlement of debt obligations	—	—	—	—	—	4,598,333
Shares issued related to discontinued operations	—	—	—	—	—	1,056,479
Shares issued for interest and financing costs	—	—	—	—	—	557,632
Shares issued for conversion of notes	—	—	—	—	—	98,565
Shares issued for deposit	—	—	—	—	—	261,000
Writedown of receivable related to options	—	—	—	—	—	—
Options issued for executive compensation	—	—	—	—	—	1,922,992
Change of fair value of warrants	—	—	—	—	—	421,737
Fair value of warrants issued with convertible notes	—	—	—	—	—	1,233,000
Net loss	—	—	—	—	(10,519,861)	(10,519,861)
BALANCE, DECEMBER 31, 2007 (as Restated)	—	\$ —	\$ —	\$ —	(120,704,309)	\$ (14,813,305)
Shares issued for conversion of notes	—	—	—	—	—	1,788,838
Shares issued for services	—	—	—	—	—	712,501

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Shares issued for settlement of debt	—	—	—	—	—	99,674
Shares issued for accrued expenses	—	—	—	—	—	367,920
Shares issued for interest	—	—	—	—	—	189,400
Shares issued for joint venture	—	—	—	—	—	268,000
Options issued for executive compensation	—	—	—	—	—	244,831
Fair value of warrants issued with convertible notes	—	—	—	—	—	288,260
Net loss	—	—	—	—	(4,598,273)	(4,598,273)
BALANCE, DECEMBER 31, 2008 (as Restated)	—\$	—\$	—\$	—\$	(125,302,582)	\$ (15,452,154)

See accompanying notes to consolidated financial statements

SANSWIRE CORP. (FORMERLY GLOBETEL COMMUNICATIONS CORP.)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2008 (Restated)	2007 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (4,598,273)	\$ (10,519,861)
Adjustments to reconcile net loss to net cash used by operating activities:		
Amortization of debt discount	314,549	1,111,963
Loss (gain) on extinguishment of debt	1,096,650	(254,200)
Fair value of stock based compensation	712,501	1,667,107
Fair value of vested options	244,831	1,922,992
Change in fair value of derivative liabilities	(375,166)	(962,304)
Extinguishment of derivative liabilities	(465,173)	(123,313)
Fair value of modification of warrants for investment	—	421,737
Interest expense added to convertible notes payable	569,590	558,612
Common stock exchanged for interest	189,400	557,632
Common stock exchanged for financing costs	37,681	—
Noncash activity from discontinued operations	—	1,056,479
Decrease in assets:		
Accounts receivable	—	271,262
Deposits	—	72,987
Decrease in assets relating to discontinued operations	12,272	141,735
Increase in liabilities:		
Accounts payable	746,729	692,117
Accrued expenses and other liabilities	604,776	607,258
Increase in liabilities relating to discontinued operations	25	491,684
NET CASH USED BY OPERATING ACTIVITIES	(909,608)	(2,286,113)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment on joint venture	(385,000)	—
Deposit for joint venture	—	(130,000)
Investing activities from discontinued operations	—	(242,500)
NET CASH USED BY INVESTING ACTIVITIES	(385,000)	(372,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock – exercises of warrants	—	750,000
Payments on notes payable	(25,139)	—
Proceeds from notes and loans payable	1,292,278	1,951,312
Cash overdraft	—	(14,664)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,267,139	2,686,648
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS	(27,469)	28,035
CASH AND EQUIVALENTS – BEGINNING OF PERIOD	32,278	4,243
CASH AND EQUIVALENTS – END OF PERIOD	\$ 4,809	\$ 32,278

SUPPLEMENTAL DISCLOSURES

Cash paid during the period for:

Interest	\$ 16,200	\$ 25,083
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NON-CASH INVESTING AND FINANCING ACTIVITIES:

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Shares issued for debts	—	4,840,833
Shares issued for joint venture	268,000	261,000
Shares issued for accrued expenses	367,920	—
Shares issued for accounts payable	99,674	—
Deposit applied to accrued expenses	659,000	—
Accrued expense for joint venture	2,844,000	—
Conversion of notes payable to common stock	1,788,838	98,565
Fair value of warrants issued with convertible notes	288,260	1,233,000

See accompanying notes to consolidated financial statements

SANSWIRE CORP. (FORMERLY GLOBETEL COMMUNICATIONS CORP.)
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(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 advanced 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. Upon its incorporation, Sanswire was a wholly-owned subsidiary of American Diversified Group, Inc. (ADGI). ADGI was organized January 16, 1979, under the laws of the State of Nevada. ADGI had two other wholly-owned subsidiaries, Global Transmedia Communications Corporation (Global), a Delaware corporation, and NCI Telecom, Inc. (NCI), a Missouri corporation.

On July 1, 2002, both Global and NCI were merged into ADGI. On July 24, 2002, ADGI stockholders approved a plan of reincorporation for the exchange of all outstanding shares of ADGI for an equal number of shares of the Company. Subsequently, ADGI was merged into the Company, which is now conducting the business formerly conducted by ADGI and its subsidiaries, and all references to ADGI in these financial statements now apply to Sanswire interchangeably.

In July 2002, pursuant to the reincorporation, the Company authorized the issuance of up to 1,500,000,000 (pre-split) shares of common stock, par value of \$0.00001 per share and up to 10,000,000 shares of preferred stock, par value of \$0.001 per share.

In May 2005, the Company approved a reverse split of shares of common stock on a one for fifteen (1:15) basis and changed the number of shares authorized to 100,000,000. In the Company's annual shareholders meeting on August 1, 2005, the shareholders voted to increase the shares authorized from 100,000,000 to 150,000,000.

Common stock amounts in this report have accounted for the reverse stock split retroactively, unless otherwise noted.

In the Company's annual shareholders meeting on June 21, 2006, the shareholders voted to increase the shares authorized from 150,000,000 to 250,000,000.

BASIS OF PRESENTATION

The financial statements include the accounts of Sanswire Corp. ("Sanswire," the "Company") and its wholly-owned subsidiaries: Sanswire Networks, LLC("Sanswire Networks"); GlobeTel Wireless Corp.; GlobeTel Wireless Europe GmbH, a German corporation, and Centerline Communications, LLC, and its wholly-owned subsidiaries, EQ8, LLC, EnRoute Telecom, LLC, G Link Solutions, LLC, Volta Communications, LLC, and Lonestar Communications, LLC; High Valley Property Ltd., a British Virgin Islands corporation; as well as the accounts GTCC de Mexico, S.A. de C.V, which GlobeTel owns 99%.

Inter-company balances and transactions were eliminated in the consolidation.

GOING CONCERN

The accompanying 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 financial statements, the Company had a net loss of \$4,598,273 and a negative cash flow from operations of \$909,608 for the year ended December 31, 2008, and had a working capital deficiency of \$18,681,154 and a stockholders' deficit of \$15,542,154 at December 31, 2008. 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 financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

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 11)

CASH AND CASH EQUIVALENTS

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

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ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Trade and other accounts receivable are reported at face value less any provisions for uncollectible accounts considered necessary.

VALUATION HIERARCHY

SFAS No. 157, “Fair Value Measurements”, establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels 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 December 31, 2008:

	Fair Value Measurements at December 31, 2008			
	Total Carrying			
	Value at December 31, 2008	(Level 1)	(Level 2)	(Level 3)
Cash and cash equivalents	\$ 4,809	\$ 4,809	\$ —	\$ —
Derivative liabilities	748,244	—	—	748,244

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 year ended December 31, 2008.

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.

These Agreements usually require us 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 December 31, 2008 the Company has no registration rights agreement requiring penalties to be recorded.

REVENUE RECOGNITION

Revenue is recognized when there is persuasive evidence of an arrangement, goods are shipped and title passes, collection is probable, and the fee is fixed or determinable. The Company records deferred revenue when cash is received in advance of the revenue recognition criteria being met.

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.

ADVERTISING AND MARKETING COSTS

Advertising and marketing costs are charged to operations in the period incurred. Advertising and marketing expense for the years ended December 31, 2008 and 2007, were \$0 and \$24,087, respectively, and are included in "General and Administrative" in the consolidated statements of operations.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments, including cash, receivables, deposits, 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.

CONCENTRATIONS OF CREDIT RISK AND ECONOMIC DEPENDENCE

The Company operates worldwide. Consequently, the Company's ability to collect the amounts due from customers may be affected by economic fluctuations in each of the geographical locations in which the Company provides its services.

USE OF ESTIMATES

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

BASIC AND DILUTED NET INCOME (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 December 31, 2008, the shares outstanding would be 245,883,363.

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.

STOCK-BASED COMPENSATION

The Company adopted SFAS No. 123(R) using the prospective transition method, which requires the application of the accounting standard as of January 1, 2006, the first day of its year ended December 31, 2006. In accordance with this transition method, the Company's consolidated financial statements for prior periods have not been restated to reflect, and do not include the impact of, SFAS No. 123(R). The Company's consolidated financial statements for the year ended December 31, 2008 and 2007 reflect the impact of SFAS No. 123(R). Upon adopting SFAS No. 123(R), for awards with service conditions and graded-vesting, a one-time election was made to recognize stock-based compensation expense on a straight-line basis over the requisite service period for the entire award.

Stock-based compensation expense recognized under SFAS No. 123(R) for the years ended December 31, 2008 and 2007 were \$712,501 and \$1,667,107, respectively.

The Company's determination of fair value of share-based payment awards to employees and directors on the date of grant uses the Black-Scholes model, which is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to our expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors.

The Company accounts for stock option and warrant grants issued to non-employees for goods and services using the guidance of SFAS No. 123 and Emerging Issues Task Force ("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," whereby the fair value of such option and warrant grants is determined using the Black-Scholes option pricing model at the earlier of the date at which the non-employee's performance is completed or a performance commitment is reached.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

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 does not expect that the adoption of SFAS No. 159 for financial assets and financial liabilities to have a material impact on our consolidated financial statements in subsequent reporting periods.

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

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 does not expect that the adoption of SFAS 141R or SFAS No. 160 to have a material impact on our financial condition and results of operations, although its effects on future periods will depend on the nature and significance of business combinations subject to this statement.

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

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 does not expect the adoption of SFAS 161 to have a material impact on the presentation of our annual and interim period disclosures.

Management does not believe that there are any recently-issued, but not yet effective accounting pronouncements, which could have a material effect on the accompanying condensed consolidated financial statements.

NOTE 2. DISCONTINUED OPERATIONS

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

Telecom

The Company decided to wind down its telecom operations, including those of its subsidiary, Centerline Communications LLC. It did not have sufficient working capital to make its telecom operations profitable. The Company decided that any capital should be directed towards the Company's other programs and that it should collect Centerline's outstanding receivables and sell its assets

GlobeTel Wireless Corp.

During the first quarter of 2007, the president of GlobeTel Wireless, Ulrich Altvater, became a consultant to the Company to provide many of the services that were provided under the auspices of GlobeTel Wireless. The Company believed at the time that this would be a more cost efficient manner of running the business. However, in May of 2007 the Company terminated the contract with Altvater. In the second quarter of 2007, the Company decided to shut down the subsidiary and concentrate its efforts solely on the development and sale of Lighter than Air Unmanned Aerial Vehicles (LTA UAV's).

In March 2007, the Company received \$242,500 in exchange for a note payable that was secured by common stock of the Company. The proceeds were used by GlobeTel Wireless as a further investment in a joint venture that was abandoned in 2007. The Company received a Notice of Acquisition of Collateral which allowed the note holder to satisfy the note payable with the pledged common shares.

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 consolidated statements of operations for the years ended December 31, 2008 and 2007 is summarized as follows:

	2008	2007
Telecom		
Loss from discontinued operations	\$ (197)	\$ (781,455)
GlobeTel Wireless		
Loss from discontinued operations	—	(1,137,351)
Total loss from discontinued operations	\$ (197)	\$ (1,918,806)

The Company incurred the following losses from discontinued operations for the years ended December 31, 2008 and 2007:

	2008	Telecom	GlobeTel Wireless	Total
General and administrative	\$ (197)	\$	—	\$ (197)

Gain/loss from discontinued operations	\$	(197)	\$	—	\$	(197)
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	2007	Telecom	GlobeTel Wireless	Total
Revenue		\$ 4,849	\$ —	\$ 4,849
Cost of sales		(11,676)	—	(11,676)
Gross margin (loss)		(6,827)	—	(6,827)
Payroll and related taxes		(18,935)	(91,865)	(110,800)
General and administrative		(84,385)	(798,736)	(883,121)
Depreciation and amortization		(654,672)	—	(654,672)
Consulting and professional fees		(16,636)	—	(16,636)
Loss on investment		—	(246,750)	(246,750)
Loss from discontinued operations		\$ (781,455)	\$ (1,137,351)	\$ (1,918,806)

The Company had the following assets and liabilities from its discontinued operations on its consolidated balance sheet as of December 31, 2008 and 2007:

	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

	2007	Telecom	GlobeTel Wireless	Total
Cash		\$ 6,942	\$ —	\$ 6,942
Accounts receivable		11,736	—	11,736
Total assets		18,678	—	18,678
Accounts payable		140,091	1,216,208	1,356,299
Accrued liabilities		9,605	21,477	31,082
Total current liabilities		149,696	1,237,685	1,387,381
Net liabilities of discontinued operations		\$ 131,018	\$ 1,237,685	\$ 1,368,703

NOTE 3. TAO TECHNOLOGIES TRANSACTIONS

In November 2007, the Company and TAO-Technologies (“TAO”), in cooperation with the University of Stuttgart in Germany, entered into a Technical Cooperation and License Agreement wherein the Company acquired the exclusive license rights to certain TAO remote airship technologies and patents. TAO granted to Sanswire an exclusive license for the territories of the US, Canada, Mexico and Chile for the marketing and distribution of airships based upon the technologies patented and developed by TAO. TAO was also to provide testing and engineering support for the development of airships to meet the criteria required by Sanswire customers. Sanswire was obligated to provide TAO with engineering orders of at least \$1,000,000 per year and certain cash and stock payments on a quarterly basis.

During 2007, the Company paid \$391,000, made up of \$130,000 in cash and the issuance of 1,864,286 shares of the Company's common stock valued at \$261,000, as part of its November 2007 agreement with TAO Technologies GmbH and Professor Bernd Kroplin. These payments were initially part of the Technical Cooperation and License Agreements wherein the Company acquired the exclusive license rights to certain TAO remote airship technologies and patents.

On June 3, 2008 Sanswire and TAO restructured the November 2007 agreement and entered into a new agreement to form a 50/50 US based joint venture to place, among other things, the license rights to the TAO intellectual property in US, Canada, and Mexico into the US-based joint venture company to be called Sanswire-TAO that was to be owned equally by TAO and Sanswire Corp. Additionally, Sanswire-TAO would register the patents and the intellectual property of TAO Technologies and Kroplin in the United States for the exclusive use of Sanswire-TAO. The intellectual property includes, but is not limited to an existing patent as well as any updates to that patent. This integration of Sanswire and Stuttgart, Germany-based TAO Technologies GmbH took place to create various strategic advantages for both companies. Each group entered the relationship with synergistic, yet very distinct core competencies. Sanswire's business development, its inroads into the U.S. Government review process as well as inroads into overseas markets and other marketing resources complement TAO's vast airship product research and development ability. In addition the joint venture has an exclusive agreement with TAO that may require additional payments in the future.

On June 3, 2008, the Company treated the transaction as an investment in a joint venture and recorded an investment of \$3,229,000. The \$391,000 paid during 2007 was applied as payment towards the investment. During 2008, the Company paid an additional \$653,000 for the investment, made up of \$385,000 in cash and the issuance of 2,680,000 shares of the Company's common stock valued at \$268,000. After application of the 2007 deposit of \$391,000 and the 2008 payments of \$653,000, the balance of \$2,185,000 due for the investment is included in accrued expenses as of December 31, 2008 (see Note 5). The investment will be subject to being tested for impairment in the future.

NOTE 4. 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 December 31, 2008 and 2007 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 years ended December 31, 2008 and 2007 are being amended and restated.

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.

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 years ended December 31, 2008 and 2007 are shown below (note: see table of adjustment descriptions at end of this section):

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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 liabilities	—	748,244	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)	109,848,580
Accumulated deficit	(125,834,338)	531,756	(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	December 31, 2007		
	(As Initially Reported)	(Adjustment)	(As Restated)
Current Assets			
Cash	\$ 32,278	\$ —	\$ 32,278
Current assets from discontinued operations	18,678	—	18,678
Total current assets	50,956	—	50,956
Deposits	391,000	—	391,000
Total Assets	\$ 441,956	\$ —	\$ 441,956
Liabilities and Stockholders' Deficit			
Current liabilities			
Accounts payable	\$ 3,155,722	\$ —	\$ 3,155,722
Notes and notes payable, net of discount of \$1,257,364	8,056,220	—	8,056,220
Accrued expenses and other liabilities	1,067,355	—	1,067,355
Derivative liabilities	—	1,588,583	1,588,583
Current liabilities from discontinued operations	1,387,381	—	1,387,381
Total current liabilities	13,666,678	1,588,583	15,255,261
Stockholders' Deficit			
Common stock	1,299	—	1,299
Additional paid-in capital	107,169,705	(1,280,000)	105,889,705
Accumulated deficit	(120,395,726)	(308,583)	(120,704,309)
Total Stockholders' Deficit	(13,224,722)	(1,588,583)	(14,813,305)
Total Liabilities and Stockholders' Deficit	\$ 441,956	\$ —	\$ 441,956

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Year ended December 31, 2008

Account	(As Initially Reported)	(Adjustment)	(As Restated)
Revenue	\$ —	\$ —	\$ —
Cost of revenues	—	—	—
Gross margin	—	—	—
Payroll and related taxes	(887,283)	—	(887,283)
Consulting fees	(1,415,235)	—	(1,415,235)
Noncash officers' and directors' compensation	(435,000)	—	(435,000)
General and administrative expenses	(476,827)	—	(476,827)
Loss from operations	(3,214,345)	—	(3,214,345)
Loss on extinguishment of debt	(1,096,650)	—	(1,096,650)
Interest expense	(1,127,420)	—	(1,127,420)
Extinguishment of derivative liabilities	—	465,173 3	465,173
Change in fair value of warrants and conversion feature	—	375,166 2	375,166
Net other expense	(2,224,070)	840,339	(1,383,731)
Loss from continuing operations	(5,438,415)	840,339	(4,598,076)
Loss from discontinued operations	(197)	—	(197)
Net loss	\$ (5,438,612)	\$ 840,339	\$ (4,598,273)
Net loss per share from continuing operations, basic and diluted	\$ (0.04)	0.01 7	(0.03)
Net loss per share from discontinuing operations, basic and diluted	\$ (0.00)	—	\$ (0.00)
Weighted average shares outstanding, basic and diluted	151,534,774		151,534,774

Year ended December 31, 2007

Account	(As Initially Reported)	(Adjustment)	(As Restated)
Revenue	\$ 53,754	\$ —	\$ 53,754
Cost of revenues	15,529	—	15,529
Gross margin	38,225	—	38,225
Payroll and related taxes	(3,611,596)	—	(3,611,596)
Consulting fees	(1,635,303)	—	(1,635,303)
Noncash officers' and directors' compensation	(696,790)	—	(696,790)
Research and development	14,856	—	14,856
General and administrative expenses	(1,567,968)	—	(1,567,968)
Loss from operations	(7,458,576)	—	(7,458,576)
Gain on extinguishment of debt	254,200	—	254,200
Interest expense	(2,482,296)	—	(2,482,296)
Extinguishment of derivative liabilities	—	123,313 6	123,313
Change in fair value of warrants and conversion feature	—	962,304 5	962,304
Net other expense	(2,228,096)	1,085,617	(1,142,479)
Loss from continuing operations	(9,686,672)	1,085,617	(8,601,055)

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Loss from discontinued operations	(1,918,806)	—	(1,918,806)
Net loss	\$ (11,605,478)	\$ 1,085,617	\$ (10,519,861)
Net loss per share from continuing operations, basic and diluted	\$ (0.08)	0.01 7	(0.07)
Net loss per share from discontinuing operations, basic and diluted	\$ (0.02)	—	\$ (0.02)
Weighted average shares outstanding, basic and diluted	121,171,392		121,171,392

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Year ended December 31, 2008

	(As Initially Reported)	(Adjustment)	(As Restated)
Cash flow from operating activities:			
Net loss	\$ (5,438,612)	\$ 840,339	\$ (4,598,273)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of debt discount	314,549	—	314,549
Loss on extinguishment of debt	1,096,650	—	1,096,650
Stock based compensation	712,501	—	712,501
Fair value of vested options	244,831	—	244,831
Change in fair value of derivative liabilities	—	(375,166) 2	(375,166)
Extinguishment of derivative liabilities	—	(465,173) 3	(465,173)
Interest expense on convertible notes payable	569,590	—	569,590
Common stock exchanged for interest	189,400	—	189,400
Common stock exchanged for financing costs	37,681	—	37,681
Decrease in assets:			
Decrease in assets relating to discontinued operations	12,272	—	12,272
Increase in liabilities:			
Accounts payable	746,729	—	746,729
Accrued expenses and other liabilities	604,776	—	604,776
Increase in liabilities relating to discontinued operations	25	—	25
Net cash used in operating activities	(909,608)	—	(909,608)
Cash flows from investing activities:			
Payment on joint venture	(385,000)	—	(385,000)
Net cash used in investing activities	(385,000)	—	(385,000)
Cash flows from financing activities:			
Payments on notes payable	(25,139)	—	(25,139)
Proceeds from notes and loans payable	1,292,278	—	1,292,278
Net cash provided by financing activities	1,267,139	—	1,267,139
Net decrease in cash and cash equivalents	(27,469)	—	(27,469)
Cash and cash equivalents, beginning of period	32,278	—	32,278
Cash and cash equivalents, end of period	\$ 4,809	\$ —	\$ 4,809

Year ended December 31, 2007

	(As Initially Reported)	(Adjustment)	(As Restated)
Cash flow from operating activities:			
Net loss	\$ (11,605,478)	\$ 1,085,617	\$ (10,519,861)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of debt discount	1,111,963	—	1,111,963
Gain on extinguishment of debt	(254,200)	—	(254,200)
Stock based compensation	1,667,107	—	1,667,107

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Fair value of vested options	1,922,992	—	1,922,992
Fair value of modification of warrants for investment	421,737	—	421,737
Change in fair value of derivative liabilities	—	(962,304) 5	(962,304)
Extinguishment of derivative liabilities	—	(123,313) 6	(123,313)
Interest expense on convertible notes payable	558,612	—	558,612
Common stock exchanged for interest	557,632	—	557,632
Noncash activity from discontinued operations	1,056,479	—	1,056,479

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Year ended December 31, 2007

	(As Initially Reported)	(Adjustment)	(As Restated)
Decrease in assets:			
Accounts receivable	271,262	—	271,262
Deposits	72,987	—	72,987
Decrease in assets relating to discontinued operations	141,735	—	141,735
Increase in liabilities:			
Accounts payable	692,117	—	692,117
Accrued expenses and other liabilities	607,258	—	607,258
Increase in liabilities relating to discontinued operations	491,684	—	491,684
Net cash used in operating activities	(2,286,113)	—	(2,286,113)
Cash flows from investing activities:			
Deposit for joint venture	(130,000)	—	(130,000)
Investing activities from discontinued operations	(242,500)	—	(242,500)
Net cash used in investing activities	(372,500)	—	(372,500)
Cash flows from financing activities:			
Issuance of common stock – exercises of warrants	750,000	—	750,000
Proceeds from notes and loans payable	1,951,312	—	1,951,312
Bank overdraft	(14,664)	—	(14,664)
Net cash provided by financing activities	2,686,648	—	2,686,648
Net increase in cash and cash equivalents	28,035	—	28,035
Cash and cash equivalents, beginning of period	4,243	—	4,243
Cash and cash equivalents, end of period	\$ 32,378	\$ —	\$ 32,378

Description of adjustments:

- (1) 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.
- (2) To record \$375,166 decrease in derivative liability for the year ended December 31, 2008.
- (3) To record \$465,173 decrease from the extinguishment of derivative liabilities for the year ended December 31, 2008.
- (4) To record \$1,588,583 increase to derivative liability, \$308,583 increase 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 \$962,304 decrease in derivative liability for the year ended December 31, 2007.
- (6) To record \$123,313 decrease from the extinguishment of derivative liabilities for the year ended December 31, 2007.
- (7) Effect on Earnings per share of restatements.

Derivative Liabilities

The Company's derivatives consisted of the following at December 31, 2008 and 2007 and were valued using the Black-Scholes option pricing model and the following assumptions:

	December 31, 2008	December 31, 2007
Conversion feature:		
Risk-free interest rate	0.27 – 0.76%	3.05 – 3.34%
Expected volatility	118 - 134%	114%
Expected life (in years)	0.33 - 1.76	.53 – 1.88
Expected dividend yield	—	—
Warrants:		
Risk-free interest rate	0.11 – 1.00%	3.05 – 3.34%
Expected volatility	28 - 167%	114%
Expected life (in years)	0.01 – 2.74	1.00 – 3.75
Expected dividend yield	—	—
Derivative Fair value:		
Conversion feature	\$ 495,805	\$ 1,152,975
Warrants	\$ 252,439	\$ 435,608

The risk-free interest rate was based on rates established by the Federal Reserve. In 2008 and 2007, 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 5. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consisted of the following:

	2008	2007
Payroll Liabilities	\$ 1,185,264	\$ 813,787
Professional Fees	118,946	253,568
Due for Investment in Joint Venture	2,185,000	—
ACCRUED EXPENSES AND OTHER LIABILITIES	\$ 3,489,210	\$ 1,067,355

NOTE 6. NOTES AND CONVERTIBLE NOTES PAYABLE

	2008	2007
(A) Notes payable	\$ 5,997,030	\$ 6,139,357
(B) Convertible notes payable, net of unamortized discount of \$0 and \$454,531	80,000	825,469
(C) Convertible promissory notes, net of unamortized discount of \$134,423 and \$802,833	2,016,913	336,036
Total	8,093,943	7,300,862
Accrued interest	1,170,789	755,358
NOTES AND CONVERTIBLE NOTES PAYABLE	\$ 9,264,732	\$ 8,056,220

(A) NOTES PAYABLE

Notes payable are made up of two separate notes.

From February 2007 to October 2007, the Company received a total of \$641,812 from the first note. During January 2008, the Company received a total of \$7,673. As of December 31, 2008 a balance of \$4,997,130 remains through an unsecured promissory note with no formal terms of repayment. The Company has accrued interest at a rate of 7% per annum, which totals \$826,784 as of December 31, 2008.

During 2007 and 2008, the Company received no additional funding related to the second note. In January 2008, the note holder converted \$150,000 of the loans to 1,428,571 shares of common stock. As of December 31, 2008 a balance of \$999,900 remains through an unsecured promissory note with no formal terms of repayment. The Company has accrued interest at a rate of 7% per annum, which totals \$162,151 as of December 31, 2008.

As of December 31, 2008 and 2007, the aggregate amounts outstanding under these independent notes were \$5,997,030 and \$6,139,357, respectively.

(B) CONVERTIBLE NOTES PAYABLE

September 2006 Notes

On September 6, 2006, the Company entered into subscription agreements with several investors whereby these investors bought a total \$1,280,000 in two year, 7% convertible notes and were issued Class A and Class B Warrants. Net proceeds of \$1,124,080 were received, after deducting costs and expenses related to the transaction. The notes were initially convertible into shares of common stock of the Company at \$0.33 to \$0.39 per share. The warrants had initial exercise prices ranging from \$0.75 to \$1.00 per share.

The Company originally accounted for the fair value of the conversion feature and the fair value of the warrants based upon the relative value of the Black Scholes Merton valuation of the warrants and the underlying debt amount. Subsequently, the Company's identified them as embedded derivatives due to price resets relating to the convertible notes and warrants. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the related convertible notes up to the proceeds amount and to adjust fair value as of each subsequent balance sheet date. At the inception of the September 2006 convertible notes, the Company determined the fair value of the embedded derivative to be \$1,406,793. In addition, the Company determined the fair value of derivative related to warrants issued with the September 2006 notes to be \$1,267,407. The Company recorded a discount of \$1,280,000 for the September 2006 notes, which is being amortized by the effective interest method over the term of the Notes. For the years ended December 31, 2008 and December 31, 2007, the Company amortized \$160,714 and \$681,797, respectively of the valuation discount.

The fair value of the embedded derivative was determined using a probability weighted Black Scholes Merton option pricing model based on the following assumptions: dividend yield: -0-%, volatility 153.92%, risk free rate: 4.82%, expected term: 1.44 years.

In January 2007, the Company executed Certificates of Adjustments to the September 2006 notes that reduced the conversion price of the notes to \$0.196 per share. This modification was deemed an extinguishment of debt, with a gain of \$254,200 recorded. On May 1, 2007, the Company executed Certificates of Adjustments for the warrants issued with the September 2006 notes that reduced the exercise price of the warrants to \$0.196. The Company recognized \$140,487 expense related to the modification of warrants.

In March 2007, the Company determined it was unable to register the shares underlying the convertible notes and warrants, and issued 662,951 shares valued at \$104,400 to pay liquidated damages to the debenture holders through March 31, 2007.

Effective January 16, 2008, the Company entered into a forbearance agreement with some of the 2006 Note holders. This agreement changed their conversion price to the lesser of \$.20 or 70% of the volume weighted average price for the 10 days prior to conversion.

In January 2008, the Company issued certificates of adjustment for certain convertible notes issued in September 2006 to reduce the conversion prices from \$0.196 to \$.105 per share. The modification was deemed an extinguishment of debt, with a loss of \$293,817 recorded in January 2008.

During 2008, \$1,200,000 of principal and was converted into approximately 23.4 million shares of Company common stock.

(C) CONVERTIBLE PROMISSORY NOTES

2007 Convertible Notes

In 2007, the Company entered into financing agreements for convertible promissory notes payable totaling \$1,233,000 (the 2007 Convertible Notes). \$206,000 was received in December 2006 and \$1,027,000 was received in 2007. The notes are convertible into common stock of the Company at \$.196 per share. The notes are due two years from inception, accrue interest at a rate of 7% per annum and were issued Class A and Class B warrants. The warrants had initial exercise prices ranging from \$0.21 and \$0.315 and a 2 year term.

During 2007, \$94,130 of principal and interest was converted into 896,480 shares of the Company's common stock.

In January 2008, the Company issued certificates of adjustment for certain of the 2007 convertible notes and warrants issued pursuant to the 2007 financings to reduce the conversion price or exercise price to \$.105 per share. The modification was deemed an extinguishment of debt, with a loss of \$783,667 recorded in January 2008.

The Company originally accounted for the fair value of the conversion feature and the fair value of the warrants based upon the relative value of the Black Scholes Merton valuation of the warrants and the underlying debt amount. Subsequently, the Company's identified them as embedded derivatives due to price resets relating to the 2007 convertible notes. The accounting treatment of derivative financial instruments requires that the Company record fair value of the derivatives as of the inception date of the related convertible notes up to the proceeds amount and to fair value as of each subsequent balance sheet date. At the inception of the 2007 convertible notes, the Company determined the fair value of the embedded derivative to be \$1,589,802. In addition, the Company determined the fair value of derivative related to warrants issued with the 2007 notes to be \$1,045,503. The Company recorded a discount of \$1,233,000 for the 2007 notes, which is being amortized by the effective interest method over the term of the Notes.

For the years ended December 31, 2008 and December 31, 2007, the Company amortized \$0 and \$430,166, respectively of the valuation discount.

The fair value of the embedded derivative was determined using a probability weighted Black Scholes Merton option pricing model based on the following assumptions: dividend yield: -0-%, volatility 114%, risk free rate: 3.05 – 3.34%, expected term: .53 – 3.75 years.

2008 Convertible Promissory Notes

In 2008, the Company entered into an additional \$1,234,606 in financing agreements which are convertible into common stock of the Company at \$.105 per share, due two years from inception, accrue interest at a rate of 7% per annum and were issued Class A and Class B warrants. The Class A and B warrants are exercisable for a purchase price of \$.21 and \$.315, respectively. The warrants have a 2 year term.

In December 2008, the Company entered into a new financing agreement for a new convertible promissory note payable of \$50,000. The note is convertible into common stock of the Company at a price to be determined in the future. The note, which is due on January 31, 2009, accrues interest at a rate of 5% per annum. The note is secured by 1,000,000 shares of the Company's common stock owned by the Company's CEO. In February 2009, the Company issued 250,000 shares, valued at \$9,500, as a penalty to extend the maturity to an unspecified date.

During 2008, \$247,000 of principal and interest was converted into 2,389,717 shares of the Company's and \$25,139 was repaid.

The Company originally accounted for the fair value of the conversion feature and the fair value of the warrants based upon the relative value of the Black Scholes Merton valuation of the warrants and the underlying debt amount. Subsequently, the Company's identified them as embedded derivatives due to price resets relating to the 2008 convertible notes. The accounting treatment of derivative financial instruments requires that the Company record fair value of the derivatives as of the inception date of the related convertible notes up to the proceeds amount and to fair value as of each subsequent balance sheet date. At the inception of the 2008 convertible notes, the Company determined the fair value of the embedded derivative to be \$487,883. In addition, the Company determined the fair value of derivative related to warrants issued with the 2008 notes to be \$205,172. The Company recorded a discount of \$190,124 for the 2008 notes, which is being amortized by the effective interest method over the term of the Notes.

For the years ended December 31, 2008 and December 31, 2007, the Company amortized \$114,238 and \$0, respectively of the valuation discount.

The fair value of the embedded derivative was determined using a probability weighted Black Scholes Merton option pricing model based on the following assumptions: dividend yield: -0-%, volatility 28 - 167%, risk free rate: .11 – 1.00%, expected term: .01 – 2.74 years.

NOTE 7. AGREEMENTS

AGREEMENTS

Several agreements, letters of intent, and memorandums of understanding regarding the Sanswire project were entered into during 2008 and 2007 and through the date of this report, none of which require the recording of any assets, liabilities, revenues or expenses.

NOTE 8. 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, which motion to amend is still pending with the Court. The parties are currently engaged in discovery. 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.

Wachovia v. GlobeTel

In connection with the operations of Globetel Wireless Europe GmbH and the acquisition of Altvater GmbH, the Company guaranteed a letter of credit in the amount of \$600,000. Upon Globetel Wireless Europe GmbH ceasing operations, the letter of credit was drawn upon. The letter of credit was not collateralized. In September 2007, Wachovia filed a lawsuit in Broward County in an attempt to recover the amount through arbitration with the American Arbitration Association. On June 2, 2008, the American Arbitration Association awarded Wachovia \$762,902

Richard Stevens v. GlobeTel

The Company and its directors were sued in the case RICHARD STEVENS vs. GLOBETEL COMMUNICATIONS CORP., et al. Case No.: 06-cv 21071. The original allegations of the complaint were that the Company’s proposed transaction to build wireless networks in Russia was a sham. The amended complaint alleged that the transaction was not a sham, but that the Company refused to accept payment of \$300 million. Recently, the officers and directors with the exception of Timothy Huff have been dismissed from the case.

In February 2008, the Company and the Plaintiff reached a settlement in principle that has been filed with the Court for approval. Under the terms of the proposed settlement agreement in the class action, the Company’s D&O insurance carrier will make a cash payment to the class of \$2,300,000, less up to \$100,000 for potential counsel fees and expenses. All claims in the class action will be dismissed with prejudice. The US District Court for the Southern District of Florida has approved the settlements reached in its pending securities class action and a shareholder derivative action on February 4, 2008.

Derivative Action

On July 10, 2006 a derivative action was filed against the officers and directors of the Company alleging that they have not acted in the best interest of the Company or the shareholders and alleged that the transaction to install wireless networks in Russia was a sham. The lawsuit is pending in the Federal District Court for the Southern District of Florida (Civil Case No. 06-60923). The Company believes that the suits are without merit and will vigorously defend against it. The Company has hired outside counsel to defend it in this action. The Company and the Plaintiff have reached an agreement in principle to settle this action and have submitted such settlement with the Court for its approval. Under the terms of the settlement, Company’s D&O insurance carrier will pay \$60,000 in attorneys’ fees to plaintiff’s counsel, the Company will implement or maintain certain corporate governance changes, and all claims will

be dismissed with prejudice.

Mitchell Siegel v. GlobeTel

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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 an additional \$29,167 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.

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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. The Company successfully moved to have the two cases consolidated and has filed a Motion to Dismiss this suit. The Company intends to vigorously defend this suit, but no assurance can be given about the outcome of the litigation.

American Express

American Express Travel Related Services Company, Inc. has filed a lawsuit against the Company and Sanswire Networks LLC (CASE NO: CACE 08-013239, Broward County Florida), seeking to recover a total of \$394,919 for unpaid charges on the Companies' corporate purchasing account. On October 3, 2008, American Express received a final judgment for \$404,113. This liability was previously recorded in the Company's accounts payable as incurred.

LEASES AND RENTS

Sanswire's corporate offices are now located at 101 NE 3 rd Ave., Suite 1500, Fort Lauderdale, FL 33301. Base rent is \$575 per month plus the cost of services used by Sanswire. The lease is for a period of 6 months. The lease is for a period of 6 months and terminates on September 30, 2009. We believe our facilities are adequate for our current and near-term needs.

The Company previously leased office facilities at 9050 Pines Blvd., Suite 110, Pembroke Pines, Florida 33024, as of April 1, 2004. The Company vacated the premises in March 2006, having turned over the space to Gotham Financial as part of the sale of the Stored Value assets to Gotham. However, there was unpaid rent due on both the first and second floor suites. In August 2007, the landlord received a judgment in the amount of \$206,730 of which \$115,693 was accrued for in 2006 as it relates to 2006 expenses. The balance was accrued in 2007.

Until September 2007, the Company leased a 66,000 square foot space hanger in Palmdale, California. The initial lease, between Sanswire Networks, LLC and the City of Los Angeles World Airports, was for a term of three months, ended July 22, 2005 with a monthly rent of \$19,990. On June 8, 2005 the lease term was amended for fifteen months, commencing June 8, 2005 through September 7, 2006, with two one-year options. Concurrently with the signing of the amended lease, the parties entered into a reimbursement agreement to share the cost of certain improvements.

As of October 2007, Sanswire no longer occupies a hangar at Palmdale Regional Airport, the monthly cost of this space was \$20,847. This facility was adjacent to the United States Air Force's Plant 42 and Edwards Air Force Base. Sanswire constructed and tested Stratellite and Sky Sat prototypes at the facility. The hangar also included administrative office space. Sanswire is indebted to Los Angeles World Airports, the lessor of the hangar, in the amount of \$161,761.

Rent expense for 2008 and 2007 were \$42,431 and \$285,033, respectively.

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NOTE 9. INCOME TAXES

Deferred income taxes and benefits for 2008 and 2007 are provided for certain income and expenses, which are recognized in different periods for tax and financial reporting purposes. The tax effects (computed at 15%) of these temporary differences and carry-forwards that give rise to significant portions of deferred tax assets and liabilities consist of the following:

	2007	Current Period Changes	2008
Deferred tax assets:			
Net operating loss carryforwards	\$ 14,849,395	\$ 815,792	\$ 15,665,187
	14,849,395	815,792	15,665,187
Valuation allowance	(14,849,395)	(815,792)	(15,665,187)
Net deferred tax asset	\$ —	\$ —	\$ —

A reconciliation of income benefit provided at the federal statutory rate of 15% to income tax benefit is as follows:

	2008	2007
Income tax benefit computed at federal statutory rate	\$ (815,792)	\$ (1,740,822)
Losses not benefited	815,792	1,740,822
	\$ —	\$ —

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.

At the end of 2008, the Company had net operating loss carry-forwards (including those of its successor due to accounting for the reincorporation as an "F" reorganization under the Internal Revenue Code) of approximately \$81,429,083, which expire at various dates through 2021.

NOTE 10. COMMON STOCK TRANSACTIONS

During the year ended December 31, 2008, the Company issued the following shares of common stock:

SHARES	CONSIDERATION	VALUATION
2,700,701	Settlement of Debt	\$ 99,674
1,222,222	Services - Performance Bonus	110,000
6,047,222	Consulting Services	374,502
30,465,195	Converted Notes Payable and Accrued Interest	1,978,838
6,831,778	Stock for Debt	367,920
1,500,000	Services - Performance Bonus	52,500
2,680,000	Stock for Joint Venture	268,000
2,000,000	Services - Performance Bonus	78,000
1,500,000	Services - Performance Bonus	97,500

During the year ended December 31, 2007, the Company issued the following shares of common stock:

SHARES	CONSIDERATION	VALUATION
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5,584,932	Settlement of Debts	\$ 5,955,565
770,870	Services - Performance Bonus	300,639
3,750,000	Exercised Warrants	750,000
2,521,037	Services - Performance Bonus	614,592
177,910	Stock for Brokers Fees	16,012
2,475,000	Consulting Services	640,000
2,261,956	Converted Notes Payable and Accrued Interest	355,444
1,864,286	Deposit for Joint Venture	261,000
880,103	Stock for Directors Fees	95,864

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The valuation amounts of the above common stock transactions are based on the amounts that common stock and related additional paid-capital were increased (decreased) upon recording of each transaction. For exercises of stock options, no values are indicated, whereas the options were valued and the additional paid-in capital account was increased upon the original issuance (grant) of the options and no additional charges were recorded upon exercise of the options. For conversions of preferred stock, the valuation indicated is the recorded amount of the preferred stock upon original issuance of the preferred shares, which amount was reclassified to common stock and related additional paid-in capital upon conversion. Where preferred stock was originally issued for broker's fees (instead of cash) and, accordingly, no monetary compensation was received or recorded by the Company for the preferred shares issued, the listed common stock valuation is also zero.

For other issuances of shares during the periods described above, the Company-issued restricted shares (Rule 144) of its common stock to consultants and officers for services to the Company. Through December 31, 2004, issuance of restricted shares (Rule 144) were valued, due to limitations in current marketability, by the Company based upon half of the average bid and asked price of the Company's shares on the date of issuance, unless the services provided were valued at another amount as agreed upon between the parties.

In August 2008, the Company issued an additional 800,000 contingent shares to a vendor that will be returned to the Company when the amounts due the vendor are paid. The Company has accounted for them as forfeitable shares as they believe they will be returned under the agreement in 2009. They are not considered outstanding for Earnings per share purposes and the liability remains recorded.

NOTE 11. STOCK OPTIONS AND WARRANTS

During the year ended December 31, 2008, the Company issued the following fully vested options to acquire Common stock:

Date Issued	Shares	Consideration	Valuation	Relationship
1/18/2008	3,444,444	Employees' Bonus	\$ 228,029	Non Executive Employees
2/6/2008	250,000	Employees' Bonus	\$ 16,803	Non Executive Employees

During the year ended December 31, 2007, the Company issued the following fully vested options to acquire Common stock:

Date Issued	Shares	Consideration	Valuation	Relationship
3/19/2007	500,000	Employee Bonus	\$ 130,753	Non Executive Employee
3/28/2007	2,000,000	Officer Stock Option Grant	\$ 352,093	Chief Operating Officer
4/12/2007	2,000,000	Officer Stock Option Grant	\$ 347,676	Chief Operating Officer
4/13/2007	958,000	Employees' Bonus	\$ 167,670	Non Executive Employees
5/22/2007	4,078,945	Employee's Bonus	\$ 504,470	Executive Employees
6/15/2007	1,500,000	Officer Severance/Bonus	\$ 266,296	Chief Operating Officer
8/20/2007	55,555	Employees' Bonus	\$ 5,408	Non Executive Employee
8/30/2007	1,833,333	Officer Severance/Bonus	\$ 116,236	Former Chief Executive Officer
10/18/2007	750,000	Employees' Bonus	\$ 32,389	Non Executive Employee

See below for more information regarding vesting term and exercise prices.

All options are fully vested and thus there is no future compensation.

The above scheduled stock options were recorded at fair market value under SFAS 123R (see Note 1 above). The fair value of the options at the time of issuance was determined using the Black-Scholes option-pricing model with the following assumptions:

Risk free interest rate	3 - 4.50%
Expected life	3 years
Expected volatility	65-112%
Expected dividend yield	0%

As of December 31, 2008, the exercise price of all options outstanding exceeds the market price of the Company's stock, and therefore there was no intrinsic value.

STOCK OPTION BONUS PLANS

In November 2005, the Company established its 2005 Stock Option Bonus Plan, wherein the board of directors authorized the issuance of stock options for restricted shares totaling 1,509,180 shares to the officers and employees of the Company as payment of accrued bonuses through December 31, 2005. The stock options are exercisable at \$2.12, based on the closing market price of the Company's free-trading shares on the date the options were granted. Through the date of this report, none of these options have been exercised.

During 2005, the board of directors authorized the issuance of stock options for restricted shares totaling 199,490 shares to the directors of the Company as board members' compensation for services through December 31, 2005. The stock options are exercisable at various amounts, ranging from \$1.99 to \$4.35 per share, based on the closing market price of the Company's free-trading shares on the date the options were granted, except for a now former director who was issued 37,500 and 30,000 options shares at \$1.49 and \$0.99, respectively. Through the date of this report, none of these options have been exercised.

All of the options granted during 2008 and 2007, unless otherwise discounted as noted above, were exercisable based on the closing market price of the Company's free-trading shares.

STOCK OPTIONS

Employee options vest according to the terms of the specific grant and expire from 3 to 5 years from date of grant. As of December 31, 2007, all options issued and outstanding have fully vested and thus there was no deferred compensation. Stock option activity for the years ended December 31, 2008 and 2007 was as follows:

	Number of Options (in shares)	Weighted Average Exercise Price
Outstanding at December 31, 2006	20,173,602	\$.894
Options Granted	13,675,833	.265
Options Forfeited	(5,144,265)	.864
Outstanding at December 31, 2007	28,705,170	\$.600
Options Granted	3,694,444	.091
Options Forfeited	(10,916,862)	1.619
Options Cancelled	(5,500,000)	.317
Outstanding at December 31, 2008	15,982,752	\$.350

WARRANTS

On September 6, 2006, the Company entered into subscription agreements with several investors whereby these investors were issued Class A and Class B Warrants. The investors received one Class A Warrant to purchase one share of common stock for every two shares that the notes were convertible into on the closing date as well as one Class B Warrant to purchase the identical number of shares.

The Class A Warrants are exercisable for a purchase price equal to 150% of the market price on the day prior to closing and the Class B Warrants are exercisable for a purchase price equal to 200% of the market price on the day prior to closing which calculates to 3,602,190 warrants ranging from \$.66 to \$1.26. The Warrants have a 5 year term.

On April 13, 2007, the Company agreed to reprice the exercise price of warrants previously packaged with a previous Convertible Note financing from 2006 to \$.20 per share, and increased the number of shares issuable upon exercise of such warrants 1.5 times the original amount of warrants issued. In consideration of the aforementioned one of the investors exercised their warrants which resulted in the issuance of 2,250,000 additional warrants.

On May 1, 2007, the Company executed several Certificates of Adjustments for the previously issued Warrants. The Warrants previously had Exercise Prices ranging from \$0.75 to \$1.00 and with the execution of the adjustments; the Exercise Prices were then modified to \$0.196. The Company recognized a \$140,487 loss from the increase in fair value from the modification of warrants. In January 2008, the Company issued certificates of adjustment for certain convertible debentures and warrants issued pursuant to the 2006 financing to \$.105 per share. The Company does not anticipate any additional charge related to this modification due to the new price being above market price at the time of the modification.

In December 2007, the Company entered into financing agreements for convertible promissory notes payable whereby these investors were issued Class A and Class B warrants. The Class A and B warrants are exercisable for a purchase price of \$.21 and \$.315, respectively. The warrants have a 2 year term.

In December 2008, the Company entered into financing agreements for convertible promissory notes payable whereby these investors were issued Class A and Class B warrants. The Class A and B warrants are exercisable for a purchase price of \$.21 and \$.315, respectively. The warrants have a 2 year term.

The following table summarizes certain information about the Company's stock warrants.

	Warrants Class A	Warrants Class B	Weighted Average Exercise Price
Outstanding at December 31, 2006	3,736,701	1,801,095	\$ 1.994
Warrants Granted	8,121,428	3,914,285	0.242
Warrants Exercised	(3,750,000)	—	0.200
Outstanding at December 31, 2007	8,108,129	5,715,380	\$ 0.330
Warrants Granted	5,879,075	3,919,383	0.252
Warrants Exercised	—	—	—
Outstanding at December 31, 2008	13,987,204	9,634,763	\$ 0.253

The fair value of the warrants issued during 2007 was determined using the Black-Scholes option-pricing model with the following assumptions:

Risk free interest rate	.75 - 4.50%
Expected life	2 - 5 years
Expected volatility	58 - 142%
Expected dividend yield	0%

NOTE 12. PREFERRED STOCK

As of the date of this report the Company has no preferred shares issued and/or outstanding.

NOTE 13. SUBSEQUENT EVENTS

February 2009 Financing

On February 17, 2009, the Company entered into subscription agreement with accredited investors. The Company sold \$140,000 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 date hereof 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 this addendum. Should the price of the common shares be \$.105 or higher on the 90th day after the date of this 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 this 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.

ITEM 9 CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

ITEM 9A (T) 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 December 31, 2008. 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 December 31, 2008, 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.

Material Weaknesses

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

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

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

- a. Seeking to recruit board members independent of management;
- b. Granting Board committees standing authority to retain counsel and special or expert advisors of their own choice;
- c. Seeking outside review of acquisition transactions
- d. Establishment of an audit committee
- e. Upon adequate funding, hiring additional staff leading to the segregation of duties to enable a better control environment

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 year ended December 31, 2008 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting in accordance with Exchange Act Rule 13a-15. With the participation of our chief executive officer and chief financial officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2008 based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was not effective as of December 31, 2008, based on those criteria due to the material weaknesses as outlined above. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

This annual report does not include an attestation report of the Company's registered accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission.

ITEM 9B. OTHER INFORMATION

BOARD APPOINTMENTS AND RESIGNATIONS

On March 14, 2007, Michael Castellano and Patrick Heyn resigned as directors of the Company. Mr. Castellano also served as chairman of the Audit Committee.

On September 7, 2007, Peter Khoury resigned as director of the Company. Mr. Khoury also resigned as CEO.

On August 6, 2009, Jonathan Leinwand resigned as a director and Chief Executive Officer of the Company and Przemyslaw Kostro resigned as a director of the Company.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

As of September 14, 2009, the officers and directors of the Corporation are:

Name	Age	Position with Company
David A. Christian	60	Chief Executive Officer and Chairman of the Board of Directors
Thomas Seifert	38	Chief Financial Officer
Maj. Gen. Wayne P. Jackson (USA-Ret.)	80	Director
William J. Hotz		Director

All directors hold office until the next annual meeting of our stockholders and until their successors have been elected and shall qualify. Officers serve at the discretion of our Board of Directors.

David A. Christian

On May 3, 2009, the Board of Directors of Sanswire Corp. (the "Company") appointed David A. Christian as a director and chairman of the Board of Directors of the Company and on August 6, 2009, the Board of Directors appointed him as the Chief Executive Officer of the Company. There is no understanding or arrangement between Mr. Christian and any other person pursuant to which Mr. Christian was selected as a director. Mr. Christian does not have any family relationship with any director, executive officer or person nominated or chosen by us to become a director or an executive officer. 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.

David A. Christian is one of the United States' most decorated veterans, the recipient of 7 Purple Hearts, Silver Star, Bronze Star and numerous other medals and commendations. He became the youngest National Commander of the Nation's oldest veterans organization "The Legion of Valor". He was a co-founder of the Vietnam Veterans of America with US Senator John Kerry and Bob Muller. Mr. Christian is currently a lecturer, commentator, advisor to the US Senate, and runs a Service Disabled Veteran Owned Small Business that does work with the United States Armed Forces under contract. From 1998 until 2006 Mr. Christian was a Senate Fellow in the United States Senate and an advisor in the areas of National Defense, Foreign Relations and Armed Services. He has also served in the Carter and Regan administration and has been active in veterans affairs. Since 2006 Mr. Christian has served as the Chief Executive Officer of DacVal LLC, a manufacturer and re-manufacturer providing military defense support equipment for the United States armed services.

Additionally, Mr. Christian is an author, consultant to major news organizations, and a nationally recognized speaker. He is fluent in Russian and German.

Thomas Seifert

Mr. Seifert has served as a consultant to the Company since April 2007 and has more than thirteen years experience in financial management. Prior to joining the Company, Mr. Seifert served five years as Chief Financial Officer of Globalnet Corporation, a public telecommunications company. Past positions include Chief Financial Officer of 2Sendit.com, Controller for Integrated Telephony Products and Controller for Mountain Vacations.

Maj. Gen. Wayne P. Jackson (USA-Ret.)

During his military career, General Jackson served in various overseas theaters of operations and in a variety of assignments. He has commanded Aviation, Civil Affairs, Infantry, Military Intelligence, Signal Corps and Special Forces units, as well as two General Office Commands and also as the Director of Counter Intelligence and Security, Headquarters Department of the Army. In addition, General Jackson also served as Chief, Division of Probation Administrative Office of the United States Court, Washington, D.C.

General Jackson earned a B.A. and M.A. in Psychology at the University of Tulsa, and performed other post-graduate work at the Illinois Institute of Technology and at the University of Southern California. His military education includes the basic and advanced Officers Course at the Signal and Military Intelligence schools, advanced courses at the Civil Affairs and Infantry schools, as well as coursework at the US Army Command and General Staff College and the US Army War College.

William J. Hotz

Since 2007, Mr. Hotz has been a consultant and advisor with DAC Consulting Inc., a consulting firm owned by our chairman, David A. Christian, on national security, military, and veterans' issues. From 1997 to 2007, Mr. Hotz served as Agent in Charge of an Inspector General's office at a federal agency in Washington D.C. From 1971 to 1997, Mr. Hotz served as a Special Agent and Supervisory Special Agent of the U.S. Secret Service with responsibility for the physical protection of the President and Vice President of the United States and their families, as well as heads of state and foreign dignitaries, in the United States and locations around the world. Mr. Hotz received his B.S. in business administration from Villanova University in 1971.

(B) COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934 requires that our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and with any exchange on which the Company's securities are traded. Officers, directors and persons owning more than ten percent of such securities are required by Commission regulation to file with the Commission and furnish the Company with copies of all reports required under Section 16(a) of the Exchange Act. Based solely upon our review, we believe that all reports required under Section 16(a) of the Exchange Act were made.

Code of Ethics

We have not adopted a code of ethics.

Audit Committee Financial Expert

We do not have an audit committee financial expert because the Company has been unable to appoint such a qualified person during the period when the Company has been restating its financial statements and becoming current with its financial statements.

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth information regarding compensation paid to our principal executive officer, principal financial officer, and our highest paid executive officer, all of whose total annual salary and bonus for the years ended December 31, 2008, and 2007.

Name & Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Option Awards (\$)	Incentive Plan Compensation (\$)	Non- Equity	Change in Pension Value and Non- Qualified Deferred Compensation	All Other Compensation (\$)	Total (\$)
						Compensation (\$)	Compensation (\$)		
Jonathan Leinwand, CEO, Director	2008	34,599	—	55,000	—	—	—	48,205	137,804

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Jonathan Leinwand,
CEO, Director

2007	46,153	-240,000	—	—	—	-286,153
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OUTSTANDING EQUITY AWARDS

The following table sets forth information with respect to the outstanding equity awards of our principal executive officers and principal financial officer during 2008, and each person who served as an executive officer of the Company as of December 31, 2008:

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares or Units of Stock That Have Not Vested (#)	Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Jonathan Leinwand	921,052	—	—	0.190	May 22, 2010	—	—	—	—
	1,400,000	—	—	0.105	October 18, 2010	—	—	—	—
	2,916,667	—	—	0.090	January 10, 2011	—	—	—	—

COMPENSATION OF DIRECTORS

The following table summarizes the compensation for our non-employee board of directors for the fiscal years ended December 31, 2008 and 2007:

Name (a)	Fees Earned or Paid in		Option Awards (\$) (d)	Non-Equity Incentive Plan Compensation		Non-Qualified Deferred Compensation Earnings (\$) (f)	All Other Compensation (\$) (g)	Total (\$) (j)
	Cash (\$) (b)	Stock Awards (\$) (c)		(\$) (e)	(\$) (h)			
Przemyslaw Kostro, Chairman (2007)	—	—	18,750	—	—	—	—	18,750
Patrick Heyn (2007)	—	—	—	—	—	—	—	—
Michael Castellano (2007)	—	—	—	—	—	—	—	—
Peter Khoury (2007)	103,332	76,099	278,968	—	—	—	—	458,399

Compensation paid to Directors who are also officers of the Company is reflected in Item 10. Executive Compensation. We maintain a policy of compensating our directors using cash and stock options. Currently, the Company determines Board compensation on an individual basis. Employee members of the Board do not receive additional compensation for their service on the Board.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Common Stock

As of September 4, 2009, there were 226,070,599 common shares issued and outstanding. The table below sets forth the share ownership of our executive officers and directors, individually and as a group. No other person is the beneficial owner of more than 5% of our issued and outstanding common shares

Title of Class	Name & Address of Beneficial	Amount and Beneficial	Nature of Ownership	Percentage of Class (1)
Common Stock	David A. Christian, CEO and Chairman 101 NE 3 rd Ave, Suite 1500, Fort Lauderdale, Florida 33301	250,000	Direct	0.11%
Common Stock	Thomas Seifert, CFO 101 NE 3 rd Ave, Suite 1500, Fort Lauderdale, Florida 33301	6,185,586	Direct and Indirect	2.74%
Common Stock	Wayne Jackson, Director 101 NE 3 rd Ave, Suite 1500, Fort Lauderdale, Florida 33301	250,000	Direct	0.11%
Common Stock	William Hotz, Director 101 NE 3 rd Ave, Suite 1500, Fort Lauderdale, Florida 33301	50,000	Direct	0.02%
	Total of all Officers and Directors as a Group	6,735,586		2.98%

(1) Based on 226,070,599 shares issued and outstanding on September 4, 2009.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Certain Relationships and Related Transactions

See Item 8, Notes 10 and 11 Common Stock Transactions and Stock Option, respectively, to the Notes to Consolidated Financial Statements.

Director Independence

Mr. Hotz and General Jackson are independent as that term is defined under section 301 of the Sarbanes-Oxley Act of 2002.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

AUDIT FEES

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The following table summarizes the fees for Weinberg & Company, P.A. services rendered to the Company during 2008 and 2007.

Type of Fee	Amount	
	Fiscal Year 2008	Fiscal Year 2007
Audit(1)	\$ 299,260	\$ 50,858
Audit Related(2)	—	—
Taxes (3)	—	—
All Other (4)	—	—
Total	\$ 299,260	\$ 50,858

- (1) This category consists of fees for the audit of our annual financial statements included in the Company's annual report on Form 10-KSB and review of the financial statements included in the Company's quarterly reports on Form 10-QSB. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements, statutory audits required by non-U.S. jurisdictions and the preparation of an annual "management letter" on internal control matters.
- (2) Represents services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements for those fiscal years, aggregate fees charged for assurance and related services that are reasonably related to the performance of the audit and are not reported as audit fees. These services include consultations regarding Sarbanes-Oxley Act requirements, various SEC filings and the implementation of new accounting requirements.
- (3) Represents aggregate fees charged for professional services for tax compliance and preparation, tax consulting and advice, and tax planning.
- (4) Represents aggregate fees charged for products and services other than those services previously reported.

ITEM 15. EXHIBITS

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 32.2 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

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SANSWIRE CORP.

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

Dated September 22, 2009

By: /s/Thomas Seifert
Name: Thomas Seifert
Title: Chief Financial Officer

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SIGNATURE	TITLE	DATE
/s/ David Christian David Christian	Chief Executive Officer and Chairman of the Board of Directors Officer and Director	September 22, 2009
/s/ Maj. Gen. Wayne P. Jackson (USA-Ret.) Maj. Gen. Wayne P. Jackson (USA-Ret.)	Director	September 22, 2009
/s/ William Hotz William Hotz	Director	September 22, 2009
