World Surveillance Group Inc.
Form 424B3
May 04, 2012

PROSPECTUS

dated May 4, 2012

50,000,000 Shares

Common Stock

This Prospectus relates to the offer and sale of up to 50,000,000 shares of our common stock, par value $0.00001 per share, which may be resold from time to time by the selling stockholder identified in this prospectus. The 50,000,000 shares may be acquired by the selling stockholder pursuant to a certain convertible debenture that was issued in a private placement in reliance on Section 4(2) of the Securities Act of 1933, as amended (Securities Act), and Rule 506 promulgated thereunder. The initial financing of $500,000 was paid at the closing to the Company and an additional aggregate investment in the Company of $5.0 million is required by the private placement documents. The selling stockholder also has the right to purchase an additional $5.0 million of our common stock at a purchase price of $0.21 per share for a period of three years. The private placement closed on February 2, 2012.

Pursuant to the private placement documents, we agreed to register for resale 50,000,000 shares of common stock that may be issued to the selling stockholder pursuant to a certain convertible debenture issued by the Company to the selling stockholder in the private placement. We are not selling any common stock under this prospectus and will not receive any proceeds from the sale of shares by the selling stockholder.

The selling stockholder may sell the shares from time to time at the market price prevailing on the Over The Counter Bulletin Board at the time of offer and sale, or at prices related to such prevailing market prices, in negotiated transactions or in a combination of such methods of sale directly or through brokers. See “Plan of Distribution” beginning on page 46 for additional information on how the selling stockholder may conduct sales of its shares of common stock.

Other than commissions and legal fees of the selling stockholder, we shall bear all expenses incurred in connection with registration of the common stock offered by the selling stockholder.

Our common stock is traded on the OTCBB under the symbol "WSGI." On April 4, 2012, the closing price of our common stock was $0.04 per share.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 3 for certain risks you should consider before purchasing any shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 4, 2012

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with additional information or information different from that contained in this prospectus. No offer to sell these securities shall be made in any jurisdiction where an offer or sale is not permitted. You should assume that the information contained in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, prospects, financial condition and results of operations may have changed.

This document may only be used where it is legal to sell these securities. Certain jurisdictions may restrict the distribution of these documents and the offering of these securities. We require persons receiving these documents to inform themselves about, and to observe any, such restrictions. We have not taken any action that would permit an offering of these securities or the distribution of this prospectus in any jurisdiction where action for that purpose is required.

Market, Industry and Other Data

Unless otherwise indicated, information contained in this prospectus concerning our industry and the market in which we operate, including our general expectations and market position, market opportunity and market size, is based on information from various sources, on assumptions that we have made that are based on those data and other similar sources, and on our knowledge of the markets for our products. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such information or estimates. We have not independently verified any third-party information and cannot assure you of its accuracy or completeness. None of our estimates have been verified by any independent source. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk and are subject to change due to a variety of factors, including those described in “Risk Factors” and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes included in this prospectus and the information set forth under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Investing in our common stock involves risks. See "Risk Factors" beginning on page 3.

Our Company and Business

We design, develop and market, and intend to sell, autonomous lighter-than-air (LTA) unmanned aerial vehicles (UAVs) capable of carrying payloads that provide persistent security and/or wireless communications from air to ground solutions at low, mid and high altitudes. Our airships and aerostats when integrated with electronics systems and other high technology payloads, are designed for use by government-related and commercial entities that require real-time intelligence, surveillance and reconnaissance or communications support for military, homeland defense, border control, drug interdiction, natural disaster relief and maritime missions. Our business focuses primarily on the design and development of innovative UAVs that provide situational awareness and other communications capabilities via the integration of wireless capabilities and customer payloads. We believe a very large market opportunity exists for lower cost UAVs that can fly on station for multiple days performing continuous remote sensing and communications relay missions in an affordable manner. Existing solutions such as communications satellites, manned aircraft, tethered aerostats or balloons and heavier-than-air fixed wing unmanned aircraft address some of this emerging demand, but either are imperfect in their capabilities and/or operate at relatively high financial and resource costs.

Through our wholly owned subsidiary Global Telesat Corp. (GTC), we provide mobile voice and data communications services globally via satellite to the U.S. government, defense industry and commercial users. GTC specializes in services related to the Globalstar satellite constellation, including ground station construction, satellite telecommunications voice airtime and tracking services. GTC has recently launched its e-commerce mobile satellite solutions portal and is an authorized reseller of satellite telecommunications equipment and services offered by other leading satellite network providers such as Inmarsat, Iridium and Thuraya. GTC's equipment is installed in various ground stations across Africa, Asia, Australia, Europe and South America.

Corporate Information

On September 22, 2008 we filed a Certificate of Merger with the Secretary of State of the State of Delaware pursuant to which our newly formed wholly-owned subsidiary, Sanswire Corp., a Delaware corporation, was merged into us and our corporate name was changed from GlobeTel Communications Corp. to Sanswire Corp. Effective April 19, 2011, we merged a newly created, wholly-owned Delaware subsidiary, World Surveillance Group Inc., with and into the Company, with the Company being the surviving corporation. Our Restated Certificate of Incorporation is the charter of the surviving corporation except that our name has been changed to World Surveillance Group Inc. In connection with the change of our corporate name, effective April 25th our stock ticker symbol, under which our common stock is now traded, was changed to “WSGI”.

On May 25, 2011 we completed our acquisition of privately-held Global Telesat Corp. We acquired 100% of the issued and outstanding securities of GTC, making GTC a wholly owned subsidiary of the Company. GTC supplies satellite based tracking and communication solutions to the U.S. Government, defense industry and commercial customers.

Our current principal office is at State Road 405, Building M6-306A, Room 1400, Kennedy Space Center, FL 32815, our mailing address is Mail Code: SWC, Kennedy Space Center, FL 32899, and our telephone number at that location is (321) 452-3545. Our internet address is www.wsgi.com. Information contained on our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only. Unless otherwise indicated or unless the context otherwise requires, all references in this document to “we,” “us,” “our,” the “Company” and similar expressions are references to World Surveillance Group Inc. and, depending on the context, its subsidiaries.

World Surveillance Group, Global Telesat, GTC, Argus One, SkySat, Stratellite, the World Surveillance Group logo and other trademarks or service marks of World Surveillance Group appearing in this prospectus are the property of World Surveillance Group Inc. Trade names, trademarks and service marks of other companies appearing in this prospectus are the property of their respective holders.

Risks Associated with Our Business

Our business is subject to numerous risks and uncertainties, including, but not limited to, the risks that (i) if we are unable to raise additional capital, we would likely have to delay, curtail, scale back or terminate some or all of our operations, prematurely sell some or all of our assets, merge with or be acquired by another company or possibly shut down our operations, (ii) we have not yet sold any of our airships or aerostats in the commercial marketplace, and (iii) we generated limited revenue in the year ended December 31, 2011. Additional risks relating to our business and the ownership of our common stock include those highlighted in the section titled "Risk Factors" immediately following this prospectus summary.

THE OFFERING

Common stock offered by us	None
Common stock offered by selling stockholder	50,000,000
OTCBB stock symbol	"WSGI"
Proceeds to us	None
Risk factors	Investing in our common stock involves certain risks. You should read "Risk Factors" beginning on page 3 and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to purchase shares of our common stock.

RISK FACTORS

Investing in or purchasing shares of our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, including our consolidated financial statements and related notes, before deciding whether to purchase or invest in shares of our common stock. If any of the following risks are realized, our business, financial condition, operating results and prospects could be materially and adversely affected. In that event, the price of our common stock would likely decline, and you could lose part or all of your investment in our common stock.

Risks Related to Our Business and Industry

We need to raise a significant amount of additional capital to continue our operations which capital may be costly and difficult to obtain, and if we are unable to raise additional capital, we would likely have to delay, curtail, scale back or terminate some or all of our operations, prematurely sell some or all of our assets, merge with or be acquired by another company, or possibly shut down our operations.

We need to raise significant additional capital in order to meet our cash requirements to fully implement our business plan and continue our operations during the next twelve months. As of December 31, 2011, we only had $5,532 of cash and cash equivalents, we had negative working capital of $16,837,985 and we had a net loss of $1,119,400. We expect to use the funds raised, if any, to expand and accelerate our research and development efforts, increase our manufacturing facilities, hire additional sales and other personnel, implement additional corporate governance measures, attract independent board members and for other operating activities. We will, as we deem necessary and prudent, continue to seek to raise additional capital through various financing alternatives, including the private or public sale of equity or debt securities, bank financing or corporate partnering arrangements. Other than our agreement with La Jolla Cove Investors, we do not have any firm commitments for additional capital from third parties or from our officers, directors or shareholders. Although our officers and directors or their affiliates have in the past provided us with or helped us obtain capital, they are not legally bound to do so. We may not be able to raise additional capital on terms acceptable to us or at all. In order to attract new investors and raise additional capital, we may be forced to provide rights and preferences to new investors that are not available to current stockholders and that may be adverse to existing investors. If we do not receive adequate additional financing on terms satisfactory to us on a timely basis, or at all, we would not be able to meet our cash payment obligations or fully implement our business plan. We would likely also have to delay, curtail, scale back or terminate some or all of our operations that could hurt our future performance, prematurely sell some or all of our assets on undesirable terms, merge with or be acquired by another company on unsatisfactory terms, or possibly shut down our operations.

We have a history of operating losses that we anticipate will continue for the foreseeable future.

We have a history of losses from operations and we anticipate that for the foreseeable future, we will continue to experience losses from operations. Those losses have resulted principally from costs incurred in our research and development efforts, and from general and administrative costs associated with our business. We had a net loss from continuing operations of $1,119,400 during 2011, $9,786,228 during 2010 and $9,414,507 during 2009. Our accumulated deficit through December 31, 2011 was $145,632,499. We expect to continue to incur net losses from operations for the next several quarters if not for all of 2012 as we continue to develop and seek to commercialize our products.

We have incurred substantial indebtedness and may be unable to service our debt.

Our indebtedness at December 31, 2011 was $16,647,378. A portion of such indebtedness reflects judicial judgments against us that could result in liens being placed on our bank accounts or assets. We are reviewing our ability to reduce this debt level due to the age and/or settlement of certain payables but we may not be able to do so. This level of indebtedness could, among other things:

- make it difficult for us to make payments on this debt and other obligations;
- make it difficult for us to obtain future financing;
- require us to redirect significant amounts of cash from operations to servicing the debt;
- require us to take measures such as the reduction in scale of our operations that might hurt our future performance in order to satisfy our debt obligations; and
- make us more vulnerable to bankruptcy or an unwanted acquisition on terms unsatisfactory to us.

Our independent auditors have issued a report stating that there is substantial doubt relating to our ability to continue as a going concern, which may impair our ability to raise additional financing.

The report of our independent auditors contained in our consolidated financial statements for the years ended December 31, 2011 and 2010 explains that we have incurred substantial operating losses and raises substantial doubt about our ability to continue as a going concern. Analysts and investors view reports of independent auditors questioning a company’s ability to continue as a going concern unfavorably. This report may make it difficult for us to raise additional debt or equity financing necessary to continue our business operations and the development of our airships. Potential investors should review this report before making a decision to invest in the Company.

We rely exclusively on our technical partner, Eastcor Engineering, and its chief technologist for the development and commercialization of our products.

We currently rely exclusively on our technical partner, Eastcor Engineering, and its chief technologist for the development and commercialization of our airships and aerostats. We currently have no technical personnel as employees of the Company. While we believe the relationship with Eastcor and its chief technologist to be very strong, there is no assurance that it will always remain so. If this relationship were to break down or terminate or if we were to lose the services of Eastcor and its chief technologist, it would cause a significant delay in our ability to continue to develop, manufacture and sell our airships and aerostats, postpone commercial revenue to us and increase the costs related to such development and commercialization. We had an agreement with Eastcor which expired in accordance with its terms and we are presently negotiating a new agreement to establish responsibilities for the technical development of our products. There is no guarantee, however, that we will be able to enter into such an agreement.

The financial results of the combined company may materially differ from the historical pro forma financial information presented in the Current Report on Form 8-K that we filed with the SEC.

We completed the GTC acquisition because we believe that the acquisition will be beneficial to our company and our stockholders. The success of the acquisition will depend, in part, on our and GTC's ability to realize the anticipated benefits and synergies from combining our businesses. To realize these anticipated benefits, we must successfully combine our businesses in an efficient and effective manner. If we are not able to achieve these objectives within the anticipated time frame, or at all, the anticipated benefits and cost savings of the acquisition may not be realized fully, or at all, or may take longer to realize than expected, and the value of our common stock may be adversely affected.

The historical pro forma financial information presented in the Current Report on Form 8-K that we filed with the SEC reflects the estimates, assumptions and judgments made by management of the Company and GTC. These estimates, assumptions and judgments affect the reported amounts of assets and liabilities as of the dates presented as well as revenue and expenses reported for the periods presented. The resolution of differences between the two companies' accounting policies and methods, including estimates, assumptions and judgments, may result in materially different financial information than is presented in the historical pro forma financial statements.

We may pursue other strategic transactions in the future, which could be difficult to implement, disrupt our business or change our business profile significantly.

We entered into a joint venture in 2008 with our then technology partner TAO Technologies, but terminated all of the agreements between us and TAO and dissolved the joint venture in 2011**.** We will continue to consider potential strategic transactions, which could involve acquisitions or dispositions of businesses or assets, joint ventures or investments in businesses, products or technologies that expand, complement or otherwise relate to our current or future business. We may also consider, from time to time, opportunities to engage in joint ventures or other business collaborations with third parties to address particular market segments. These activities create risks such as: (i) the need to integrate and manage the businesses and products acquired with our own business and products, (ii) additional demands on our resources, systems, procedures and controls, (iii) disruption of our ongoing business, and (iv) diversion of management's attention from other business concerns. Moreover, these transactions could involve: (a) substantial investment of funds or financings by issuance of debt or equity securities; (b) substantial investment with respect to technology transfers and operational integration; and (c) the acquisition or disposition of product lines or businesses. Also, such activities could result in one-time charges and expenses and have the potential to either dilute the interests of existing shareholders or result in the issuance of, or assumption of debt. Such acquisitions, investments, joint ventures or other business collaborations may involve significant commitments of financial and other resources of our company. Any such activity may not be successful in generating revenue, income or other returns to us, and the resources committed to such activities will not be available to us for other purposes. Moreover, if we are unable to access capital markets on acceptable terms or at all, we may not be able to consummate acquisitions, or may have to do so on the basis of a less than optimal capital structure. Our inability: (i) to take advantage of growth opportunities for our business or for our products, or (ii) to address risks associated with acquisitions or investments in businesses, may negatively affect our operating results. Additionally, any impairment of goodwill or other intangible assets acquired in an acquisition or in an investment, or charges to earnings associated with any acquisition or investment activity, may materially reduce our earnings. These future acquisitions or joint ventures may not result in their anticipated benefits and we may not be able to properly integrate acquired products, technologies or businesses, with our existing products and operations or combine personnel and cultures. Failure to do so could deprive us of the intended benefits of those acquisitions.

Product development is a long, expensive and uncertain process.

The development of LTA UAVs is a costly, complex and time-consuming process, and the investment in product development often involves a long wait until a return, if any, is achieved on such investment. We make and will continue to make significant investments in research and development relating to our airships, aerostats and our other businesses. Investments in new technology and processes are inherently speculative. We have experienced numerous setbacks and delays in our research and development efforts and may encounter further obstacles in the course of the development of additional technologies and products. We may not be able to overcome these obstacles or may have to expend significant additional funds and time. Technical obstacles and challenges we encounter in our research and development process may result in delays in or abandonment of product commercialization, may substantially increase the costs of development, and may negatively affect our results of operations.

Successful technical development of our products does not guarantee successful commercialization.

We may successfully complete the technical development for one or all of our product development programs, but still fail to develop a commercially successful product for a number of reasons, including among others the following:

- failure to obtain the required regulatory approvals for their use;
- prohibitive production costs;
- competing products;
- lack of innovation of the product;
- ineffective distribution and marketing;
- lack of sufficient cooperation from our partners; and
- demonstrations of the airships not aligning with or meeting customer needs.

We have not yet sold any of our airships or aerostats in the commercial marketplace and our success in the market for the products we develop will depend largely on our ability to prove our products' capabilities. Upon demonstration, our airships and aerostats may not have the capabilities they were designed to have or that we believed they would have. Furthermore, even if we do successfully demonstrate our products' capabilities, potential customers may be more comfortable doing business with a larger, more established, more proven company than us. Moreover, competing products may prevent us from gaining wide market acceptance of our products. Significant revenue from new product investments may not be achieved for a number of years, if at all.

GTC has developed various custom designed commercial simplex satellite tracking devices that are capable of transmitting locational and other information from any location within the Globalstar satellite network. These devices were previously exclusively used by U.S. government customers and thus have satisfied stringent operational requirements for years. Users of these tracking products will be able to access their accounts online and view near-live location and status transmissions using GTC's proprietary mapping web interface. Although GTC can sell to U.S. government customers without the need for any form of certification, GTC can not sell such tracking devices commercially without certification from Globalstar and the Federal Communications Commission for use in the U.S., and from comparable entities globally, like CE Mark. GTC has begun the process to apply for certification to sell these devices both in the U.S. and globally and GTC plans to have a worldwide target customer base with no cost basis on the monthly service plans sold with each device. Although, GTC believes the likelihood of obtaining these certifications is high due to its experience in producing these tracking devices for government customers combined with its knowledge and experience of the Globalstar network and their certification requirements, there is no guarantee that GTC will be, however, able to certify its tracking devices. Moreover, in the past, the Company has dealt specifically with U.S. government customers but is now also focused on expanding this customer base and making maximum use of the free accounts to generate increased revenue. We cannot assure you, however, that GTC will be successful doing so.

Our potential customers are likely to be government or government-related entities that are subject to appropriations by Congress and reduced funding for defense procurement and research and development programs would likely adversely impact our ability to generate revenues.

We anticipate that the majority of our revenue (for our airships, aerostats and GTC products other than website sales) at least in the foreseeable future will come from U.S. government and government-related entities, including both the Department of Defense and other departments and agencies. Government programs that we may seek to participate in and contracts for the construction of satellite ground stations must compete with other programs for consideration during Congress' budget and appropriations hearings, and may be affected by changes not only in political power and appointments but also general economic conditions and other factors beyond our control. Reductions, extensions or terminations in a program that we are seeking to participate in or overall defense or other spending could adversely affect our ability to generate revenues and realize any profits. We cannot predict whether potential changes in security, defense, communications and intelligence priorities will afford opportunities for our business in terms of research and development or product contracts, but any reduction in government spending on such programs could negatively impact our ability to generate revenues.

We may not qualify as a U.S. government contractor, and if we do, we will be subject to a number of procurement rules and regulations.

We have not yet been qualified to be a contractor, and have done no business yet, with the U.S. Government (although our recently acquired subsidiary GTC has done so) and if we fail to so qualify, our ability to generate revenues would be severely affected. As the parent company of GTC, we are not, however, required to be qualified as a government contractor in order for GTC to qualify for new government contracts. If we do so qualify, to do business with the U.S. government, we will be required to comply with and will be affected by laws and regulations relating to the award, administration and performance of U.S. contracts, as is GTC. Government contract laws and regulations affect how we will do business with our customers, and in some instances, will impose added costs on our business. A violation of specific laws and regulations could result in the imposition of fines and penalties, the termination of any then existing contracts or the inability to bid on future contracts.

Our airships are subject to significant governmental regulation including FAA regulations that currently prohibit us from performing any untethered flight testing of our UAVs in commercial airspace until we receive a clearance certification from the FAA which is difficult and time-consuming to obtain, and such regulations could significantly increase our research and development costs and could limit our ability to generate revenues.

Our airships are subject to regulation by the Federal Aviation Administration (FAA), which currently does not allow any untethered flights by UAVs in commercial airspace in the U.S. without prior FAA clearance certifications that are difficult and time-consuming to obtain. In light of the recent law enacted regarding UAVs, the status of regulations regarding the testing, operations and safety of UAVs is in flux. Depending on the ultimate rules adopted by the FAA, the cost to test and fly our products and our ability to generate revenues may be significantly adversely affected. International sales of our products may also be subject to U.S. laws, regulations and policies like the International Traffic in Arms Regulations (ITAR) and other export laws and regulations and may be subject to first obtaining licenses, clearances or authorizations from various regulatory entities. If we are not allowed to export our airships or the clearance process is burdensome, our ability to generate revenue would be adversely affected. The failure to comply with any of these regulations could adversely affect our ability to conduct our business and generate revenues as well as increasing our operating costs.

The nature of our business involves significant risks and uncertainties that may not be covered by insurance or indemnity.

We develop and intend to sell products where insurance or indemnification may not be available, including:

- Designing and developing products using advanced and unproven technologies and airships and aerostats in intelligence and homeland security applications that are intended to operate in high demand, high risk situations; and
- Designing and developing products to collect, distribute and analyze various types of information.

Failure of our airships could result in loss of life or property damage. Certain products may raise questions with respect to issues of civil liberties, intellectual property, trespass, conversion and similar concepts, which may raise new legal issues. Indemnification to cover potential claims or liabilities resulting from a failure of technologies developed or deployed may be available in certain circumstances but not in others. We are not able to maintain insurance to protect against all operational risks and uncertainties. Substantial claims resulting from an accident, failure of our product, or liability arising from our products in excess of any indemnity or insurance coverage (or for which indemnity or insurance is not available or was not obtained) could harm our financial condition, cash flows, and operating results. Any accident, even if fully covered or insured, could negatively affect our reputation among our customers and the public, and make it more difficult for us to compete effectively.

We compete with companies that have significantly more resources than us and already have government contracts for the development of UAVs.

A number of our competitors have received considerable funding from government or government-related sources to develop and build a mid- or high-altitude UAV. Most of these organizations and many of our other competitors have greater financial, technical, manufacturing, marketing and sales resources and capabilities than we do. Our products will compete both with not only other lighter-than-air UAVs but also with heavier-than-air fixed wing aircraft, manned aircraft, communications satellites, and tethered aerostats and balloons. We anticipate increasing competition as a result of defense industry consolidation, which has enabled companies to enhance their competitive position and ability to compete against us. In addition, other companies may introduce competing airships, aerostats or solutions based on alternative technologies that may adversely affect our competitive position. As a result, our products may become less or non-competitive or obsolete. If we are not able to compete successfully against our current and future competitors, we may fail to generate revenues and our financial condition would be adversely affected.

We are subject to a number of lawsuits that could result in material judgments against us.

We are defendants in a number of litigation matters and are subject to various other claims and demands mostly related to the operation of the Company's business by prior management. These matters may divert financial and management resources that would otherwise be used to benefit our operations. We intend to aggressively defend ourselves in each of these proceedings but no assurances can be give that the results of these matters will be favorable to us. An adverse resolution or outcome of any of these lawsuits, claims or demands that cannot be predicted with certainty or potential settlements of such matters could adversely affect our business and financial condition, or could result in us having to issue freely tradable shares which could hurt our share price. Any claims and litigation, even if fully reserved or insured for, could negatively impact our reputation among our customers and the public and make it more difficult for us to raise capital, secure contracts or to compete effectively.

If we fail to protect our intellectual property rights, we could lose our ability to compete in the marketplace.

Our intellectual property and proprietary rights are one of the keys to our performance and ability to remain competitive and are necessary for the success of our products and our business. Patent protection can be limited and not all intellectual property is or can be patented. We rely on a combination of patent, trademark, copyright, and trade secret laws 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. We have little protection when we must rely on trade secrets and nondisclosure agreements. We filed a provisional patent application on our Argus One airship in February 2011. In February 2012 we filed both a U.S. utility patent application and a patent application under the Patent Cooperation Treaty for an airship design and method of controlling the airship based on our Argus One UAV, but there is no assurance that a patent will issue from such applications. We intend to continue to expand the patent protection for our airships, aerostats and other products as we deem appropriate, but there can be no assurance that we will be able to secure any such patent protection. 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 or competitors. Furthermore, our competitors may independently develop technologies and products that are substantially equivalent or superior to our technologies and/or products, which could result in decreased revenues. Moreover, 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 and other intangible assets.

Other companies may claim that we infringe their intellectual property, which could materially increase our costs and harm our ability to generate future revenue and profit.

We do not believe our airship or aerostat technologies infringe the proprietary rights of any third party, but claims of infringement are becoming increasingly common and third parties may assert infringement claims against us. It may be difficult or impossible to identify, prior to receipt of notice from a third party, the trade secrets, patent position or other intellectual property rights of a third party, either in the United States or in foreign jurisdictions. Any such assertion may result in litigation or may require us to obtain a license for the intellectual property rights of third parties. If we are required to obtain licenses to use any third party technology, we would have to pay royalties, which may significantly reduce any profit on our products. In addition, any such litigation could be expensive and disruptive to our ability to generate revenue or enter into new market opportunities. If any of our products were found to infringe other parties' proprietary rights and we are unable to come to terms regarding a license with such parties, we may be forced to modify our products to make them non-infringing or to cease production of such products altogether.

If we are unable to recruit and retain key management, technical and sales personnel, our business would be negatively affected.

For our business to be successful, we need to attract and retain highly qualified technical, management and sales personnel. As of March 21, 2012 we employed five employees and relied heavily on outside partners and contractors. The failure to recruit additional key personnel when needed with specific qualifications and on acceptable terms might impede our ability to continue to develop, commercialize and sell our products. To the extent the demand for skilled personnel exceeds supply, we could experience higher labor, recruiting and training costs in order to attract and retain such employees. The loss of any members of our management team may also delay or impair achievement of our business objectives and result in business disruptions due to the time needed for their replacements to be recruited and become familiar with our business. We face competition for qualified personnel from other companies with significantly more resources available to them and thus may not be able to attract the level of personnel needed for our business to succeed.

The control deficiencies in our internal control over financial reporting may until remedied cause errors in our financial statements or cause our filings with the SEC to not be timely.

We have identified control deficiencies in our internal control over financial reporting as of the evaluation done by management as of December 31, 2011, including those related to (i) an ineffective global control environment such that control deficiencies in various other components of internal control could lead the auditor to conclude that a significant deficiency or material weakness exists in the control environment, (ii) absent or inadequate segregation of duties within a significant account or process, (iii) inadequate documentation of the components of internal control, and (iv) inadequate design of information technology general and application controls that prevent the information system from providing complete and accurate information consistent with financial reporting objectives and current needs. 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 made with the SEC. Based on the work undertaken and performed by us, however, we believe the consolidated financial statements contained in our reports filed with the SEC are fairly stated in all material respects in accordance with GAAP for each of the periods presented. We are implementing additional corporate governance and control measures to strengthen our control environment, but we may not achieve our desired objectives. Moreover, no control environment, no matter how well designed and operated, can prevent or detect all errors or fraud. We may identify material weaknesses and control deficiencies in our internal control over financial reporting in the future that may require remediation and could lead investors losing confidence in our reported financial information, which could lead to a decline in our stock price.

Risks Related To Ownership of Our Common Stock

Market volatility and fluctuations in our stock price and trading volume may cause sudden decreases in the value of an investment in our common stock.

The market for our common stock is illiquid and subject to wide fluctuations in response to a number of 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;
- the development of our products; and
- increased competition or technological innovations or new products by competitors.

The market price of our common stock has historically been, and we expect it to continue to be, volatile. The price of our common stock has ranged from between $0.02 to $0.32 since January 1, 2010. In addition to the extremely volatile nature of the stock market, our stock price has been affected by our own public announcements regarding such things as financings and product development. 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, in addition to market conditions in our industry. Consequently, events both within and beyond our control may adversely affect the market price and liquidity of our common stock.

Sales of substantial amounts of our common stock in the public market could harm the market price of our common stock.

The sale of a substantial number of shares of our common stock by stockholders could adversely affect the market price of our shares. As of March 21, 2011, we had 701 registered stockholders and many more beneficial holders, many of whom have held their shares for the required holding periods under Rule 144 promulgated pursuant to the Securities Act and thus would hold freely tradable shares. Pursuant to the private placement documents entered into in connection with the private placement we closed on February 2, 2012, we agreed to register for resale 50,000,000 shares of common stock which may be issuable to a certain selling stockholder pursuant to a convertible debenture issued in the private placement and such selling stockholder is not subject to a lock-up agreement. Once the registration statement (the “April Registration Statement”) we file in connection with the private placement is declared effective by the SEC, the selling stockholder named therein will be able to resell publicly from time to time up to 50,000,000 shares of our common stock held by it. Pursuant to registration rights agreements entered into in connection with the private placements we closed on May 4 and May 27, 2011, we registered (the “May Registration

Statement") for resale 22,588,332 shares of common stock issued to the selling stockholders in the private placements and none of the selling stockholders are subject to lock-up agreements. The May Registration Statement has been declared effective by the SEC, thus the selling stockholders named therein are able to resell publicly from time to time up to 22,588,332 shares of our common stock held by such selling stockholders. If such shares registered under the April or May Registration Statements are sold, or if it is perceived they will be sold, the trading price of our common stock could decline. Because investors may be more reluctant to purchase shares of our common stock following substantial sales or issuances, the resale of these shares of common stock could impair our ability to raise capital in the near term.

There are a large number of shares underlying our convertible debenture and equity investment agreement that may be available for future sale and the sale of these shares may depress the market price of our common stock.

As of March 21, 2012, we had 440,240,028 shares of common stock issued and outstanding, a convertible debenture outstanding that may be converted into an estimated maximum 73,333,333 shares of common stock at current market prices with a conversion floor of $0.075, and an equity investment agreement to purchase 23,809,523 shares of common stock. 50,000,000 of the shares issuable upon conversion of the debenture may be sold without restriction upon effectiveness of a registration statement we filed with the SEC. The sale of these shares may adversely affect the market price of our common stock.

The issuance of shares upon conversion of the convertible debenture and exercise of the rights in the equity investment agreement may cause immediate and substantial dilution to our existing stockholders.

The issuance of shares upon conversion of the convertible debenture and purchase of shares under the equity investment agreement may result in substantial dilution to the interests of other stockholders since the selling stockholder under our registration statement may ultimately convert and sell the full amount issuable on conversion. Although the selling stockholder may not convert its convertible debenture if such conversion would cause them to own more than 4.99% of our outstanding common stock, this restriction does not prevent the selling stockholder from converting some of their holdings and then converting the rest of their holdings. In this way, the selling stockholder could sell more than this limit while never holding more than this limit.

If we are required for any reason to repay our outstanding convertible debenture, we would be required to deplete our working capital, if available, or raise additional funds. Our failure to repay the convertible debenture, if required, could result in legal action against us, which could require the sale of substantial assets.

In February 2012, we issued a convertible debenture which is due and payable, with 4 3/4% interest, three years from the date of issuance, unless sooner converted into shares of our common stock. In addition, any event of default could require the early repayment of the convertible debenture at a price equal to 110% of the amount due under the debenture. We anticipate that the full amount of the convertible debenture, together with accrued interest, will be converted into shares of our common stock, in accordance with the terms of the convertible debenture. If we are required to repay the convertible debenture, we would be required to use our limited working capital and raise additional funds. If we were unable to repay the debenture when required, the debenture holder could commence legal action against us and foreclose on our assets to recover the amounts due. Any such action would likely require us to curtail our operations.

Future equity or convertible debenture financings will result in additional dilution of the ownership interest of our existing investors and may have an adverse impact on the price of our common stock.

We expect that we will need to raise additional capital in the future to continue our operations. In fact, we intend to raise capital for the construction by GTC of a ground station in India, among other reasons. Historically the primary source of the additional capital we have raised has been equity and convertible debentures, and we expect that equity-related instruments will continue to be a source of additional capital. Any future equity or convertible debenture financings will dilute the ownership interest of our existing investors and may have an adverse impact on the price of our common stock.

In addition, the terms of various securities we have issued provide for anti-dilution adjustments to their exercise or conversion price in certain circumstances. Since their issuance, certain of our warrants have been re-priced numerous times due to later sales deemed dilutive issuances under their terms. Additional dilutive issuances could trigger certain of these anti-dilution provisions that could negatively impact the price 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.

Provisions in our charter documents and Delaware law may inhibit a takeover of us, which could limit the price investors might be willing to pay in the future for our common stock and could entrench management.

Our restated certificate of incorporation and bylaws contain provisions that may discourage unsolicited takeover proposals that stockholders may consider to be in their best interests. These provisions include:

- the ability of the board of directors to designate the terms of, and to issue new, series of preferred stock;
- advance notice requirements for nominations for election to the board of directors;
- the ability of the board of directors to fix the number of directors and fill any vacancies or newly created directorships;
- a classified board of directors;
- Limitations on the removal of directors;
- limitations on stockholders' ability to call a special meeting of stockholders; and
- special voting requirements for the amendment of certain provisions of our bylaws.

We are also subject to anti-takeover provisions under Delaware law, which could delay or prevent a change of control. Together, certain provisions of our certificate of incorporation and bylaws, and certain provisions of Delaware law, may singularly and/or collectively make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our common stock.

Since we have not paid dividends on our common stock, you may not receive income from your investment.

We have not paid dividends on our common stock and do not contemplate or anticipate paying any dividends on our common stock in the foreseeable future. Earnings, if any, will be used to finance the development and expansion of our business.

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 15g-9, promulgated under the 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. In addition, various state securities laws impose restrictions on transferring penny stocks. Furthermore, certain brokers or on-line trading houses may not accept our common stock for brokerage accounts at their firms. Such requirements could severely limit the market liquidity of our securities and the ability of purchasers to sell our securities in the secondary market.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” contains forward-looking statements. All statements contained in this prospectus that refer to future events or other non-historical matters are forward-looking statements. In some cases you can identify these statements by forward-looking words such as “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “plan,” “expect” or the negative or plural of these v similar expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our need to raise significant additional capital to continue our operations;
- our ability to generate revenue from product sales;
- our history of operating losses and our ability to continue as a going concern;
- our substantial indebtedness;
- our exclusive or heavy reliance on our technical partner, Eastcor Engineering;

- our ability to achieve the benefits and synergies of the GTC acquisition;
- our ability to successfully commercialize our products, deal with government customers or expand into new markets;
- various government regulations regarding our products;
- our ability to successfully fight claims and litigations against us or to satisfy or settle existing judgments;
- our ability to protect our intellectual property and not infringe on others intellectual property rights;
- the attraction and retention of qualified employees and key personnel; and
- other risk factors included under “Risk Factors” in this prospectus.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in “Risk Factors.” Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus to conform these statements to actual results or to changes in our expectations.

You should read this prospectus and the documents that we reference in this prospectus and have filed with the Securities and Exchange Commission as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

DESCRIPTION OF PRIVATE PLACEMENT

On February 2, 2012, we closed on a securities purchase agreement with an accredited investor, referred to in this prospectus as the selling stockholder, relating to an aggregate $5.5 million financing. The $500,000 initial investment was paid at the closing to us for the issuance of a convertible debenture and an equity investment agreement (EIA) subject to the terms and conditions set forth therein (referred to as the private placement).

Pursuant to the EIA, the selling stockholder has agreed to invest in the Company an aggregate of $5.0 million in minimum monthly tranches of $250,000 beginning on the date that is earlier to occur of (i) the effectiveness of a registration statement, but in no event prior to 91 days after the closing date, or (ii) one hundred eighty (180) days following the closing and on each successive thirty (30) day anniversary of such initial investment date; *provided, however*, that such minimum investment shall increase from $250,000 to $500,000 as long as the VWAP of the common stock is above $0.09 for the period of ten (10) consecutive trading days prior to an investment date; and *provided, further, however,* that the selling stockholder shall invest an additional $500,000 on each investment date for each and every increase in the VWAP of the common stock of at least $0.02 above $0.09 for the period of ten (10) consecutive trading days prior to an investment date. Pursuant to the EIA, the selling stockholder also has a right to purchase up to an additional $5,000,000 of common stock, or an aggregate of 23,809,523 shares, at a purchase price equal to $0.21 as follows: on each investment date, the selling stockholder shall receive the right to purchase a number of shares of common stock equal to the amount invested on such investment date divided by $0.21. Under no circumstances will the common stock pursuant to this right be settled on a cashless exercise basis.

The debenture is in the principal amount of $500,000, has a three (3) year term, and has an interest rate of 4 ¾%. The debenture is convertible by the selling stockholder into shares of common stock beginning on the earlier to occur of (i) the effectiveness of a registration statement, but in no event prior to ninety-one (91) days following the closing, or (ii) one hundred eighty one (181) days following the closing as follows: from time to time during each thirty (30) day period from the closing, the selling stockholder may convert up to five percent (5%) of the face amount of the debenture if the VWAP of the common stock is at or below $0.09 or up to ten percent (10%) if the VWAP of the common stock is above $0.09 and for every $0.02 increase in the VWAP of the common stock above $0.09, the selling stockholder can convert an additional ten percent (10%) of the debenture. The number of shares of common stock into which the debenture can be converted is equal to the dollar amount of the debenture being converted divided by the quotient of the conversion price divided by 10, plus the debenture amount being converted divided by the conversion price. The conversion price is equal to the lesser of (i) $0.35 or (ii) 75% of the average of the VWAP of the common stock during the thirty (30) trading days prior to the date of the conversion notice, subject to a floor price of $0.075 (subject to adjustment), which if triggered gives us the option to convert the portion of the debenture at a conversion price of $0.075 per share plus pay a cash true-up payment on the difference in value of the common stock issued versus the common stock that would have been issued but for the floor price.

The debenture is secured by a personal guaranty of Michael K. Clark, our former Chairman of the Board, and is backed by a mortgage on certain real estate property owned by Mr. Clark. The guaranty terminates on the earlier of nine (9) months, the conversion of the entire principal amount of the debenture by the selling stockholder, or the date that the selling stockholder has converted at least $350,000 of the debenture and the VWAP of our common stock has exceeded $0.09 for at least ten (10) consecutive trading days. Pursuant to the terms of the debenture, the selling stockholder also has a right of first refusal on future financings of the Company on the terms identified by us so long as at least 10% of the principal amount of the debenture is outstanding. The selling stockholder may require 120% of the principal amount, and accrued and unpaid interest, to become immediately due and payable on certain events of default, including but not limited to, our failure to make payments when due under the debenture or other material agreements, a breach of the transaction documents, a bankruptcy event, our failure to make our SEC filings, our common stock not being eligible to be traded on a trading market, or not being able to find a broker to trade shares of our common stock.

The debenture and EIA issued pursuant to the securities purchase agreement were issued as restricted securities under an exemption provided by Regulation D, Rule 506, promulgated under the Securities Act, and/or Section 4(2) of the Securities Act. Pursuant to the private placement documents, we agreed to file a registration statement with the SEC covering 50,000,000 shares of common stock (the Shares), which Shares may be issuable pursuant to the convertible debenture. The shares of common stock to be issued pursuant to the debenture and the EIA pursuant to the respective terms thereof shall be issued as restricted securities under an exemption provided by Regulation D, Rule 506, promulgated under the Securities Act and/or Section 4(2) of the Securities Act, unless the registration statement relating to the Shares has been declared effective by the SEC.

Vista Capital Investments, LLC acted as the sole broker in connection with the private placement and we agreed to pay Vista a commission in connection with the private placement as follows: a cash fee of 8% on the first $2 million of proceeds, 6% on the next $2 million, and 4% on any proceeds above $4 million, as well as warrants to purchase a number of shares equal to 10% multiplied by the proceeds. The warrants will have a three-year term, a purchase price of $0.21 and no cashless exercise feature. Such commissions will be paid as the proceeds of the financing are received by us.

The foregoing description of the private placement does not purport to be complete and is qualified in its entirety by reference to the securities purchase agreement, the debenture and the equity investment agreement, copies of which are attached as Exhibits 10.1, 10.2 and 10.3, respectively, to the Current Report on Form 8-K, which was filed with the SEC on February 7, 2012, and are incorporated herein by reference.

USE OF PROCEEDS

All proceeds from the sale of our common stock covered by this prospectus will belong to the selling stockholder who offers and sells its shares. We will not receive any proceeds from the sale of the common stock by the selling stockholder.

MARKET INFORMATION/PRICE RANGE OF COMMON STOCK/DIVIDENDS

Market Information

From January 1, 2009 through August 6, 2009, our shares of common stock were quoted on the Pink Sheets quotation system under the symbol “SNSR;" from August 7, 2009 to April 24, 2011, our shares of common stock were quoted on the OTC Bulletin Board quotation system under the symbol “SNSR;" and effective April 25, 2011 our shares of common stock have been quoted on the OTC Bulletin Board quotation system under the symbol “WSGI.”

The following information sets forth the high and low bid price of our common stock during fiscal 2011, fiscal 2010 and 2009 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
2009		
Quarter Ended March 31	$0.06	$0.02
Quarter Ended June 30	$0.19	$0.05
Quarter Ended September 30	$0.15	$0.11
Quarter Ended December 31	$0.15	$0.05
2010		
Quarter Ended March 31	$0.09	$0.04
Quarter Ended June 30	$0.12	$0.04
Quarter Ended September 30	$0.12	$0.07
Quarter Ended December 31	$0.11	$0.07
2011		
Quarter Ended March 31	$0. 10	$0.05
Quarter Ended June 30	$0. 31	$0.02

Quarter Ended September 30	$0. 12	$0.04
Quarter Ended December 31	$0.07	$0.04

On April 4, 2012, the last reported sale price of our common stock on the OTC Bulletin Board quotation system was $0.04 per share.

Holders

As of March 21, 2012, we had issued and outstanding 440,240,028 shares of common stock held by 701 holders of record.

Dividends

We have never paid or declared any cash dividends on our common stock and do not expect to pay any cash dividends on our common stock in the foreseeable future. We currently intend to retain all of our future earnings for use in operations and to finance the development of our products and the expansion of our business. Any future determination to pay cash dividends will be in compliance with our contractual obligations and otherwise at the discretion of our board of directors and based upon our financial condition, results of operations, capital requirements and such other factors as the board of directors deems relevant.

Securities Authorized For Issuance Under Equity Compensation Plans

The following table sets forth certain information regarding outstanding options, rights and shares reserved for future issuance under our compensation plans as of December 31, 2011.

	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)		Weighted average exercise price of outstanding options, warrants and rights (b)	Number of shares remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a)) (c)	
Equity compensation plans approved by security holders	27,166,667	(1)	$ 0.078	20,000,000	(2)
Equity compensation plans not approved by security holders	13,750,000	(3)	$ 0.075	—	
Total	40,916,667		$ 0.077	20,000,000	

(1) Consists of options outstanding under the Company's 2004 employee stock option plan; no future options may be granted under this plan.
(2) Consists of shares remaining available for issuance under the Company's 2011 equity compensation incentive plan.
(3) Consists of performance-based option grants to certain employees, officers, directors and partners.

Recent Sales of Unregistered Securities; Use of Proceeds

During the year ended December 31, 2011, we issued an aggregate of 104,345,601 shares of common stock for cash, the settlement of debt, board compensation, consulting agreements and for services to investors, board members, consultants and partners. Of the shares of common stock issued, 27,354,998 shares were issued for cash valued at $0.075, or $2,051,625 (net of offering costs) and 59,850,000 shares (30 million shares of which were issued in connection with the GTC acquisition), or 57% were issued to insiders and affiliates, as restricted securities under an exemption provided by Section 4(2) of the Securities Act of 1933 and/or Regulation D, Rule 506, promulgated under the Securities Act of 1933. The common stock issued for cash was valued at $0.075 while other issuances were valued at prices based on the closing market prices on the date the Board of Directors authorized the issuances.

During the year ended December 31, 2010, we issued an aggregate of 59,497,973 shares of common stock for cash, the settlement of debt, board compensation, consulting agreements and for services to investors, board members, consultants and partners. Of the shares of common stock issued, 23,111,159 shares were issued for cash valued at $0.075, or $1,703,129 (net of offering costs), and 21,666,667 shares, or 36%, were issued to insiders and affiliates, as restricted securities under an exemption provided by Section 4(2) of the Securities Act of 1933 and/or Regulation D, Rule 506, promulgated under the Securities Act of 1933. The common stock issued for cash was valued $0.075 while other issuances were valued at prices based on the closing market prices of our common stock on the date the Board of Directors authorized the issuances.

The above securities were offered and issued in private placement transactions made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 (the Securities Act) and/or Rule 506 promulgated under the Securities Act. The investors are accredited investors as defined in Rule 501 of Regulation D promulgated under the Securities Act. In certain issuances of common stock for cash, the Company paid a placement agent a fee of either (i) ten percent (10%) in cash, or (ii) in other instances ten percent (10%) in cash and five percent (5%) in stock, of certain amounts of capital raised.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During the years ended December 31, 2011 and December 31, 2010, the Company and the Affiliated Purchasers (as defined in Rule 10b-18(a)(3)) did not engage in any repurchases of our securities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this prospectus. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that reflect our plans, estimates and beliefs and involve risks, uncertainties and assumptions. Our actual results and the timing of selected events could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in "Risk Factors."

Overview and 2011 Highlights

We design, develop, market and intend to sell technologically advanced autonomous lighter-than-air (LTA) unmanned aerial vehicles (UAVs) capable of carrying payloads that provide persistent security and/or wireless communications from air to ground solutions at low, mid and high altitudes. Our airships and aerostats, when integrated with electronics systems and other high technology payloads, are designed for use by government-related and commercial entities that require real-time intelligence, surveillance and reconnaissance or communications support for military, homeland defense, border control, drug interdiction, natural disaster relief, and maritime missions.

During 2011 and thus far in 2012, we have accomplished the following:

- Raised over $2 million in equity financing in 2011, and closed a $5.5 million financing in February 2012.
- Unveiled our new lighter-than-air unmanned aerial vehicle known as the Argus One equipped with our newly developed proprietary stabilization system which autonomously controls the level of rigidity of the airship as it flies and its newly designed and integrated payload bay.
- Completed the acquisition of Global Telesat Corp.
- Held our first annual shareholders meeting in many years.
- Flight tested the Argus One in Easton, MD and, under sponsorship by the DoD, in Nevada.
- Secured our first government contract for $200,000 with Space Florida.
- Executed an agreement with Oklahoma State University – University Multispectral Laboratories for the collaboration in support of research, development, testing and evaluation activities associated with our LTA UAV platforms.
- Filed both a U.S. and PCT patent application for a new unmanned, autonomous airship design with automated control for individual modules for improved flight stability and aerodynamic control based on technology developed for us by our technology partner, Eastcor Engineering.
- Launched GTC's e-commerce mobile satellite solutions portal.
- Engaged premier business development and government affairs firm Gemini Global Group.

Fiscal Year Ended December 31, 2011 Compared to Fiscal Year Ended December 31, 2010

Revenues. Net sales for the year ended 2011 were primarily sales by GTC of satellite phones and accessories, airtime and service plans to Global Telesat Communications Ltd ("GTCL"). GTCL is a United Kingdom-based company under ownership control of a current officer of GTC. Total sales to GTCL accounted for $184,789 or approximately 91% of WSGI's net sales of $203,682 in 2011. (See Note 12 of Notes to Consolidated Financial Statements) Net sales of $250,000 for the year ended 2010 related to the sale of a 50% ownership interest in the SkySat airship to GTC.

Operating Expenses. Our total operating expenses for 2011 were $4,359,807 compared to $8,657,938 in 2010, a decrease of $4,298,131 or 50%. The decrease reflects reductions in general and administrative expenses, professional fees, depreciation and amortization, and research and development costs. General and administrative expense is comprised of compensation for directors, management and administrative personnel, insurance, rents, travel costs and corporate reporting and filing expenses. General and administrative expenses decreased by $683,121 in 2011 as compared to 2010, due primarily to $1,075,000 of executive share-based bonuses awarded during 2010, which were partially offset by higher director fees, travel costs and corporate reporting costs incurred during 2011. Professional fees declined by $1,127,485 or 50% during 2011 as compared to 2010, reflecting a reduction in the use of outside consultants and other third party service providers during 2011. Depreciation and amortization was reduced by $845,250 or 87% during 2011 as compared to 2010, reflecting seven months of depreciation in 2011 on the GTC appliqués and ground stations acquired in May 2011 as compared to a full year of amortization of the intangible assets in 2010. Research and development costs declined by $1,737,275 or 80% in 2011 as compared to 2010, due primarily to a $1,545,490 charge to research and development in 2010 for a prototype airship to be used for further product development.

Loss From Operations. We had an operating loss of $4,339,911 in 2011 compared to $8,407,938 in 2010, a decrease of $4,068,027 or 48%, due primarily to the reductions in operating expenses described above.

Other Income (Expense). During 2011, we had net other income of $3,220,511 compared to net other expense of $1,378,290 in 2010. The net other income in 2011 is attributed to a $2,474,753 gain on the settlement of liabilities with a former joint venture partner and a $1,204,069 gain from the change in the fair value of derivative liabilities, which was partially offset by interest expense of $458,311. The net other expense of $1,378,290 in 2010 includes a $1,210,875 charge for impaired intangible assets in 2010, and the gains on the settlement of liabilities of $363,366, and change in fair value of derivatives of $77,176 were offset by higher interest expense of $607,957 during 2010. Interest expense for 2011 was $458,311 compared to $607,957 in 2010, reflecting a decrease of $149,646 or 25%, due to additional interest expense incurred on several settlements in 2010.

Loss From Discontinued Operations. We had a loss from discontinued operations of $9,782 in 2010 due to the additional expenses assessed by the IRS related to withholding taxes. (See Note 2 of the Notes to Consolidated Financial Statements)

Net Loss. We had a net loss of $1,119,400 in 2011 compared to a net loss of $9,796,010 in 2010, a decline of $8,676,610 or 89%. The decline in net loss is primarily attributable to the reduction in the operating expenses and net other income (expense) discussed above.

Fiscal Year Ended December 31, 2010 Compared to Fiscal Year Ended December 31, 2009

Revenues. In 2010, we had revenue related to the sale of a 50% interest in our SkySat airship of $250,000 and we had no revenue during 2009.

Operating Expenses. Our operating expenses consist primarily of compensation, professional and consulting services, stock based compensation, research and development, as well as expenses for executive and administrative personnel, insurance, facilities expenses, travel and related expenses, amortization and other general corporate expenses. Our operating expenses for 2010 were $8,657,938 compared to $7,570,707 in 2009 an increase of $1,087,231 or 14%. The increase was primarily due to a $2,162,837 increase in research and development as a result of our determining that our prototype airship as then configured required additional development and our decision to utilize the airship to further product development rather than hold it out for sale in its then current form, which resulted in us charging the amount formerly in work in process inventory to research and development costs, and higher labor and hard costs related to the additional development of our airship products, higher professional fees related to the negotiation and settlement of outstanding claims, and increased general and administrative expenses due to the hiring of a new management team, offset in part by a $1,718,392 decrease in stock based compensation issued to our employees.

Loss From Operations. We had an operating loss of $8,407,938 in 2010 compared to an operating loss $7,570,707 for 2009, an increase of $837,231 or 11%, primarily due to increased operating expenses as described above, offset slightly by $250,000 of revenue in 2010.

Net Other Income (Expense). We had net other expenses totaling $1,378,290 in 2010 compared to net other expenses totaling $1,843,800 during 2009, a decrease of $465,510 or 25%. This variance was due primarily to a decrease of $577,422 in interest expense. A gain from the change in fair value of our derivatives of $77,176 in 2010 compared to a charge of $1,287,984 in 2009, an increase of $1,365,160 or 106% was largely offset by the $1,210,875 impairment charge on intangible assets taken in 2010 as a result of our determination to base our business going forward exclusively on the technology developed for us by Eastcor Engineering in the United States. The extinguishment of derivative liabilities of $629,563 in 2009 compared to no activity on 2010 is offset in part by a net gain on settlement of liabilities in 2010 of $363,366 due to our efforts in 2010 to negotiate and settle outstanding claims compared to no activity in 2009.

Interest expense for 2010 was $607,957 compared to $1,185,379 in 2009, a decrease of $577,422 or 49%, primarily due to lower financing charges associated with fewer convertible debentures being outstanding in 2010 as notes were converted or retired.

Loss From Discontinued Operations. We had a loss of $9,782 in 2010 compared to no activity during 2009 related to our discontinued operations due to the additional expenses assessed by the IRS related to withholding taxes. See Note 2 of the Notes to Consolidated Financial Statements for more information regarding the discontinued operations.

Net Loss. We had a net loss of $9,796,010 in 2010 compared to a net loss of $9,414,507 in 2009, an increase of $381,503 or 4%. The increase in net loss is primarily attributable to the increase in the operating expenses as discussed above.

Liquidity and Capital Resources

Assets. Historically we have funded our operations and capital expenditures through the sale of common stock and debt financings. At December 31, 2011, we had a cash balance of $5,532 compared to $29,491 at December 31, 2010. Current assets at December 31, 2011 were $139,473 compared to $35,897 at December 31, 2010, an increase of $103,576 or 288%, reflecting a $23,959 reduction of cash offset by accounts receivable of $20,886, inventory of $4,500 and prepaid expenses of $102,149. At December 31, 2011, we had total assets of $2,775,439 compared to $36,247 at December 31, 2010, an increase of $2,739,192, reflecting the slight increase in current assets and a $2,635,966 increase in net property and equipment consisting primarily of appliqués and ground stations acquired in the GTC acquisition.

Liabilities. At December 31, 2011, we had total liabilities of $16,977,458 compared to total liabilities of $19,399,174 at December 31, 2010, reflecting a decline of $2,421,716 or 12%, principally from the extinguishment of $2,474,753 in liabilities due a former joint venture partner, and a $1,204,069 decrease in derivative liabilities, offset in part by higher notes payable and deferred revenues.

Cash Flows. Our cash used in operating activities for 2011 was $1,736,218 compared to $1,684,450 in 2010, an increase of $51,768 or 3%. The increase was primarily due to the changes in our current assets and liabilities, decreased operating expenses and non-cash adjustments resulting from depreciation and amortization, share-based compensation, change in the fair value of the derivative liabilities and the gain on the extinguishment of liabilities to a former joint venture partner.

Net cash used in investing activities during 2011 was $339,365 relating primarily to the GTC acquisition. Net cash provided by investing activities during 2010 was $10,800 from a refunded security deposit relating to an expired office lease.

Net cash provided by financing activities was $2,051,624 in 2011 compared to $1,703,129 in 2010, reflecting an increase of $348,495 or 20% in funds received from the sale of our common stock during 2011.

Pursuant to the Stock Purchase Agreement relating to our acquisition of GTC, the purchase price includes an earn-out equal to 5% of the gross revenues related to the construction by GTC of certain potential satellite ground stations. These earn-out payments are unlikely to materially impact our liquidity and capital resources since payments are required to be made to the former shareholder of GTC by us only upon the actual receipt of cash from a customer related to a ground station construction contract. The earn-out payments would have the effect of reducing our margin on any such contract. We are obligated to make these earn-out payments until the earlier of May 25, 2036 or the date on which GTC no longer has the right to construct ground stations under the applicable agreement with Globalstar.

Our consolidated financial statements included in this prospectus 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. However, as reflected in our consolidated financial statements, we had a net loss of $1,119,400, negative cash flow from operations of $1,736,218 for the year ended December 31, 2011, a working capital deficit of $16,837,985, and a stockholders' deficit of $14,202,019 at December 31, 2011, respectively. We had an accumulated deficit of $145,632,499 at December 31, 2011. These factors raise substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to raise additional funds either through investments or by generating revenue from the sale of our products to continue our business operations and implement our strategic plan, which includes, among other things, continued development of our UAVs, the pursuit or continued development of strategic relationships and expansion of our subsidiary GTC's business. Our business plan, which if successfully implemented, will allow us to sell UAVs and other products for a profit thereby reducing our dependence on raising additional funds from outside sources. The consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern. We anticipate a net loss to continue for the next several quarters if not for all of the year 2012.

Additional cash will be needed to support our ongoing operations until such time that operations provide sufficient cash flow to cover expenditures. We are currently pursuing both short and long-term financing options from private investors as well as through institutional investors. We are also working to commercialize our Argus One airship, our aerostats and GTC products to begin generating revenue from customers. The costs associated with our strategic plan are variable and contingent on our ability to raise capital or begin generating revenues from customer contracts, but we expect to need funding of approximately $3 million over the next twelve months. We have an agreement with La Jolla Cove Investors for an additional $5 million of funding, however, the timing of such financing is dependent on the effectiveness of a registration statement we filed with the SEC. While we believe we will be able to continue to raise capital from various funding sources in such amounts sufficient to sustain operations at our current levels through at least December 31, 2012, there is no guarantee we will be successful in our financing efforts. If we are not able to do so and if we are not able to generate revenue through the sale of our products, we would likely need to modify our strategy or cut back or terminate some of our operations. If we are able to raise additional funds through the issuance of equity securities, substantial dilution to existing shareholders may result. However, if our plans are not achieved and/or if significant unanticipated events occur or if we are unable to obtain the necessary additional funding on favorable terms or at all, we will likely have to modify our business plan and reduce, delay or discontinue some or all of our operations to continue as a going concern or seek a buyer for all or a portion of our assets. As of the date hereof, we continue to raise capital to sustain our current operations.

Critical Accounting Policies and Use of Estimates

Our Management's Discussion and Analysis of Financial Condition and Results of Operation is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S.GAAP"). The preparation of our consolidated financial statements in accordance with U.S. GAAP requires us to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts and classification of revenues and expense during the periods presented, and the disclosure of contingent assets and liabilities. We evaluate our estimates and assumptions on an ongoing basis and material changes in these estimates or assumptions could occur in the future. Changes in estimates are recorded in the period in which they become known. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances and at that time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates if past experience or other assumptions do not turn out to be substantially accurate.

We believe that the accounting policies described below are critical to understanding our business, results of operations, and financial condition because they involve significant judgments and estimates used in the preparation of our consolidated financial statements. An accounting policy is deemed to be critical if it requires a judgment or accounting estimate to be made based on assumptions about matters that are highly uncertain, and if different estimates that could have been used, or if changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our consolidated financial statements. Other significant accounting policies, primarily those with lower levels of uncertainty than those discussed below, are also critical to understanding our consolidated financial statements. The notes to our consolidated financial statements contain additional information related to our accounting policies and should be read in conjunction with this discussion.

Revenue Recognition

We develop and intend to sell lighter-than-air unmanned aerial vehicles and we develop and sell satellite tracking products and services through our subsidiary GTC. We recognize revenue when all four of the following criteria are met: 1) persuasive evidence of an arrangement exists; 2) delivery has occurred and title has transferred or services have been rendered; 3) our price to the buyer is fixed or determinable; and 4) collectability is reasonably assured.

Going Concern

Our consolidated financial statements included in this prospectus 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. However, as reflected in our consolidated financial statements, we had a net loss of $1,119,400, negative cash flow from operations of $1,736,218 for the year ended December 31, 2011, a working capital deficit of $16,837,985, and a stockholders' deficit of $14,202,019 at December 31, 2011, respectively. We had an accumulated deficit of $145,632,499 at December 31, 2011. These factors raise substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to raise additional funds either through investments or by generating revenue from the sale of our products to continue our business operations and implement our strategic plan, which includes, among other things, continued development of our UAVs, the pursuit or continued development of strategic relationships and expansion of our subsidiary GTC's business. Our business plan, which if successfully implemented, will allow us to sell UAVs and other products for a profit thereby reducing our dependence on raising additional funds from outside sources. The consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern. We anticipate a net loss to continue for the next several quarters if not for all of the year 2012.

Additional cash will be needed to support our ongoing operations until such time that operations provide sufficient cash flow to cover expenditures. We are currently pursuing both short and long-term financing options from private investors as well as through institutional investors. We are also working to commercialize our Argus One airship, our aerostats and GTC products to begin generating revenue from customers. The costs associated with our strategic plan are variable and contingent on our ability to raise capital or begin generating revenues from customer contracts, but we expect to need funding of approximately $3 million over the next twelve months. We have an agreement with La Jolla Cove Investors for an additional $5 million of funding, however, the timing of such financing is dependent on the effectiveness of a registration statement we filed with the SEC. While we believe we will be able to continue to raise capital from various funding sources in such amounts sufficient to sustain operations at our current levels through at least December 31, 2012, there is no guarantee we will be successful in our financing efforts. If we are not able to do so and if we are not able to generate revenue through the sale of our products, we would likely need to modify our strategy or cut back or terminate some of our operations. If we are able to raise additional funds through the issuance of equity securities, substantial dilution to existing shareholders may result. However, if our plans are not achieved and/or if significant unanticipated events occur or if we are unable to obtain the necessary additional funding on favorable terms or at all, we will likely have to modify our business plan and reduce, delay or discontinue some or all of our operations to continue as a going concern or seek a buyer for all or a portion of our assets. As of the date hereof, we continue to raise capital to sustain our current operations.

Share-Based Compensation

We offer share-based compensation programs to our officers, directors and employees that consist of employee stock options, common stock and restricted stock awards. Common stock and restricted stock awards are issued at the closing price of our common stock on the date of grant. We recognize compensation expense ratably over the vesting periods for restricted stock awards using the grant date fair value of the stock awarded. We use the Black-Scholes option pricing model to value stock options and recognize compensation expense ratably over the requisite service vesting period. Stock options typically have contractual terms of three to seven years.

Derivative Financial Instruments

Derivative liabilities primarily relate to warrants to purchase our common stock issued in conjunction with certain debt and equity financings. Each reporting period we determine the fair value of the stock warrants using the Black-Scholes option pricing model at the balance sheet date. Changes in the fair value of the stock warrants are recognized each period in current earnings. (See Note 8 of Notes to Consolidated Financial Statements)

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is based on the estimated service lives of the depreciable assets and is calculated using the straight-line method. Expenditures that increase the value or productive capacity of assets are capitalized. Fully depreciated assets are retained in property and equipment and accumulated depreciation accounts until they are removed from service. When property and equipment are retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. Repairs and maintenance are expensed as incurred.

The estimated useful lives of property and equipment are generally as follows:

· Appliques	15 – 25 years
· Machinery and equipment	3 – 12 years
· Office furniture and fixtures	3 – 10 years
· Computer hardware and software	3 – 7 years
· Transportation vehicles	3 – 6 years

Other Long-Lived Assets

We follow the authoritative guidance for impairment testing of property and equipment, which requires that a triggering event occur before impairment testing an asset or group of assets is appropriate. Triggering events include but are not limited to a significant disposal of a portion of such assets, an adverse change in the market involving the business employing the related asset, a significant decrease in the benefits realized from an acquired business, difficulties or delays in integrating the acquired business, and a significant change in the operations of an acquired business. Once a triggering event has occurred, we perform the impairment test based on our intention to hold or sell the asset or asset group. If we intend to hold the asset or group of assets for continued use, we compare the asset or asset group's carrying value to the sum of their estimated undiscounted future cash flows. If the carrying value of the asset or asset group exceeds the sum of their estimated undiscounted future cash flows, the asset or asset group is deemed impaired and we recognize an impairment loss for the difference. If we intend to sell the asset or asset group and certain other criteria are met (i.e., the asset can be disposed of currently, appropriate levels of authority have approved the sale, and there is an actively pursuing buyer), we compare the asset's or asset group's carrying value to its fair value less costs to sell. We generally determine fair value by using the discounted cash flow method. If the carrying value of the asset or group of assets is greater than the fair value less costs to sell, the asset or asset group is deemed impaired and we recognize an impairment loss for the difference. Generally, we perform our testing of the asset or asset group at the lowest level for which identifiable cash flows are available. Assets held for sale are separately presented on the balance sheet and are no longer depreciated. (See Note 7 of Notes to Consolidated Statements)

Research and Development Costs

Research and development costs relating to both future and current products are expensed as incurred.

Off Balance Sheet Arrangements

Off balance sheet arrangements are transactions, agreements, or other contractual arrangements with an unconsolidated entity for which we have an obligation to the entity that is not recorded in our consolidated financial statements. In the normal course of our business, we do not enter into off balance sheet arrangements as a matter of practice. We have several non-cancellable annual lease agreements for office space that are recorded as operating leases in accordance with U.S. GAAP, because the lease terms do not meet the criteria for capitalization.

Commitments and Contractual Obligations

We have entered into the following contractual obligations with minimum annual payments for the indicated fiscal periods as follows:

	Payments Due by Period				
	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
Long-term debt obligations	-	-	-	-	-
Capital lease obligations	-	-	-	-	-
Non-cancellable operating leases	43,338	43,338		-	-
Purchase commitments	-	-	-	-	-
TOTAL	$43,338	$ 43,338	-	-	-

We have no long-term debt obligations or capital leases. The primary operating leases relate to our corporate headquarters at the Kennedy Space Center, FL that runs through December 31, 2012 and GTC’s office in Aventura, FL that runs through June 14, 2012.

Recently Issued and Adopted Accounting Pronouncements

In December 2010, the FASB amended the existing guidance to require a public entity, which presents comparative financial statements, to disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendment also expanded the required supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination, which are included in the reported pro forma revenue and earnings. The amendments were effective for us beginning July 1, 2011. We believe the adoption of the provisions of this amendment will not have a material impact on our financial condition or results of operations.

In January 2010, FASB issued ASU No. 2010-06, “Fair Value Measurements and Disclosures (Topic 820),” that requires reporting entities to make new disclosures about recurring or nonrecurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair-value measurements and information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of Level 3 fair-value measurements. The FASB also clarified existing fair-value measurement disclosure guidance about the level of disaggregation, inputs and valuation techniques. The new and revised disclosures are required to be implemented for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements of Level 3 activity. Those disclosures are effective for interim and annual periods beginning after December 15, 2010. The adoption of FASB ASU 2010-06 has not had a material impact on our financial condition or results of operations.

BUSINESS

General

We design, develop and market, and intend to sell, autonomous lighter-than-air (LTA) unmanned aerial vehicles (UAVs) capable of carrying payloads that provide persistent security and/or wireless communications from air to ground solutions at low, mid and high altitudes. Our airships and aerostats when integrated with electronics systems and other high technology payloads, are designed for use by government-related and commercial entities that require real-time intelligence, surveillance and reconnaissance or communications support for military, homeland defense, border control, drug interdiction, natural disaster relief and maritime missions. Our business focuses primarily on the design and development of innovative UAVs that provide situational awareness and other communications capabilities via the integration of wireless capabilities and customer payloads. We believe a very large market opportunity exists for lower cost UAVs that can fly on station for multiple days performing continuous remote sensing and communications relay missions in an affordable manner. Existing solutions such as communications satellites, manned aircraft, tethered aerostats or balloons and heavier-than-air fixed wing unmanned aircraft address some of this emerging demand, but either are imperfect in their capabilities and/or operate at relatively high financial and resource costs.

Through our wholly owned subsidiary Global Telesat Corp. (GTC), we provide mobile voice and data communications services globally via satellite to the U.S. government, defense industry and commercial users. GTC specializes in services related to the Globalstar satellite constellation, including ground station construction, satellite telecommunications voice airtime and tracking services. GTC has recently launched its e-commerce mobile satellite solutions portal and is an authorized reseller of satellite telecommunications equipment and services offered by other leading satellite network providers such as Inmarsat, Iridium and Thuraya. GTC’s equipment is installed in various ground stations across Africa, Asia, Australia, Europe and South America.

Corporate Information

On September 22, 2008 we filed a Certificate of Merger with the Secretary of State of the State of Delaware pursuant to which our newly formed wholly-owned subsidiary, Sanswire Corp., a Delaware corporation, was merged into us and our corporate name was changed from GlobeTel Communications Corp. to Sanswire Corp. Effective April 19, 2011, we merged a newly created, wholly-owned Delaware subsidiary, World Surveillance Group Inc., with and into the Company, with the Company being the surviving corporation. Our Restated Certificate of Incorporation is the charter of the surviving corporation except that our name has been changed to World Surveillance Group Inc. In connection with the change of our corporate name, effective April 25th our stock ticker symbol, under which our common stock is now traded, was changed to “WSGI”.

On May 25, 2011 we completed our acquisition of privately-held Global Telesat Corp. We acquired 100% of the issued and outstanding securities of GTC, making GTC a wholly owned subsidiary of the Company. GTC supplies satellite based tracking and communication solutions to the U.S. Government, defense industry and commercial customers.

Our current principal office is at State Road 405, Building M6-306A, Room 1400, Kennedy Space Center, FL 32815, and our telephone number at that location is (321) 452-3545. Our internet address is www.wsgi.com. Information contained on our website is not a part of this report and the inclusion of our website address in this report is an inactive textual reference only. Unless otherwise indicated or unless the context otherwise requires, all references in this document to "we," "us," "our," the "Company" and similar expressions are references to World Surveillance Group Inc. and, depending on the context, its subsidiaries.

Business of WSGI

Our mid-altitude (10,000 to 20,000 foot) LTA UAV, the Argus One, represents a new airship design and is equipped with our newly developed stabilization system that autonomously controls the level of rigidity of the airship in flight and an integrated payload bay capable of initially carrying up to approximately 30 pounds of high technology sensors, cameras or electronics packages. Argus One is an unmanned autonomous airship with automated control for individual body modules for improved flight stability and aerodynamic control. The design features the ability to control the rigidity between each module and the ability to pivot. The modules are operated by microcontrollers based on aerodynamic requirements. The airship's altitude, overall response and handling characteristics and flight control utilizes a system of ballonets contained within each individual module, thereby creating a dynamically adjustable airship. The design of the Argus One differs significantly from many of the LTA rigid platforms that have been in operation for over a century.

The Argus One, named after the Greek god Argus who was the all seeing god with one hundred eyes, is designed to be a customer's "eyes in the sky" even in remote locations. It is designed to meet certain requirements for intelligence, surveillance and reconnaissance (ISR) applications for U.S. military and other governmental agencies. Argus One is designed to fly over areas of interest for extended durations carrying various payloads intended to allow for ISR, communications and other applications. Argus One was specifically developed by us using U.S. technologies that take advantage of the microelectronics and command and control technologies protected under the International Traffic in Arms Regulation (ITAR) for potential U.S. government and commercial customers. The Argus One can wirelessly transmit critical live video and other information generated by its payload of electro-optical or infrared sensors, cameras or other high technology electronics directly to a ground control station or system. The ground control system allows the operator to control the Argus One either manually or remotely by programming it for GPS–based autonomous navigation using operator-designated waypoints.

The Argus One has significant competitive advantages over the existing manned aircraft, heavier-than-air fixed wing UAVs, tethered aerostats and balloons, or low orbit satellite alternatives. The Argus One has a flexible, non-rigid envelope which allows for easy storage and transport to remote locations. There is no need for large hangars or airport infrastructure, as the Argus One can be assembled and tactically launched in hours from virtually anywhere, including remote, mountainous territory. The Argus One is designed to have a several day endurance capability and can stay on station with its module designed body, propulsion system and its sensor operated rigidity stabilization system, even in rough weather. The Argus One has a low radar footprint making it virtual stealth since the payload bay located on the forward module of the airship is the only radar reflecting material on the airship. Combined with the fact that the Argus One has significantly lower acquisition, maintenance and operation costs as a result of the above characteristics when compared especially to manned airships and fixed-wing UAVs, we believe the Argus One provides government and commercial customers a significantly different alternative for their UAV needs.

We are continuing the development of our UAV technologies as they relate to the Argus One and future airships and we have tested the Argus One airship in Easton, MD and, under sponsorship of the Department of Defense (DoD), in Nevada. In conjunction with our sponsors and partners, we intend to continue to do extended testing of the Argus One at different altitudes and weather conditions over the next several months as well as demonstrating the capabilities of the Argus One to potential customers in Nevada and potentially at other select locations. The objective of such testing and demonstrations is to further advance the technological capabilities of the Argus One airship using the data gathered from the tests and to accelerate the commercialization of our airships. We expect to generate revenue from the sale of our airships at least within the next 12 months.

We are also focused on the development of a series of tethered aerostats, either based on the design of our Argus One UAV (called the Argus MTS), or the SkySat, which is a semi-rigid, cigar based, non-modulating design. The SkySat is a more traditional airship design that complements the Argus One family of airships and is designed to carry heavier payloads for longer durations. We believe a large market exists especially for an aerostat based on our Argus One design, which aerostat is specifically designed for quick deployment and superior weather handling. The Argus MTS in its deflated form can be transported in a container on top of a vehicle (for example a HUMVEE for military applications). After attaching the payload to the tether line, an automatic sequence can be started which inflates the aerostat and releases the tether until a pre-selected altitude has been reached. The Argus MTS can be outfitted with various payloads, including for example electro-optical (daytime) or night vision cameras that would have an effective surveillance diameter of about 150 miles at the aerostat's operating altitude. Certain advantages of the Argus MTS include its relatively low cost, its ability to be prepackaged and integrated into a standard HUMVEE, its ability to be deployed within 30 minutes by two people, its ability to hover at 3,000 feet for weeks thereby providing a persistent security capability, and its flexible, aerodynamic articulating body that is able to handle the weather more effectively.

We plan on designing and developing larger LTA UAVs, based on the design of and building on the technologies incorporated in the Argus One, to extend the endurance of and increase the payload capacity on the airships as well as to increase the altitude at which these airships perform. Using and enhancing upon the technologies developed for the Argus One line of airships, we ultimately believe we will be able to develop a high altitude airship (HAA, or as it is also referred, a High Altitude Platform (HAP) or a high altitude long endurance airship (HALE)) that will be designed to stay on location in the stratosphere for durations of 30 days or more. The "sweet spot" in the stratosphere for UAVs is 65,000 feet since it is at this altitude that a UAV is above the jet stream and thus optimal wind conditions exist that allow the UAV to stay on station for extended periods with minimal power usage. HAAs could provide commercial and governmental customers advanced seamless wireless broadband capabilities without the need for satellites, terrestrial lines or towers. Better line of sight and signal strength also result from such an aerial platform thus improving sound quality and reliability, in addition to the fact that HAA technology would eliminate the environmental and bureaucratic impediments to the building of land-based infrastructure. Such an HAA also solves the infrastructure issues that plague many parts of the world, including the so-called “last mile” issues (building expensive ground based infrastructure for very low density areas).

We are focused on the ultimate design and development of such a HAA that will be based on the same technologies and design structure incorporated in our Argus One line of airships. To date, no one has developed and commercially sold a HAA, and while we expect significant technological challenges, we believe that the airship design of our Argus One will allow us to develop a HAA that will be able to travel through the jet stream and sit on station in the stratosphere for very long durations. We refer to our future Argus One-like HAA as the StratelliteTM as it offers the functionality of a satellite in the stratosphere.

Business of GTC

On February 14, 2011, GTC launched a new e-commerce website offering a range of portable satellite voice, data and tracking solutions, known as Mobile Satellite Services (MSS). GTC's MSS products include handheld satellite phones, personal and asset tracking devices, and portable high speed broadband terminals, all of which work virtually anywhere in the world. Aside from GTC’s Globalstar related services, GTC is also an authorized reseller of satellite telecommunications services offered by other leading networks such as Iridium, Inmarsat and Thuraya. While GTC has in the past concentrated on sales of such services to government buyers, GTC's solutions are ideally suited for industries such as maritime, aviation, government/military, emergency/humanitarian services, mining, forestry, oil and gas, heavy equipment, transportation and utilities as well as recreational users. GTC launched its new website to appeal to a global, technologically advanced customer base. It delivers a rich, user-friendly interface so that customers can research solutions suitable for their individual requirements and instantly purchase online any of the products or services supplied by GTC and/or its network providers, including Iridium, Inmarsat, Thuraya and Globalstar. Through these networks, GTC's website offers voice, data and tracking MSS solutions with 100% global coverage. Additionally, GTC's new website debuts a line of its own custom developed commercial tracking products that were previously used exclusively by U.S. government customers and thus have satisfied stringent operating requirements for years. GTC's tracking devices will operate and be certified for use on the Globalstar satellite constellation. Users of these GTC tracking products will be able to access their accounts online and view near-live location and status transmissions using GTC's proprietary mapping web interface.

As a certified Government contractor, GTC plans to further increase MSS revenue opportunities through registration with the U.S. General Services Administration (GSA) Schedule Program. The GSA Schedule Program enables billions of dollars in federal spending and helps eligible users, including all branches of Federal, State and Local governments, more easily meet their procurement needs. The U.S. Federal government spends over $40 billion each fiscal year on contracts through the GSA Schedule Program, including MSS contracts.

GTC is also pursuing various contracts for the construction of satellite ground stations in Afghanistan, Africa and other locations. If GTC is awarded these contracts it will produce a highly profitable revenue stream over the next 18-24 months, as the cost of each ground station is approximately $5 million and the net profit is expected to be approximately 15%. It is likely that Globalstar will require access to these ground stations to enhance their satellite network coverage. In return for allowing access to these ground stations GTC has historically negotiated the use of a large number of accounts with Globalstar. GTC has already negotiated terms with Globalstar that allows Globalstar access to a certain ground station in return for GTC having use of up to 10,000 accounts (1,000 of which GTC is required to transfer to a former affiliated company) on the Globalstar network and GTC would anticipate negotiating similar agreements with Globalstar in connection with additional ground stations. These accounts involve GTC having free use of satellite telecommunications simplex messages through the Globalstar network and can be sold to government, commercial or individual users without cost to GTC to further increase revenue and profitability relating to the ground stations. There is no guarantee that GTC will be awarded such contracts in the future and a failure to secure these contracts will result in significantly lower than anticipated revenue streams over the coming years. It will also affect GTC’s ability to use the free accounts agreed with Globalstar, further reducing the potential revenue streams over the longer term.

In addition to securing government funded contracts to construct various ground stations, GTC hopes to raise capital from investors, commercial entities and partners for the construction of a ground station in India. This ground station would be used to offer satellite telecommunications and simplex tracking services to customers in India. GTC anticipates partnering with Globalstar on this project and would allow Globalstar access to the ground station in order to increase its commercial coverage. In return for allowing access to these ground stations GTC may be able to negotiate the use of a large number of accounts with Globalstar. These accounts could involve GTC having free use of satellite telecommunications airtime or simplex messages through the Globalstar network which can be sold to government, commercial or individual users. In addition to sourcing funding on suitable terms, GTC would also need to find an Indian partner to proceed with this project and obtain the necessary licenses to operate in India. There is no guarantee that GTC will secure funding, agree suitable terms with an Indian partner or obtain the necessary licenses to operate such a ground station.

Under the terms of previous contracts with Globalstar, GTC currently has the rights to use up to 2,430 simplex or one-way transmission tracking accounts without charge for at least another 13 years and has a contract with Globalstar that allows for an additional 10,000 unlimited usage accounts to be available to GTC (1,000 of which GTC is required to transfer to a former affiliated company) over a 25 year period upon completion of a certain satellite tracking ground station. GTC can use each simplex or one-way transmission account to transmit an unlimited number of locational or status messages from tracking devices used anywhere within the Globalstar simplex coverage area. Under the terms of contracts between GTC and Globalstar, GTC will pay no activation fee, monthly fee or per message fee to Globalstar for each account used during the term of the contracts. This simplex service addresses the existing and ever growing market demand for a small and cost effective solution for receiving and processing data from remote locations and is used in applications such as tracking vehicles or asset shipments, monitoring unattended remote assets or mobile security. This is a rapidly growing market and GTC believes it is well positioned to take advantage of this growth. In the past, GTC has dealt specifically with US government customers but is now also focused on expanding this customer base and making maximum use of the free accounts to generate increased revenue.

GTC has developed various custom designed commercial simplex satellite tracking devices that are capable of transmitting locational and other information from any location within the Globalstar satellite network. These devices were previously exclusively used by U.S. government customers and thus have satisfied stringent operational requirements for years. Users of these tracking products will be able to access their accounts online and view near-live location and status transmissions using GTC's proprietary mapping web interface. Although GTC can sell to U.S. government customers without the need for any form of certification, GTC can not sell such tracking devices commercially without certification from Globalstar and the Federal Communications Commission for use in the U.S., and from comparable entities globally, like CE Mark. GTC has begun the process to apply for certification to sell these devices both in the U.S. and globally and GTC plans to have a worldwide target customer base with no cost basis on the monthly service plans sold with each device. Although, GTC believes the likelihood of obtaining these certifications is high due to its experience in producing these tracking devices for government customers combined with its knowledge and experience of the Globalstar network and their certification requirements, there is no guarantee that GTC will be able to certify its tracking devices.

Market

The market for UAVs is expected to almost double over the next decade from current worldwide UAV expenditures of $5.9 billion annually to $11.3 billion, totaling just over $94 billion in the next ten years (source: Teal Group). Over $2 billion in lighter-than-air UAV contracts have been issued solely from the Department of Defense. The U.S. is expected to account for 69% of the worldwide spending on UAV technology, with Asia-Pacific being the second strongest market followed closely by Europe (source: Teal Group). The commercial markets for our UAVs, however, will only open once rules are established for the safe and effective operation of UAVs in national airspace, which is regulated by the Federal Aviation Administration (FAA).

The market for our UAVs, including our aerostats, has grown significantly over the last several years, especially following the terrorist attacks of September 11, 2001 due to the demands associated with the current global threat environment. UAVs were proven to be very valuable in the Iraq and Afghanistan wars and thus are expected to be an increasing military priority in the coming years. The military has transformed into a smaller, more agile fighting force in need of a network of technologies to provide improved observation, communication and precision targeting of combat troop locations, which are often embedded in dense population centers or dispersed in remote locations. Our Argus One airship and aerostats are intended to provide critical observation and communications capabilities serving the increased demand for ISR, including real-time tactical reconnaissance, tracking, combat assessment and geographic data, while reducing the risks to our U.S. troops in theatre. The ability to observe adversaries on a continuous basis in all manner of locations with high-resolution cameras, sensors and other electronic equipment remains a critical need for our military.

The market for our Argus One family of mid-altitude airships and our aerostats on a stand-alone basis and/or combined with GTC’s or other company’s payloads relates to the following applications, among others:

<u>Government:</u>

- International, Federal, state and local governments as well as US and foreign government agencies, including DoD, DEA, Homeland Security, Customs
  - Military
  - Intelligence, reconnaissance and surveillance
  - Border monitoring
  - Drug enforcement
  - High value asset tracking

<u>Commercial Applications</u> :

- Mobile communications system
- ISR platform
- Natural disaster instant infrastructure
- Nautical tracking for maritime shipping companies
- Oil pipeline monitoring and exploration
- Fleet vehicle diagnostic, maintenance, fuel theft, tracking
- Fleet generator operation diagnostic tracking
- Power grid infrastructure management
- Solar power infrastructure management
- Local vegetation production facility monitoring

The market for the Stratellite is different than the market for our mid-altitude UAVs and is potentially much larger. 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 the opportunity for regular system upgrades. The ability to promptly provide a communications infrastructure platform to locations where it is lacking either as a result of natural disaster or financial constraints is a critical need for both governmental and commercial customers.

The need for information-transmission in the future performed by HAAs or HALEs is vast and is especially critical in the following applications:

- Mobile broadband communications
- Emergencies or 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

GTC's markets differ depending on the services provided. The market for the construction of satellite ground stations has historically been and is expected to continue to be government and government-related entities, although GTC is interested in raising money sufficient to fund its construction of a ground station in India either on its own or with certain partners.

There is an existing and we believe significantly growing, multi-billion dollar global market for a small and cost effective solution for receiving and processing data from remote locations used in applications such as tracking vehicles or asset shipments, monitoring unattended remote assets or mobile security. GTC's solutions are ideally suited for industries such as maritime, aviation, government/military, emergency/humanitarian services, mining, forestry, oil and gas, heavy equipment, transportation and utilities, as well as recreational users. This is a rapidly growing market and GTC believes it is well positioned to take advantage of this growth, especially with the recent launch of its e-commerce website through which it offers a range of portable satellite voice, data and tracking solutions that provide communications services to areas of the world where other methods of communication do not exist or are currently limited, including remote land and ocean areas, the polar regions, and areas where an existing telecommunications infrastructure has been negatively affected by political conflicts, natural disasters, or other such events. Under the terms of previous contracts with Globalstar, GTC currently has the rights to use up to 2,430 simplex or one-way transmission, tracking accounts which can be used without charge for at least another 13 years and has a contract with Globalstar that allows for an additional 10,000 unlimited usage accounts to be available to GTC (1,000 of which GTC is required to transfer to a former affiliated company) over a 25 year period upon completion of a certain satellite tracking ground station. GTC can use each simplex or one-way transmission account to transmit an unlimited number of locational or status messages from tracking devices used anywhere within the Globalstar simplex coverage area. Under the terms of contracts between GTC and Globalstar, GTC will pay no activation fee, monthly fee or per message fee to Globalstar for each account used during the term of the contracts. In the past, GTC has dealt specifically with U.S. government customers but is now also focused on expanding this customer base and making maximum use of the free accounts to generate increased revenue.

Competition

We believe that the principal competitive factors in the markets for our airships and our aerostats include product performance, features, acquisition cost, lifetime operating cost, including maintenance and support, ease of use, integration with existing equipment, quality, reliability, customer support, brand and reputation. The current market competitors to LTA UAVs like our Argus One line of airships and aerostats are not only other LTA UAVS, but also manned aircraft, heavier-than-air fixed wing unmanned aircraft, tethered aerostats and balloons, and low earth orbit satellites.

The markets for our mid- and high-altitude products are evolving rapidly and subject to changing technologies, shifting customer needs and expectations, and the potential introduction of new products. Nearly all mid-altitude UAVs operating today are fixed wing, heavier-than-air platforms. Existing contractors that provide mid-altitude long endurance UAVs include Northrop Grumman with its Global Hawk, General Atomics with its Predator, Reaper and Grey Eagle, the Boeing Company with its Scan Eagle, and Elbit Systems with its Hermes aircraft. Several large aerospace and defense contractors are pursuing this market opportunity with proposed long duration heavier-than-air fixed wing UAVs, including The Boeing Company, QinetiQ, Aurora Flight Sciences, Lockheed Martin and Northrop Grumman. Companies pursuing LTA UAVs as a solution for this market include Lockheed Martin, Northrop Grumman and Raytheon. Companies pursuing low earth orbit satellites as a solution for this market include The Boeing Company, Lockheed Martin, General Dynamics, the European Aeronautic Defence and Space Company, Ball Aerospace Technologies and Orbital Sciences. There are a large number of companies that offer various competing aerostats, including TCOM LP, Lockheed Martin, Raytheon, and American Blimp Corporation. The market for high altitude long endurance UAVs is in its early stages of development and to date, no one has developed an operational HAA. As a result, this category is not well defined and is characterized by multiple potential solutions.

A number of our competitors have received considerable funding from government or government-related sources to develop and build a mid- or high-altitude UAV. Most of these organizations and many of our other competitors have greater financial, technical, manufacturing, marketing and sales resources and capabilities than we do. We anticipate increasing competition as a result of defense industry consolidation, which has enabled companies to enhance their competitive position and ability to compete against us. In addition, other companies may introduce competing airships, aerostats or solutions based on alternative technologies that may adversely affect our competitive position. As a result, our products may become less or non-competitive or obsolete.

The competitors for GTC's satellite telecommunications services are other leading satellite networks such as Iridium, Inmarsat, Thuraya and even Globalstar, and their various resellers. GTC expects the competition for these and its satellite tracking and monitoring services to increase significantly as the market demand accelerates. GTC believes it will be well positioned to compete for this business largely on a cost basis since it currently has the rights to use up to 2,430 simplex or one-way transmission tracking accounts which can be used free of charge for at least another 13 years due to agreements GTC has with Globalstar and GTC has a contract with Globalstar that allows for an additional 10,000 unlimited usage accounts to be available to GTC (1,000 of which GTC is required to transfer to a former affiliated company) over a 25 year period upon completion of a certain satellite tracking ground station. GTC can use each simplex or one-way transmission account to transmit an unlimited number of locational or status messages from tracking devices used anywhere within the Globalstar simplex coverage area. Under the terms of contracts between GTC and Globalstar, GTC will pay no activation fee, monthly fee or per message fee to Globalstar for each account used during the term of the contracts. GTC does not believe it has any significant competition in the construction of ground stations around the world although such construction is dependent on government funding.

Technology, Research and Development

We develop technology utilizing relationships with partners who specialize in the design and development of technology related to our products. We currently rely exclusively on our technical partner, Eastcor Engineering, and its chief technologist for the development and commercialization of our airships and aerostats. Eastcor also develops tracking devices and other technology for GTC. We currently have no technical personnel as employees of the Company responsible for this function. We expect this to change as we progress and begin to sell our airships, aerostats and GTC products and services and plan on developing an internal research and development capacity to work with and complement our technological partners in the coming year. While we believe the relationship with Eastcor and its chief technologist to be very strong, there is no assurance that it will always remain so. If this relationship were to break down or terminate or if we were to lose the services of Eastcor and its chief technologist, it would cause a significant delay in our ability to continue to develop, manufacture and sell our airships and aerostats, postpone commercial revenue to us and increase the costs related to such development and commercialization.

In part to reduce our dependence on Eastcor and its chief technologist, in 2011 we entered into a three year agreement with Oklahoma State University – University Multispectral Laboratories, LLC (UML) to collaborate in support of research, development, testing and evaluation activities associated with our LTA UAV platforms. According to the terms of the agreement, both parties agree to cooperate and conduct RDT&E, technical, engineering and scientific activities using the facilities, staff, methods and technologies of each party to rapidly advance technology, from concept to operation, in the following areas: chemical, biological, radiological, nuclear, explosive, command, control, computers, communication, intelligence, surveillance, reconnaissance, and unmanned aerial systems. We intend to continue to develop and expand this relationship especially in connection with technical development relating to our products.

The technology for the Argus One was developed for us under contract by Eastcor Engineering, a U.S. Department of Defense prime contractor, specializing in high technology engineering products and services and the Company owns such technology. The inventor of the technology subject to our patent applications has assigned all of his rights in such applications to us. The Argus One was specifically developed in the U.S. using technologies that take full advantage of the microelectronics and command and control technologies protected under the International Traffic in Arms Regulations for potential U.S. governmental customers.

Our research and development efforts are focused on our LTA UAV product line, including our aerostats. Unlike many of our competitors who are focused solely on development of a HAA, we have adopted a spiral or staged development approach that allows for similar technology to be tested and matured on LTA UAVs designed for low- and mid-altitudes and our aerostats, as we continue to develop our Stratellite HAA. Our research and development activities are focused, among other things, on envelope design and construction, propulsion systems, solar/fuel cell capabilities, payload and systems integration, sensor stabilization, automated modular controls for aerodynamic stability and other related technologies. The focus of our development of our airships is to achieve the goal of persistence with regard to its vulnerability to the environment, its ability to accept different payloads and perform differing missions, maintaining sufficient power for both longevity and agility, sufficient payload capacity consistent with altitude and payload configuration, and both technical and engineering design to enable prolonged on-station operations. The operational platform mobility and its capability to sustain the rigors of varying environments have profound implications to overall platform mission operations. These attributes are mission agility, tactical responsiveness, all weather operations, airspace management, and area of coverage.

GTC has developed various custom designed commercial simplex satellite tracking devices which are capable of transmitting locational and other information from any location within the Globalstar satellite network. These devices were previously exclusively used by U.S. government customers and thus have satisfied stringent operational requirements for years. Users of these tracking products will be able to access their accounts online and view near-live location and status transmissions using GTC's proprietary mapping web interface. GTC intends to apply for certification to sell these devices globally. GTC expects to continue to develop technology for various types of tracking and monitoring devices to address the increasing market demand for such tracking and monitoring services especially in remote locations.

We spent $425,562 on research and development in 2011.

Partners

Eastcor Engineering and its chief technologist is currently our exclusive technical partner that we rely on for the development and commercialization of our airships. Eastcor and its chief technologist is responsible for the design, construction, testing and demonstration of our airships and aerostats and we own all intellectual property rights relating to such products. We also have a technological relationship with UML to collaborate in support of research, development, testing and evaluation activities associated with our LTA UAV platforms which we intend to expand in the coming year. WSGI and Eastcor Engineering intend to conduct additional testing and demonstrations of our Argus One UAV to potential Government and commercial customers in Nevada and potentially at other select locations.

GTC has a broad, longstanding relationship with Globalstar. GTC specializes in services offered through the Globalstar satellite network and is also a reseller of Globalstar's satellite mobile and data communications services globally via satellite. Finally GTC has various contracts with Globalstar, the terms of which provide GTC with the rights to use up to 2,430 simplex or one-way transmission, tracking accounts which can be used without charge for at least another 13 years and GTC has a contract with Globalstar that allows for an additional 10,000 unlimited usage accounts to be available to GTC (1,000 of which GTC is required to transfer to a former affiliated company) over a 25 year period upon completion of a certain satellite tracking ground station. GTC can use each simplex or one-way transmission account to transmit an unlimited number of locational or status messages from tracking devices used anywhere within the Globalstar simplex coverage area. Under the terms of contracts between GTC and Globalstar, GTC will pay no activation fee, monthly fee or per message fee to Globalstar for each account used during the term of the contracts. GTC's free accounts can be sold to customers requiring simplex service through the Globalstar network. In the past, GTC has dealt specifically with U.S. government customers but intends to attempt to expand this customer base and make maximum use of these free accounts to generate increased revenue. The contracts with Globalstar also allow GTC to construct an additional five satellite ground stations anywhere in the world.

In February 2012, we entered into an agreement with Gemini Global Group, one of the nation's premier business development firms. With offices in Washington, D.C. and Austin, Texas, Gemini is a leader in providing procurement assistance, identification of commercial and government business opportunities, political advocacy and regulatory assistance to a global customer base. We together with Gemini have jointly developed a business procurement strategy for us and GTC and have begun to implement a number of initiatives to execute on such strategy.

Intellectual Property

Our success and ability to compete depends on our ability to develop and maintain our intellectual property and proprietary technology and to operate without infringing on the proprietary rights of others. On February 17, 2011, we filed a provisional patent in the U.S. relating to our Argus One UAV for an unmanned autonomous airship with automated control for individual modules for improved flight stability and aerodynamic body control. In February 2012 we filed both a U.S. utility patent application and a patent application under the Patent Cooperation Treaty for an airship design and method of controlling the airship based on our Argus One UAV. As our development of the Argus One line of airships and aerostats continues, we intend to expand and strengthen our portfolio of intellectual property by relying on patents, trade secrets, copyrights, trademarks, non-disclosure agreements and other contractual provisions. We have applied for trademark registration on the name Stratellite. In certain cases, when appropriate, we opt to protect our intellectual property through trade secrets as opposed to filing for patent protection in order to preserve confidentiality. All of our employees are subject to non-disclosure agreements and other contractual provisions to establish and maintain our proprietary rights.

Dependence on a Few Customers and Regulatory Matters

We believe that our airship and aerostat products will at least initially be sold to a limited number of U.S. government and government-related entities. The majority of GTC's products and services have been sold to U.S. government and government-related entities as well, although GTC has begun to also focus on the broader commercial market for its tracking and monitoring services; customers for ground station construction will largely remain government and government-related entities. We anticipate that the majority of our revenue at least in the foreseeable future will come from U.S. government and government-related entities, including both the Department of Defense and other departments and agencies. Government programs that we may seek to participate in must compete with other programs for consideration during Congress' budget and appropriations hearings, and may be affected by changes not only in political power and appointments but also general economic conditions and other factors beyond our control. Reductions, extensions or terminations in a program that we are seeking to participate in or overall defense spending could adversely affect our ability to generate revenues and realize any profits. We cannot predict whether potential changes in security, defense and intelligence priorities will afford opportunities for our business in terms of research and development or product contracts, but any reduction in government spending on such programs could negatively impact our ability to generate revenues.

We have not yet been qualified to be a contractor, and have done no business yet, with the U.S. Government (although our recently acquired subsidiary GTC has done so) and if we fail to so qualify, our ability to generate revenues would be severely affected. As the parent company of GTC, we are not, however, required to be qualified as a government contractor for GTC to qualify for new contracts. If we do so qualify, to do business with the U.S. government, we will be required to comply with and will be affected by laws and regulations relating to the award, administration and performance of U.S. contracts. Government contract laws and regulations affect how we will do business with our customers, and in some instances, will impose added costs on our business. A violation of specific laws and regulations could result in the imposition of fines and penalties, the termination of any then existing contracts or the inability to bid on future contracts.

Our UAVs are subject to regulation by the FAA, which currently does not allow any untethered flights by UAVs in commercial airspace in the U.S. without prior FAA clearance certifications that are difficult and time-consuming to obtain. However, on February 14, 2012, a new law was passed that requires the FAA to (i) develop a safe, detailed plan to integrate civil unmanned aerial systems into the national airspace within 270 days and to implement the recommendations of such plan within 180 days thereafter, (ii) determine if certain UAVs may operate safely in national airspace and, if so, to establish requirements for such safe operation within 180 days, (iii) establish a program to integrate UAVs into national airspace at no less than 4 test ranges within one year, and (iv) establish a process to develop certification and flight standards for UAVs and their operators within 270 days. While we do not currently know the rules that will ultimately be issued by the FAA, or the cost of complying with them, we intend to closely follow all progress made by the FAA to implement this new law. We believe our reliance on the U.S. government and government-related entities as our primary customers will change dramatically once the FAA determines the rules and regulations required for the safe flight and operation of UAVs in our national airspace, since we will then be able to sell our airships to a much broader commercial market where the demand is increasing rapidly.

International sales of our products may also be subject to U.S. laws, regulations and policies like the United States Department of State restrictions on the transfer of technology, ITAR and other export laws and regulations and may be subject to first obtaining licenses, clearances or authorizations from various regulatory entities. This may limit our ability to sell our airships abroad and the failure to comply with any of these regulations could adversely affect our ability to conduct our business and generate revenues as well as increasing our operating costs. Our UAVs may also be subject to regulation by the National Telecommunications and Information Administration and the Federal Communications Commission which regulate wireless communications.

Sources and Availability of Components

Certain materials and equipment for our LTA UAVs, such as the envelope and the gas bags, are custom made for those products and are dependent upon either a single or limited number of suppliers. Failure of a supplier could cause significant delays in delivery of the airships if another supplier cannot promptly be found or if the quality of such replacement supplier’s components are inferior or unacceptable.

Employees

As of March 21, 2012, we had 5 full-time employees, including our executive officers. GTC hires contract employees on an as needed basis, and has not historically had any problems finding qualified personnel. We do not believe that we will have difficulty in hiring and retaining qualified individuals for our general operations. We believe that our relations with our employees are good. None of our employees are represented by a collective bargaining agreement, nor do we have collective bargaining arrangements with any of our employees.

Facilities

Our corporate offices are now located at State Road 405, Building M6-306A, Room 1400, Kennedy Space Center, FL 32815. Base rent is $1,552 per month plus 6% state sales tax. The lease is for a period of 13 months and terminates on December 31, 2012. GTC has an office at 17501 Biscayne Blvd., Suite 440, Aventura, FL 33160. The base rent is $2,600 per month plus sales tax and the lease is for a period of 12 months and terminates June 14, 2012. GTC also leases on a month-to-month basis an engineering, storage and customer demonstration facility in Easton, MD with a base rent of $1,854 per month. We believe that our facilities are adequate for our current and near-term needs. We have a hangar for our airships located on the grounds of the airport in Easton, Maryland near our technical partner, Eastcor Engineering. Our corporate offices were previously located at 17501 Biscayne Blvd., Aventura, FL 33160 which was vacated on January 31, 2011 as the lease expired

Legal Proceedings

In the ordinary conduct of business, we are subject to periodic lawsuits, investigations and litigation claims, which we account for where appropriate. We cannot predict with certainty the ultimate resolution of such lawsuits, investigations and claims asserted against us. As of the date hereof, we had the following material contingencies:

Brio Capital

Brio Capital, the holder of a warrant, filed an action against us on February 25, 2011 in the New York Supreme Court, County of New York, for the issuance of approximately 6.2 million shares of common stock upon the exercise of certain warrants. The Court granted a non-final Summary Judgment Order on a portion of the action in favor of Brio in December 2011 requiring the Company, among other things, to issue 6.2 million shares of common stock. The Company has issued the shares required by the Court order. We have also entered into a settlement agreement to pay $57,661 in legal fees as required by the Court order.

Tsunami Communications v. GlobeTel

On March 3, 2006, Civil Action File No. 06A-02368-5 was filed in Superior Court for Gwinnett County, Georgia by Tsunami Communications and several of its former shareholders. We asserted affirmative defenses and a trial was held in November 2009. By Order of the Court entered on September 2, 2010, an Order was entered against GlobeTel and several other co-defendants for the breach by Sanswire Technologies, Inc. (“ST”) (a then unrelated party) of its asset purchase agreement with the plaintiff Tsunami based on a deemed de facto merger resulting from a subsequent asset purchase agreement between ST and GlobeTel. As damages, we were ordered to issue 530,015 shares of common stock to former shareholders of Tsunami and pay $229,180 to a former Tsunami shareholder with respect to two outstanding promissory notes. Subsequent to the Order, the plaintiffs filed a Motion for Reconsideration asking the Court to both reconsider its decision to deny several of the plaintiffs’ claims and to substantially increase the award of damages and a Claim for Attorney’s Fees, which has been denied by the Court. We have issued the share portion of the Order, but we are in settlement discussions with the plaintiff relating to the cash portion of the Order.

Peter Khoury

The Company’s former CEO Peter Khoury filed an arbitration proceeding against us on October 10, 2010, and filed an action against us in Miami-Dade County in October 2010 which was amended in November 2011 but which was not served on us until December 2011, asserting claims for payment of amounts alleged to be due in connection with his services provided to the Company totaling over $400,000 in cash, 1.8 million shares of common stock and an additional $250,000 in shares of common stock. We reached a settlement with Mr. Khoury resolving this matter, without admitting or denying the allegations. Under the terms of the settlement, we are required to pay him $50,000 over a four month period and issue 2.75 million shares of our common stock.

The DeCarlo Group

A lawsuit was filed by the DeCarlo Group on November 24, 2010 in Miami-Dade County Courthouse for over $400,000 claimed in connection with CFO and accounting services allegedly rendered to the Company. It is our position that the Company was overcharged in connection with the services rendered and that no amounts are due. DeCarlo is again seeking a new attorney to represent him in this matter. We have filed a motion to dismiss on various grounds and intend to otherwise defend ourselves vigorously in this matter, but the outcome of the action cannot be predicted.

Siegel

A lawsuit was filed by Frances Siegel, the mother of a former officer and director of the Company, on January 20, 2011 in Miami-Dade County Courthouse for $300,000 plus interest claimed in connection with an alleged investment in the Company back in 2003. The parties have begun preliminary discovery and participated in a mediation session. We intend to defend ourselves vigorously in this matter, but the outcome of the action cannot be predicted.

GlobeTel Wireless Europe GmbH

A lawsuit was filed by Rechtsanwalt Harry Kressel, Court Appointed Insolvency Administrator of the Assets of GlobeTel Wireless Europe GmbH, on March 8, 2011 in the Circuit Court in Brevard County, FL for $165,000 plus interest claimed in connection with the default of the Company on a parent company guaranty with GlobeTel Wireless Europe. We reached a settlement with GlobeTel Wireless Europe resolving this lawsuit, without admitting or denying the allegations. Under the terms of the settlement, we are required to pay them $80,000 over a twelve month period; *provided, however*, that the total amount is reduced to $65,000 if such amount is paid on or before July 6, 2012.

Dohan

We filed a lawsuit on November 3, 2008, in the Florida Circuit Court for the Eleventh Circuit in Miami-Dade County, FL against our former auditors, Dohan Brown Salum + Ferro CPA PA n/k/a Dohan Salum + Company CPA PA and the individual auditors who performed work for us. The claim asserts that but for the professional negligence of the audit firm in failing to observe GAAP and other accounting and auditing standards, we would not have incurred the substantial fees and professional expenses necessary to restate our financials and defend allegations of wrongdoing asserted by the SEC against us. We have filed an amended complaint to add claims. Dohan and Company, P.A., C.P.A.'s filed a related lawsuit against us on July 29, 2011 in the same court alleging unpaid professional accounting fees of $126,820, which case has now been combined with our lawsuit. The parties have begun preliminary discovery. We intend to respond to these allegations and defend ourselves vigorously in this matter, but the outcome of the action cannot be predicted.

IRS

During 2010 and 2009, we, under our former name Sanswire Corp., incurred and reported to the Internal Revenue Service ("IRS") payroll tax liabilities (and deposited the appropriate withholding amounts) during the normal course of business at each payroll cycle. The Company has reported its payroll tax liabilities for all the tax periods in 2007 and 2008, however, it failed to deposit the appropriate withholding amounts for those periods We recognized this issue and, accordingly, contacted the IRS to make arrangements to pay any taxes due. One such matter has been resolved with the IRS, and we currently estimate the amount involved in the second matter to be approximately $200,000. We may be subject to additional penalties and interest from the IRS in connection with these payroll tax matters. We are engaged in discussions with the IRS to settle this matter and filed an Offer in Compromise with the IRS. The IRS has not agreed to our offer to settle the tax liability as of the date hereof and the matter is before the IRS Appeals Office.

We provide indemnification, to the extent permitted by law, to our officers, directors, employees and agents for liabilities arising from certain events or occurrences while the officer, director, employee, or agent is or was serving at our request in such capacity.

MANAGEMENT

Directors

The Company's Board of Directors currently consists of five members, three of whom are independent, non-employee directors. The Board of Directors is divided into three classes. Each class serves for a term of three years, with the terms of office of the directors in the respective classes expiring in successive years. The present term of the Class I Director, Wayne P. Jackson, expires at our Annual Meeting of Stockholders in 2014. Anthony R. Bocchichio and Kevin S. Pruett are Class II Directors whose terms expire at our Annual Meeting of Stockholders in 2012 and Glenn D. Estrella and Anita S. Hulo are Class III Directors whose terms expire at our Annual Meeting of Stockholders in 2013.

Information with Respect to Directors

Name of Director	Age	Year First Became Director	Position with Company
Anthony R. Bocchichio	69	2012	Director (Chairman)
Glenn D. Estrella	49	2010	Director, President and CEO
Anita S. Hulo	47	2011	Director
Kevin S. Pruett (1)(2)	54	2011	Director
Wayne P. Jackson (1)(2)	83	2009	Director

(1) Member of Audit Committee

(2) Member of Compensation Committee

Set forth below are descriptions of the backgrounds of each of our directors and their principal occupations for at least the past five years and their public company directorships, if any, as well as those held during the past five years. With respect to each director, we have also provided in their biographical information below the experience and qualifications that led to the conclusion that they should serve as director in light of our business and structure.

Anthony R. Bocchichio, 69, has served as a director of the Company since April 2012. Mr. Bocchichio has been the CEO and President of Caliber Consulting and Technologies Inc., a company specializing in security issues and technology, since January 1999. Prior to that, Mr. Bocchichio spent 25 years with the Drug Enforcement Administration, retiring as the Assistant Administrator, Operational Support Division, in December 1998. Prior to his service at the DEA, Mr. Bocchichio spent 12 years with the U.S. Customs Service.

As reflected in the biographical information summarized above, Mr. Bocchichio contributes valuable operational government service experience especially in the security and surveillance areas, and contacts throughout the United States and abroad in the security and enforcement communities. For these reasons, we believe Mr. Bocchichio has the requisite set of skills and experience to serve as a valuable member of our board of directors and as its Chairman

Glenn D. Estrella, 49, has served as a director of the Company since November 2010. In addition, commencing June 2010, Mr. Estrella has served as the Company's Chief Executive Officer and he was appointed President of the Company in October 2010. Mr. Estrella served as Chief Financial Officer and Treasurer from June 2010 until February 2011. From 2008 to 2009, Mr. Estrella served as Chief Administrative Officer and Senior Vice President at Fidelity Investments. From 1983 to 2008, Mr. Estrella held a variety of positions at JP Morgan, including Senior Vice President and Head of JP Morgan Chase's Latin America and Australia Trust Company; Chairman and Chief Executive Officer of JP Morgan Systems and Services Technology; and Global Head of Client Services and Managing Director of JPMorgan Clearance and Agency Company. Prior to that, Mr. Estrella served in several roles at Chase Manhattan Bank. Mr. Estrella contributes valuable executive and operating experience, in addition to providing global experience turning around businesses by driving profitable growth.

As reflected in the biographical information summarized above, Mr. Estrella contributes valuable executive and operating experience, in addition to providing global experience turning around businesses by driving profitable growth. For these reasons, we believe Mr. Estrella has the requisite set of skills and experience to serve as a valuable member of our board of directors.

Anita S. Hulo, 47, has served as a director of the Company since June 2011. Ms. Hulo has served as general manager of EastCor Engineering, LLC, a small engineering company located in Maryland since June 4, 2007 where she is responsible not only for personnel but all contracts, security and the overall operations of the company. Prior to her position at Eastcor, she was a deputy program director for L-3 Titan Corporation from July 2003 to June 2007. Before L-3, she served 4 years in the US Army where she spent most of her time in leadership roles. While in the Army, she coordinated station briefs and represented the foreign relations office by providing over 350 station overview briefs for individual visitors to include 15 flag officers, and civilian and foreign dignitaries. She directed the operation of 17 parabolic dish antennas and redirected collection posture in response to national and time-sensitive changes in tasking. Before the Army, she directed three outpatient counseling offices in southwest Louisiana. Ms. Hulo has a Bachelors degree in Psychology from the University of Louisiana at Lafayette and a Masters in Technology Management from University of Maryland.

As reflected in the biographical information summarized above, Ms. Hulo contributes valuable management skills as well as having numerous contacts in the defense and military industries. For these reasons, we believe Ms. Hulo has the requisite set of skills and experience to serve as a valuable member of our board of directors.

Kevin S. Pruett, 54, has served as a director of the Company since June 2011 and is a member of our Audit and Compensation Committees; Mr. Pruett is the Chairman of our Audit Committee. Mr. Pruett has a successful 25-year record of accomplishment managing government and commercial technology businesses. He is currently Vice President for the Aerospace Sciences and Engineering Division of ENSCO, Inc. in Cocoa Beach, Florida. In this capacity, he manages multiple space launch engineering and analysis programs as well as overseeing the company's meteorological science business with clients such as NASA, National Weather Service, US Air Force and United Airlines. Prior to joining ENSCO in 2004, Mr. Pruett spent 18 years with Harris Corporation. Harris consistently promoted him to positions of increasing responsibility in the financial management, contract management and business development areas working with clients such as the US Air Force, Federal Aviation Administration and the Department of Homeland Security. During 1996 and 1997, he received multiple awards for consistent outstanding performance as a top Harris Business Development professional. Mr. Pruett was also the Program Director for wireless asset tracking products at Terion, Inc., a venture start-up formed by Harris and Penske Corporation. Mr. Pruett began his career with Rockwell International in Downey, California as a Cost Analyst on the Space Shuttle Program in 1982. Mr. Pruett received a BSBA degree from the University of Florida in 1981 and earned his MBA, with a concentration in contract management, from Florida Tech in 1987. Mr. Pruett also achieved a professional designation as a Certified Professional Contract Manager (CPCM) from the National Contract Management Association (NCMA) in 1992. Mr. Pruett is a member of the Board of Directors for Health-First Inc. He is also a member of the Board of Director for Health-First Health Plans Inc. Mr. Pruett is currently serving his third term as City Commissioner for Cocoa Beach, Florida. Prior to his election, he served two years as chairperson for the Cocoa Beach Board of Adjustment. He is also a member of the Brevard County Civilian-Military (CivMil) Relations Council.

As reflected in the biographical information summarized above, Mr. Pruett contributes valuable executive and operating experience, in addition to extensive financial and accounting skills, making him qualified to be our Audit Committee Financial Expert. For these reasons, we believe Mr. Pruett has the requisite set of skills and experience to serve as a valuable member of our board of directors.

Wayne P. Jackson, 83, has served as a Director of the Company since April 2009, and is a member of the Audit and Compensation Committees; General Jackson is the Chairman of the Compensation Committee. Major General Jackson had a 37-year career with the United States Army, Air Force and Navy, retiring in 1984. For the past five years, General Jackson has served as a board member of Forgotten Soldiers Outreach, a non-profit corporation focused on support for our country's soldiers stationed abroad. General Jackson has also served as a Host Committee member and fund raiser for the past three years for the Wounded Warriors Second Chance Program, which assists wounded service members and their families transition to civilian life. During his military career, General Jackson served in various overseas theaters of operations and in a variety of assignments. He commanded Aviation, Civil Affairs, Infantry, Military Intelligence, Signal Corps and Special Forces units, as well as holding two General Office Commands and a position as the Director of Counterintelligence 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 has been awarded the Parachute Badge, the Expert Infantry Badge and the Master Aviator Badge. His decorations include the Distinguished Service Medal, the Meritorious Service Medal, the Army Commendation Medal and several other military awards and decorations. General Jackson has remained an active member of the defense and intelligence communities and contributes extensive military industry experience relevant to the needs and requirements for the Company's products by the Company's primary initial target customer.

As reflected in the biographical information summarized above, General Jackson has remained an active member of the defense and intelligence communities and contributes extensive military industry experience relevant to the needs and requirements for the Company's products by the Company's primary initial target customer. For these reasons, we believe General Jackson has the requisite set of skills and experience to serve as a valuable member of our board of directors and its committees on which he serves.

Arrangements or Understandings Regarding the Selection of Certain Directors

None of our current directors were appointed pursuant to any arrangements or understandings regarding the selection or appointment of our directors. Pursuant to the stock purchase agreement we entered into in connection with the acquisition of GTC, Growth Enterprise Fund, S.A. has the right to appoint two (2) additional directors to our board of directors, each of whom must satisfy the independence requirements of the SEC and NASDAQ until the earlier of the date the purchase price, including the earn-out payments, is paid in full or the third (3rd) anniversary of the closing date (as such terms are defined in the stock purchase agreement). Growth Enterprise has not yet designated anyone for appointment to the board of directors.

Determination of Director Independence

The Board of Directors has determined that General Jackson and Messrs. Pruett and Bocchichio are "independent" directors, meeting all applicable independence requirements of the SEC, including Rule 10A-3(b)(1) pursuant to the Exchange Act. In making this determination, the board of directors affirmatively determined that none has any relationship that, in the opinion of the board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Availability of Corporate Governance Documents

We have adopted a Code of Ethics and Business Conduct that is applicable to all our directors and all employees, including executive officers. A copy of the ethics policy is available on our website at *www.wsgi.com* under the "Governance Documents" section. We intend to disclose any changes to and waivers from our ethics policy by posting such information on our website or by filing a Current Report on Form 8-K within four business days of any such amendment or waiver.

Board Leadership Structure and the Chairman of the Board

The Board oversees our Chief Executive Officer and other senior management in the competent and ethical operation of the Company and assures that the long-term interests of the stockholders are being served. While our Chief Executive Officer serves as a director, the Board has appointed Anthony R. Bocchichio as the Chairman of the Board of Directors and the Board includes three independent members. The Board has adopted this structure to strike an effective balance between management and leadership participation in the Board process and to enhance the ability of the Board to carry out its roles and responsibilities on behalf of stockholders. The function of the Chairman of the Board is to facilitate and improve communication between the independent directors and the Company by serving as the interface between our senior management and the independent directors. The Chairman of the Board works with the independent directors to establish goals for the Chief Executive Officer each fiscal year, and with the independent directors, conducts the annual Chief Executive Officer evaluation.

Board Oversight of Risk

The Board oversees our business and strategic risks, as well as the risks associated with our corporate governance practices and the process governing the nomination of members of the Board, since the Board does not yet have a standing Corporate Governance and Nominating Committee. The Audit Committee oversees financial reporting and financial compliance risks confronting us. The Compensation Committee oversees the risks associated with our compensation policies and practices (including performance-based compensation and change of control and termination of employment plans and risks). While the Board and its committees oversee risk management strategy, management is responsible for implementing, and supervising day-to-day risk management processes and reporting to the Board on such matters.

We provide a detailed description of the risk factors impacting our business in this prospectus under “Risk Factors.”

Board Committees

The Board has standing Audit and Compensation Committees but does not yet have a standing Nominating and Corporate Governance Committee. The full Board carries out the duties and responsibilities normally carried out by a corporate governance committee. We intend to add independent members to our board of directors in 2012. At such time as the number of directors on the Board that qualify as independent has increased, we intend on establishing a Nominating and Corporate Governance Committee, which shall have a separate charter detailing its role, responsibilities and governance.

Audit Committee

The Audit Committee was established in January 2011 and currently has two members, Wayne P. Jackson and Kevin S. Pruett, who each meets the independence requirements of the SEC as described above. Mr. Pruett is the Chairman of the Audit Committee. The Board appointed General Jackson and Mr. Pruett to the Audit Committee after determining that each is also financially literate. The Audit Committee is currently governed by a committee specific charter that details its role, responsibilities and governance. Mr. Pruett qualifies as an “audit committee financial expert” as defined in the rules and regulations promulgated under the Exchange Act. The Audit Committee’s oversight responsibilities include matters relating to our financial disclosure and reporting process, including the system of internal controls, the performance of our internal audit function, compliance with legal and regulatory requirements, the approval of related party transactions, and the appointment and activities of (including the pre-approval of all services offered or performed by) our independent registered public accounting firm. Actions taken by the Audit Committee are reported to the Board, usually at the next Board meeting following a committee meeting. The Audit Committee met five times during fiscal 2011.

Nominating and Corporate Governance Committee

We do not yet have a standing Nominating and Corporate Governance Committee, but plan to establish such a committee upon the appointment of additional members of the Board who are independent. Neither Mr. Estrella nor Ms. Hulo is an independent director. The Board currently performs the functions that such a committee would perform and each director participates in identifying qualified individuals to become directors, making recommendations to the Board concerning the size, structure and composition of the Board and its committees, monitoring the process to assess the Board's effectiveness, considering director nominees and overseeing our corporate governance policies.

Qualifications of Director Candidates

In evaluating the suitability of individuals for Board membership, the Board takes into account many factors, including whether the individual meets the requirements for independence, professional expertise and educational background, and the potential to contribute to the diversity of viewpoints, backgrounds or experiences of the Board as a whole including diversity of experience, gender, race, ethnicity and age. The Board evaluates each individual in the context of the entire Board, with the objective of recommending nominees who can best further the success of our business and represent stockholder interests. The Board does not assign specific weights to particular criteria for prospective nominees. We believe that the backgrounds and qualifications of directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the board of directors to fulfill its responsibilities.

Compensation Committee

The Compensation Committee was established in July 2011 and currently has two members, Wayne P. Jackson and Kevin S. Pruett, who each meets the independence requirements of the SEC as described above. General Jackson is the Chairman of the Compensation Committee. Neither Mr. Estrella nor Ms. Hulo is an independent director. The Compensation Committee is currently governed by a committee specific charter that details its role, responsibilities and governance. The Compensation Committee reviews the compensation arrangements for our executive officers, including the CEO, administers our equity compensation arrangements and reviews the compensation of the Board. Actions taken by the Compensation Committee are reported to the Board, usually at the next Board meeting following a committee meeting. The Compensation Committee met four times during fiscal 2011.

We structure our executive compensation to reflect individual responsibilities and contributions, while providing incentives to achieve overall business and financial objectives. The Compensation Committee has responsibility for establishing, implementing and monitoring adherence to this philosophy. The Compensation Committee is responsible for designing an executive compensation program that rewards the achievement of financial and non-financial goals through a combination of cash and stock-based compensation. This bifurcation between financial and non-financial objectives and between cash and stock-based compensation provides a structure in which executives are rewarded for achieving results that the Compensation Committee believes will enhance stockholder value. The Compensation Committee believes that stockholder interests are best served by compensating employees at industry competitive rates, enabling us to attract and retain the best available talent and recognize superior performance while providing incentives to achieve overall business and financial objectives. By doing so, the Compensation Committee believes that our ability to achieve financial and non-financial goals is enhanced.

When making compensation decisions, the Compensation Committee begins with a review of each compensation component for our Chief Executive Officer. This review includes the dollar amount of each component of compensation payable to the Chief Executive Officer related to the relevant period, together with the related goals for performance-based compensation. The overall purpose of this is to review all of the elements of fixed and contingent compensation, so that the Compensation Committee may analyze both the individual elements of compensation (including the compensation mix) as well as the aggregate amount of actual and projected compensation.

The Compensation Committee discusses this review with the Chief Executive Officer, who provides input to the Compensation Committee on the reasonableness, feasibility and effectiveness of the compensation components proposed by the Compensation Committee. The Chief Executive Officer then creates similar compensation component reviews for the other executive officers, presenting compensation recommendations of both base and performance-based compensation related to the relevant period, together with the associated performance metrics. These recommendations are then reviewed and, once agreed upon, approved by the Compensation Committee. The Compensation Committee can exercise its discretion in modifying any recommended compensation to executives and exercises this discretion in active consultation with the Chief Executive Officer.

The Compensation Committee endeavors to establish a compensation program that is internally consistent and equitable in order for us to achieve our overall corporate objectives.

Compensation Committee Interlocks and Insider Participation

Mr. Pruett and General Jackson served as members of our Compensation Committee in fiscal 2011. Glenn D. Estrella, our President and Chief Executive Officer and a member of the Board, participated in discussions of the Board concerning executive officer compensation in 2011. No member of the Compensation Committee was an officer or employee of the Company or a former officer of the Company, and except as disclosed in “Certain Relationships and Related Transactions” below, had any relationships requiring disclosure by us under the SEC’s rules requiring disclosure of certain relationships and related party transactions. None of our executive officers (i) served as a member of the compensation committee (or other committee performing equivalent functions) of another entity, one of whose executive officers served as a either a director or a member of the Compensation Committee of the Company, or (ii) served as a director of another entity, one of whose executive officers served on our Compensation Committee.

Compensation of Directors

During the fiscal year ended December 31, 2011, directors who were employees of the Company received no cash or stock compensation for their services as directors, except for reimbursement of expenses incurred in connection with attending meetings. During the third quarter of fiscal 2011, we entered into new director compensation agreements for our non-employee directors: each director other than the Chairman of the Board is entitled to 100,000 shares of common stock per quarter and no cash compensation for their services as a director, and each Chairman of a Board committee is entitled to an additional 50,000 shares of common stock per quarter. We entered into a new compensation agreement with Mr. Clark in January 2012 whereby he was entitled, among other things, to 500,000 shares of common stock per quarter beginning retroactively to the third quarter of 2011 for his service as our Chairman of the Board and he was entitled to a bonus of 500,000 shares per quarter depending on our stock price (no bonus was achieved in 2011). Mr. Clark's agreement also entitled him to an additional five million shares of common stock if five specific milestones were achieved (each milestone entitled Mr. Clark to one million shares of common stock). Mr. Clark resigned as a director of the Company and as its Chairman in April 2012. The Company has appointed Anthony R. Bocchichio as the new Chairman of the Board effective in April 2012. Mr. Bocchichio has entered into an agreement with the Company pursuant to which he is to be issued 5,000,000 shares of the Company's common stock and paid $5,000 per month for his services as a director and Chairman of the Board.

Director Compensation

Fiscal Year 2011

Name (1)	Fees Earned Or Paid in Cash ($)	Stock Awards ($)(2)	Option Awards ($)(3)	All Other Compensation ($)	Total ($)
Michael K. Clark (4)	-	60,000	264,000	-	324,000
Wayne P. Jackson	10,000	58,950	-	-	68,950
Anita S. Hulo	-	11,800	-	-	11,800
Kevin S. Pruett	-	17,700	-	-	17,700

(1) Mr. Estrella, who joined the Board in November 2010 and who is an executive officer of the Company, did not receive any additional compensation for his services as a director.

(2) The amounts reported in the "Stock Awards" column of the table above reflects the aggregate grant date fair value. These values have been determined under the principles used to calculate the grant date fair value of equity awards for purposes of our financial statements.

(3) The amounts reported in the "Option Awards" column of the table above reflect the aggregate grant date fair value based on a Black Scholes model valuation as of the grant date. These values have been determined under the

principles used to calculate the grant date fair value of equity awards for purposes of our financial statements.

(4) Mr. Clark rescinded his 2011 performance-based stock option grant for 4.0 million shares of common stock in connection with the execution of a new compensation agreement he signed with us in January 2012. Mr. Clark resigned as a director of the Company and its Chairman in April 2012.

Executive Officers

In addition to Mr. Estrella, our Chief Executive Officer, President and Director, whose biographical information is set forth elsewhere in this prospectus, our executive officers are:

Executive Officer's Name	Position and Principal Occupation and Business Experience During the Past Five Years
Barbara M. Johnson	Vice President, General Counsel and Secretary
	Barbara M. Johnson, 46, joined the Company on October 6, 2010 as the Vice President, General Counsel and Secretary. From 2006-2008, Ms. Johnson was a Partner in the Business & Technology Group at Choate Hall & Stewart, LLP and prior to that, Ms. Johnson served from 1993 to 2008 as a Partner and Associate in the Business Practice Group at Testa, Hurwitz & Thibeault, LLP, both large, full service law firms. Ms. Johnson advised early and later stage multi-national and international public and private companies and specialized in working with such companies to negotiate and consummate various public and private equity and debt financings, implement corporate governance, SEC reporting and ethics compliance programs, and consummate acquisitions and dispositions of companies through mergers, sale or purchase of assets or other strategic combinations.
W. Jeffrey Sawyers	Chief Financial Officer and Treasurer
	W. Jeffrey Sawyers, 56, joined the Company on February 8, 2011 as the Chief Financial Officer and Treasurer. Prior to joining the Company, Mr. Sawyers served from 2008 to 2010 as the Corporate Controller for Tijuana Flats, a restaurant chain, where he was responsible for all the external financial accounting and reporting systems, audit and tax management, and banking relationships. Prior to that from 2004 to 2008, Mr. Sawyers served as Director of Finance and Special Projects at Curascript, Inc. and before that was the Assistant Controller at Priority Healthcare which was acquired by Express Scripts and combined with their subsidiary Curascript, Inc.

Our executive officers are appointed by, and serve at the discretion of, the Board, and serve until their successors have been duly elected and qualified. There are no family relationships among any of our executive officers or directors. Each executive officer is a full time employee of the Company.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table summarizes aggregate amounts of compensation paid or accrued by us in fiscal 2011 and 2010 for services rendered by (i) our principal executive officer, and (ii) our two most highly compensated executive officers other than our principal executive officer who were serving as executive officers as of December 31, 2011 (the "Named Executive Officers").

Grants or awards of certain performance-based compensation are generally made after fiscal year-end. The amounts reflected in the Summary Compensation Table under the heading "Stock Awards" and "Option Awards" for a given fiscal year, include the grants or awards made after fiscal year-end that relate to or are earned in the prior year.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)(4)	Total ($)
Glenn D. Estrella President, Chief	2011	250,000	-	346,850	158,400	-	-	755,250
Executive Officer And Director (5)	2010	129,594	20,000	-	540,733	-	-	690,327
Barbara M. Johnson Vice President, General	2011	175,000	-	222,600	79,200	-	-	476,800
Counsel and Secretary (6)	2010	36,181	-	94,000	133,460	-	-	263,641
W. Jeffrey Sawyers Chief Financial	2011	86,735	-	58,625	76,462	-	-	221,822
Officer (7)	2010	-	-	-	-	-	-	-

(1) This amount represents a signing bonus paid to Mr. Estrella in 2010.

(2) The amounts reported in the "Stock Awards" column of the table above reflect the aggregate grant date fair value. These values have been determined under the principles used to calculate the grant date fair value of equity awards for purposes of our financial statements. Includes performance-based grants of restricted stock that were not yet earned or vested as of December 31, 2011.

(3) The amounts reported in the "Option Awards" column of the table above reflect the aggregate grant date fair value based on a Black Scholes model valuation as of the grant date. These values have been determined under the principles used to calculate the grant date fair value of equity awards for purposes of our financial statements. Includes performance-based grants of stock options that were not yet earned or vested as of December 31, 2011.

(4) Amounts reported only if in excess of $10,000.

(5) Mr. Estrella joined us in June 2010 and was our Chief Financial Officer from June 23, 2010 until February 8, 2011. Salary includes $95,833 and $34,722 of accrued unpaid wages as of December 31, 2011 and 2010, respectively. Mr. Estrella received 666,667 shares of common stock and warrants to purchase 666,667 shares of common stock at an exercise price of $0.21 per share in lieu of $50,000 of accrued unpaid wages in 2011.

(6) Ms. Johnson joined us in October 2010. Salary includes $72,084 and $9,722 of accrued unpaid wages as of December 31, 2011 and 2010, respectively. Ms. Johnson received 400,000 shares of common stock and warrants to purchase 400,000 shares of common stock at an exercise price of $0.21 per share in lieu of $30,000 of accrued unpaid wages in 2011.

(7) Mr. Sawyers joined us in February 2011. Salary includes $2,333 of accrued unpaid wages as of December 31, 2011.

Summary of Agreements with Named Executive Officers

On December 27, 2010, we entered into an Amended and Restated Employment Agreement with Mr. Estrella outlining the terms pursuant to which Mr. Estrella shall serve as our President, Chief Executive Officer and Chief Financial Officer. Mr. Estrella resigned as Chief Financial Officer on February 8, 2011 when we hired a new CFO. Mr. Estrella also entered into an agreement with us whereby the parties mutually agreed to rescind the issuance of 5,000,000 shares of Common Stock that had been issued to Mr. Estrella in June 2010. The Amended and Restated Employment Agreement, Mr. Estrella contemplated the payment to Mr. Estrella of a signing bonus of $20,000, which was paid to him in June 2010 when he joined. Mr. Estrella receives a salary of $250,000 per year and is eligible to receive an annual bonus as determined by the Board. In the event that we are acquired as a result of a transfer (by merger or by sale of assets or stock or other combination) of all or substantially all of our assets or stock to an unrelated third party (a " *Business Combination* "), the above compensation that remains to be paid during the initial three year term of the agreement will be accelerated so that upon the completion of such Business Combination, Mr. Estrella will receive 100% of the unpaid portion thereof regardless of the amount of time he has been with the Company. Mr. Estrella is also entitled to a housing and car allowance of up to $2,800 and $500 per month, respectively. Upon a termination by us of Mr. Estrella's employment other than for Cause or as a result of death or Disability, or upon a termination by Mr. Estrella of his employment for Good Reason (each as defined in the agreement), Mr. Estrella shall receive six months of his base salary, a pro-rated annual bonus as determined by the Board of Directors, and all health benefits for Mr. Estrella and his family for six months; *provided, however* , that if Executive's employment is terminated during the initial term of the agreement, Mr. Estrella will instead be entitled to 100% of the unpaid portion of the base salary that would have been paid to him during the initial term. The initial term of the agreement is for three years from June 23, 2010 with automatic renewal for one year unless a party notifies the other that it is not being renewed or unless the agreement is earlier terminated. Mr. Estrella also received an option for the purchase of 7,222,222 shares of Common Stock that were fully vested on the date of grant at an exercise price of $0.09 per share.

On October 6, 2010, we entered into an Employment Agreement with Ms. Johnson outlining the terms pursuant to which Ms. Johnson shall serve as our Vice President, General Counsel and Secretary. Pursuant to the agreement, Ms. Johnson received 1,000,000 shares of restricted stock that vested 50% in 6 months and 50% in one year and an option for 1,300,000 shares of Common Stock that vested in full after three months at an exercise price of $0.094 per share. Ms. Johnson's salary has been set by the Board at $175,000 per year and she is eligible to receive an annual bonus as determined by the Board. Upon a termination by us of Ms. Johnson's employment other than for Cause or as a result of death or Disability, or upon a termination by Ms. Johnson of her employment for Good Reason (each as defined in the agreement), Ms. Johnson shall receive six months of her base salary, a pro-rated annual bonus as determined by the Board of Directors, and all health benefits for Ms. Johnson and her family for six months.

On February 8, 2011, in connection with the commencement of Mr. Sawyers' employment with us, Mr. Sawyers entered into an employment agreement, dated as of February 8, 2011, pursuant to which Mr. Sawyers receives a salary of $100,000 per year and is eligible to receive an annual bonus as determined by the Board. Mr. Sawyers received an option for 1,500,000 shares of common stock that vest 500,000 shares on signing with the remainder to vest ratably over an 18 month period. Mr. Sawyers' options will accelerate upon a change of control and he will be entitled to six months severance upon termination of his employment by us without Cause (other than as the result of death or Disability) as such terms are defined in his agreement, including base salary and health care continuation, subject to his execution of a release in favor of the Company.

In March 2011, Mr. Estrella and Ms. Johnson entered into performance-based non-qualified stock option agreements with us for 4.0 million and 2.0 million shares of common stock, respectively, that vest on five separate criteria.

In November 2011, Mr. Estrella and Ms. Johnson converted certain sums of accrued unpaid wages into shares of common stock and warrants to purchase shares of common stock on the same terms as the then existing private placement. Mr. Estrella received 666,667 shares of common stock and warrants to purchase 666,667 shares of common stock at an exercise price of $0.21 per share in lieu of $50,000 in accrued unpaid wages and Ms. Johnson received 400,000 shares of common stock and warrants to purchase 400,000 shares of common stock at an exercise price of $0.21 per share in lieu of $30,000 in accrued unpaid wages.

In September and December 2011, Messrs. Estrella and Sawyers and Ms. Johnson entered into restricted stock agreements with us relating to the grant to them of certain shares of restricted common stock.

We have entered into indemnification agreements with each of our executive officers and directors whereby we agree to indemnify, defend and hold harmless each such person to the fullest extent permitted by law against all damages and expenses incurred by such person relating to any action taken or omitted to be taken in his or her capacity as such executive officer or director, subject to certain limitations.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth summary information regarding the outstanding equity awards held by each of the Named Executive Officers as of December 31, 2011, including the vesting dates for the portions of these awards that had not vested as of that date.

	Option Awards(1)				Stock Awards(2)	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Glenn D. Estrella (3)	7,222,222	-	0.09	12/26/13	7,766,667	295,133
	1,000,000	-	0.075	3/1/14		
	2,400,000	1,600,000	0.075	3/29/18		
Barbara M. Johnson (3)	1,300,000	-	0.094	10/5/13	4,900,000	186,200
	750,000	-	0.075	3/1/14		
	1,200,000	800,000	0.075	3/29/18		
W. Jeffrey Sawyers (3)	1,093,237	406,763	0.07	2/17/14	1,250,000	47,500
	300,000	200,000	0.075	3/29/18	-	-

(1) All options in the table above were granted under our 2004 Employee Stock Option Plan except for the 3/29/11 grants, which were non-qualified options outside the Plan.

(2)

These columns show the number of shares of common stock represented by unvested restricted stock at December 31, 2011. The dollar amount shown in the last column is determined by multiplying (x) the number of shares reported in the prior column by (y) $0.038 (the closing price of our common stock on December 31, 2011, the last trading day of 2011).

(3) The 3/29/11 grants were of performance-based options that were not yet fully earned or vested as of December 31, 2011. The restricted stock grants include both performance-based grants that were not yet fully earned or vested as of December 31, 2011 and time-based restricted stock grants that had not lapsed before December 31, 2011.

Option Exercises and Stock Vested Table

The following table sets forth summary information regarding the options exercised by and the vesting of stock held by each of the Named Executive Officers during the fiscal year ended December 31, 2011.

	Option Exercises and Stock Vested			
	Option Awards		Stock Awards(1)	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Glenn D. Estrella	-	-	-	-
Barbara M. Johnson	-	-	1,000,000	65,000
W. Jeffrey Sawyers	-	-	-	-

36

(1) The amounts reported in the "Stock Awards" column of the table above reflect the aggregate fair value on the vesting date(s). The dollar amount shown is determined by multiplying (x) the number of shares vested on a given date by (y) the closing price of our common stock on such vesting date. 500,000 shares vested on April 5, 2011 (closing stock price of $0.07) and 500,000 shares vested on October 5, 2011 (closing stock price of $0.06).

Potential Payments upon Termination or Change of Control

As discussed above, the Company has entered into certain employment agreements with Mssrs. Estrella and Sawyers and Ms. Johnson that contain severance provisions and restricted stock and option agreements that contain change in control acceleration of vesting provisions regarding such options and restricted stock. Upon a change of control, Messrs. Estrella's and Sawyers' and Ms. Johnson's unvested stock options will automatically vest and become immediately exercisable, and the shares of performance-based restricted stock then held by Messrs. Estrella and Sawyers and Ms. Johnson shall fully vest and become immediately transferable free of restriction, other than those restrictions imposed by applicable securities laws.

In the event of a termination of the executive's employment by the Company without Cause (other than as the result of death or Disability), or by the executive for Good Reason (as defined in their employment agreements), the executive shall be entitled to the following:

- (i) for Mr. Estrella, his annual base salary plus a prorated portion of his annual bonus determined in good faith by the Board for six months following such termination unless such termination occurs prior to June 22, 2013 (the "*Expiration Date*"), in which case Mr. Estrella would be entitled to his annual base salary through the Expiration Date, (ii) for Ms. Johnson, her annual base salary plus a prorated portion of her annual bonus determined in good faith by the Board for six months following such termination, and (iii) for Mr. Sawyers, his annual base salary for six months following such termination;

- for a period of six months following such termination, continued health benefits for the executive and his or her family; and

- accrued vacation pay.

As a condition to the receipt by the executive of any payment or benefit under their employment agreement, the executive must first execute a valid, binding and irrevocable general release in favor of the Company in a form reasonably acceptable to the Company.

The following table shows the payments to which the Named Executive Officers would have been entitled pursuant to his or her employment agreement and certain restricted stock agreements had (i) his or her employment been terminated as of December 31, 2011 and (ii) a change of control occurred on December 31, 2011.

Potential Payments Upon Termination or Change of Control

Name	Salary ($) (1)	Non-Equity Incentive Plan Compensation ($)	Equity Incentive Plan Compensation ($)	Benefit s ($) (2)	Equity Awards ($) (3)
Glenn D. Estrella (4)	$375,000	-	-	8,282	-
Glenn D. Estrella (5)	-	-	-	-	190,000
Barbara M. Johnson (4)	$87,500	-	-	-	-
Barbara M. Johnson (5)	-	-	-	-	95,000
W. Jeffrey Sawyers (4)	$50,000	-	-	4,773	-
W. Jeffrey Sawyers (5)	-	-	-	-	28,500

(1) For Mr. Estrella, reflects a termination of employment on December 31, 2011; if he is terminated after June 22, 2013, this salary number would be equal to $125,000 reflecting six months of his base salary. For Ms. Johnson and Mr. Sawyers, reflects six months of their respective base salaries. No bonus payment is included for Ms. Johnson since any bonus payment on a termination of employment is to be determined at the discretion of the Board.

(2) Reflects the continuation of medical benefits under group benefit plans. Ms. Johnson is not currently covered by our medical plan.

37

(3) Reflects the value of all unvested stock options and restricted stock shares that would vest as a result of a termination or change of control. The amounts are based on in the case of accelerated restricted stock shares, the closing price of the common stock as of December 31, 2011 multiplied by the number of unvested restricted stock shares as of December 31, 2011. The grant date fair value of restricted stock share awards have previously been disclosed in the Summary Compensation Table. The December 31, 2011 closing price for our common stock is greater than the exercise price of all the options held by the above persons, so no amount is recorded in connection with the acceleration of any options on a change of control effective December 31, 2011.

(4) Reflects the termination of his or her employment as of December 31, 2011.

(5) Reflects the occurrence of a change of control as of December 31, 2011.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

We have adopted a written policy that any transactions in which the aggregate amount involved is reasonably expected to exceed $120,000 between us and our executive officers, directors, and greater than 5% stockholders and immediate family members of any such persons will be approved by the Audit Committee of the Board of Directors. In determining whether to approve or ratify an interested transaction, the Audit Committee will take into account all relevant information including, among other factors, whether such transaction is on terms no less favorable to us than could be obtained from unaffiliated third parties under the same or similar circumstances, whether the transaction is in the ordinary course of our business, the dollar value of the transaction, the purpose of and potential benefit to us, and the extent of the related person’s interest in such transaction.

In January, April, May and November 2011, Glenn D. Estrella, our President and Chief Executive Officer and a director, and Michael K. Clark, our former Chairman of the Board, purchased shares of our common stock and warrants to purchase shares of common stock in private placements on terms identical to other purchasers.

In September 2011, our outside directors, Ms. Hulo, General Jackson and Mr. Pruett, entered into agreements with us related to their compensation and service as members of our Board of Directors. Such agreements provide for compensation of 100,000 shares of our common stock per quarter and an additional 50,000 shares per quarter for each director serving as the Chairman of one of the Board’s committees.

In November 2011, Mr. Estrella, Barbara M. Johnson, WSGI’s Vice President, General Counsel and Secretary, David Phipps, the President of Global Telesat Corp., a wholly owned subsidiary of WSGI, and Daniyel Erdberg, WSGI’s Director of Business Development, converted certain sums of accrued unpaid wages into shares of common stock and warrants to purchase shares of common stock on the same terms as the then existing private placement.

In September and December 2011, Messrs. Estrella, Sawyers, and Phipps and Ms. Johnson entered into restricted stock agreements with us relating to the grant to them of certain shares of restricted common stock.

Ms. Hulo, a member of our board of directors, is the general manager of Eastcor Engineering, LLC, our technical partner, to whom we paid $230,865 in fiscal 2011.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common stock as of March 21, 2012 by:

- each person or entity who is known by us to beneficially own more than 5% of our common stock (based solely on our review of SEC filings);
- each of our directors;
- and of our named executive officers; and
- all of our current directors and executive officers as a group.

Unless otherwise indicated, the address of each person or entity named in the table is c/o World Surveillance Group Inc., State Road 405, Building M6-306A, Room 1400, Kennedy Space Center, FL 32815, and each person or entity has sole voting power and investment power (or shares such power with his or her spouse), with respect to all shares of capital stock listed as owned by such person or entity.

The number and percentage of shares beneficially owned is determined in accordance with the rules of the SEC, and is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, beneficial ownership includes any shares as to which a person has sole or shared voting power or investment power and also any shares of common stock underlying options or warrants that are exercisable by that person within 60 days of March 21, 2012. However, the shares of common stock underlying such options or warrants exercisable by a person or entity are not treated as outstanding for the purpose of computing the percentage ownership of any other person or entity. Percentage of beneficial ownership is based on 440,240,028 shares of our common stock outstanding as of March 21, 2012.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Common Stock Outstanding	
Raymer F. Maguire III (2) 605 E. Robinson St., Suite 140 Orlando, FL 32801	29,201,708	6.6	%
David Phipps (3)	22,132,602	5.0	

Michael K. Clark (4) 157 Beach 135 Street Belle Harbor, NY 11694	23,775,191	5.3	
Wayne P. Jackson	2,800,000	*	
Anita S. Hulo	200,000	*	
Kevin S. Pruett	300,000	*	
Anthony R. Bocchichio (5)	-	*	
Glenn D. Estrella	23,775,147	5.2	
Barbara M. Johnson	10,350,000	2.3	
W. Jeffrey Sawyers	3,009,904	*	
All executive officers and directors as a group (7 persons) (6)	40,435,051	8.5	%

* Less than 1%

(1) Includes shares of common stock which have not been issued but are subject to options and warrants which either are presently exercisable or will become exercisable within 60 days of March 21, 2012, as follows: Mr. Maguire – 5,428,570 shares; Mr. Phipps – 3,877,322 shares; Mr. Clark – 4,500,000 shares; General Jackson – 250,000 shares; Mr. Estrella – 13,855,556 shares; Ms. Johnson – 4,450,000 shares; and Mr. Sawyers – 1,759,904 shares.

(2) Information solely from Form 13D filed by Mr. Maguire with the SEC on February 8, 2012. In the Form 13D, Mr. Maguire disclaims beneficial ownership with respect to all but 6,643,947 shares (Mr. Maguire’s wife owns 6,227,652 shares, his two sons own 1,048,804 and 1,230,763 shares respectively, and the Raymer F. Maguire Trust owns 14,000,542 shares).

(3) Based on information provided to us for this prospectus.

(4) Includes 60,000 shares of common stock owned by his daughter over which shares Mr. Clark exercises voting power and/or investment power. Mr. Clark resigned from the Company’s Board of Directors in April 2012.

39

(5) Mr. Bocchichio joined the Company as a director in April 2012 and was issued 5,000,000 shares at that time in connection with his services as a director and the Company's Chairman.

(6) This group is comprised of all our current executive officers and directors. Includes an aggregate of 20,315,460 shares of common stock underlying options and warrants that are presently exercisable or will become exercisable within 60 days of March 21, 2012 by the executive officers and directors as a group.

SELLING STOCKHOLDER

We are registering the shares of common stock identified in the table below in order to permit the selling stockholder to offer the shares for resale from time to time. All 50,000,000 shares may be acquired by the selling stockholder pursuant to a certain convertible debenture that was issued in a private placement in reliance on Section 4(2) of the Securities Act, and Rule 506 promulgated thereunder. For additional information regarding the private placement, please see "Description of Private Placement" beginning on page 11 of this prospectus.

The selling stockholder has not had a material relationship with us within the past three years.

The table below sets forth information concerning the resale of the shares of common stock by the selling stockholder. We will not receive any proceeds from the resale of the common stock by the selling stockholder. We have received proceeds from the sale of the convertible debenture. Assuming all the shares registered below are sold by the selling stockholder, it will not continue to own any shares of our common stock.

The following table also sets forth the name of each person who is offering the resale of shares of common stock by this prospectus, the number of shares of common stock beneficially owned by each person, the number of shares of common stock that may be sold in this offering and the number of shares of common stock each person will own after the offering, assuming they sell all of the shares offered.

Name	Total Shares of Common Stock Issuable Upon Conversion of Debenture	Total Percentage of Common Stock, Assuming Full Conversion	Shares of Common Stock Included in Prospectus (1)	Beneficial Ownership Before the Offering*	Beneficial Percentage of Common Stock Owned Before Offering*	Ownership After the Offering (4)	Percentage of Common Stock Owned After Offering (4)
La Jolla Cove Investors, Inc. (2)	73,333,333 (3)	17.3 %	Up to 50,000,000 shares of common	23,121,753	4.99 %	—	—

stock

* These columns represents the aggregate maximum number and percentage of shares that the selling stockholder can own at one time (and therefore, offer for resale at any one time) due to their 4.99% limitation.

The number and percentage of shares beneficially owned is determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rule, beneficial ownership includes any shares as to which the selling stockholder has sole or shared voting power or investment power and also any shares, which the selling stockholder has the right to acquire within 60 days. The actual number of shares of common stock issuable upon the conversion of the convertible debenture is subject to adjustment depending on, among other factors, the future market price of the common stock, and could be materially less or more than the number estimated in the table.

(1) Includes a good faith estimate of the shares issuable upon conversion of the convertible debenture utilizing the conversion mechanics described below and a floor price of $0.075. Because the number of shares of common stock issuable upon conversion of the convertible debenture is dependent in part upon the market price of the common stock prior to a conversion, the actual number of shares of common stock that will be issued upon conversion will fluctuate daily and cannot be determined at this time but in no event will the conversion price be less than $0.075. The actual number of shares of common stock offered in this prospectus, and included in the registration statement of which this prospectus is a part, includes such additional number of shares of common stock as may be issued or issuable upon conversion of the convertible debenture by reason of any stock split, stock dividend or similar transaction involving the common stock, in accordance with Rule 416 under the Securities Act of 1933. However the selling stockholder has contractually agreed to restrict their ability to convert their convertible debenture and receive shares of our common stock such that the number of shares of common stock held by them in the aggregate and their affiliates after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of common stock as determined in accordance with Section 13(d) of the Exchange Act. Accordingly, the number of shares of common stock set forth in the table for the selling stockholder exceeds the number of shares of common stock that the selling stockholder could own beneficially at any given time through their ownership of the convertible debenture. In that regard, the beneficial ownership of the common stock by the selling stockholder set forth in the table is not determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

(2) The selling stockholder is an unaffiliated third party. In accordance with rule 13d-3 under the Securities Exchange Act of 1934, Norman Lizt may be deemed a control person of the shares owned by the selling stockholder.

(3) Includes 73,333,333 shares of common stock underlying our $500,000 convertible debenture.

(4) Assumes that all securities registered will be sold, which does not represent all of the shares of common stock potentially issuable upon conversion of the convertible debenture held by La Jolla Cove Investors Inc. at current market prices.

Description of La Jolla Cove Investors Financing

On February 2, 2012 (the “Closing Date”), the Company closed on a Securities Purchase Agreement (the “Agreement”) with La Jolla Cove Investors, Inc. (“La Jolla”) relating to an aggregate $5.5 million financing, the initial investment of $500,000 of which was paid at closing, for the issuance by the Company of a 4 ¾% Secured Convertible Debenture (the “Debenture”) and an Equity Investment Agreement (the “EIA”) subject to the terms and conditions set forth therein (the “Financing”).

Pursuant to the EIA, La Jolla has agreed to invest in the Company an aggregate of $5.0 million in minimum monthly tranches of $250,000 beginning on the date that is earlier to occur of (i) the effectiveness of the Registration Statement but in no event prior to 91 days after the Closing Date, or (ii) one hundred eighty (180) days following the Closing Date and on each successive thirty (30) day anniversary of such initial investment date; *provided, however* , that such minimum investment shall increase from $250,000 to $500,000 as long as the VWAP of the Company's common stock, par value $0.00001 per share (the "Common Stock") is above $0.09 for the period of ten (10) consecutive Trading Days prior to an investment date; and *provided, further, however,* that La Jolla shall invest an additional $500,000 on each investment date for each and every increase in the VWAP of the Company's Common Stock of at least $0.02 above $0.09 for the period of ten (10) consecutive Trading Days prior to an investment date. Pursuant to the EIA, La Jolla also has a right to purchase up to an additional $5,000,000 of Common Stock of the Company, or an aggregate of 23,809,523 shares, at a purchase price equal to $0.21 as follows: on each investment date, La Jolla shall receive the right to purchase a number of shares of Common Stock equal to the amount invested on such investment date divided by $0.21. Under no circumstances will the Common Stock pursuant to this right be settled on a cashless exercise basis.

The Debenture is in the principal amount of $500,000, has a three (3) year term, and has an interest rate of 4 ¾%. The Debenture is convertible by La Jolla into shares of Common Stock beginning on the earlier to occur of (i) the effectiveness of the Registration Statement, but in no event prior to ninety-one (91) days following the Closing Date, or (ii) one hundred eighty one (181) days following the Closing Date as follows: from time to time during each thirty (30) day period from the Closing, La Jolla may convert up to five percent (5%) of the face amount of the Debenture if the VWAP of the Company's Common Stock is at or below $0.09 or up to ten percent (10%) if the VWAP of the Company's Common Stock is above $0.09 and for every $0.02 increase in the VWAP of the Company's Common Stock above $0.09, La Jolla can convert an additional ten percent (10%) of the Debenture. The number of shares of Common Stock into which the Debenture can be converted is equal to the dollar amount of the Debenture being converted divided by the quotient of the Conversion Price divided by 10, plus the Debenture amount being converted divided by the Conversion Price. The Conversion Price is equal to the lesser of (i) $0.35 or (ii) 75% of the average of the VWAP of the Company's Common Stock during the thirty (30) Trading Days prior to the date of the Conversion Notice, subject to a floor price of $0.075 (subject to adjustment), which if triggered gives the Company the option to convert the portion of the Debenture at a conversion price of $0.075 per share plus pay a cash True-Up Payment on the difference in value of the Common Stock issued versus the Common Stock that would have been issued but for the Floor Price.

The Debenture is secured by a personal guaranty of Michael K. Clark, our former Chairman of the Board, and is backed by a mortgage on certain real estate property owned by Mr. Clark. The guaranty terminates on the earlier of nine (9) months, the conversion of the entire principal amount of the Debenture by La Jolla, or the date that La Jolla has converted at least $350,000 of the Debenture and the VWAP of our Common Stock has exceeded $0.09 for at least ten (10) consecutive Trading Days. Pursuant to the terms of the Debenture, La Jolla also has a right of first refusal on future financings of the Company on the terms identified by the Company so long as at least 10% of the Principal Amount of the Debenture is outstanding. La Jolla may require 120% of the principal amount, and accrued and unpaid interest, to become immediately due and payable on certain Events of Default, including but not limited to, the Company's failure to make payments when due under the Debenture or other material agreements, a breach of the Transaction Documents, a Bankruptcy Event, the Company's failure to make its SEC filings, the Company's Common Stock not being eligible to be traded on a Trading Market, or not being able to find a broker to trade shares of the Company's stock.

The Debenture and EIA issued pursuant to the Agreement were issued as restricted securities under an exemption provided by Regulation D, Rule 506, promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and/or Section 4(2) of the Securities Act. Pursuant to the Agreement, the Company has agreed to file a registration statement (the "Registration Statement") with the Securities and Exchange Commission (the "SEC") covering 50,000,000 shares of Common Stock of the Company (the "Shares"), which Shares may be issuable pursuant to the Debenture.

The Shares to be issued pursuant to the Debenture and the EIA pursuant to the respective terms thereof shall be issued as restricted securities under an exemption provided by Regulation D, Rule 506, promulgated under the Securities Act and/or Section 4(2) of the Securities Act, unless the Registration Statement covering shares issued under the Debenture has been declared effective by the SEC.

A commission will be paid in connection with the Financing as follows: a cash fee of 8% on the first $2 million of proceeds, 6% on the next $2 million, and 4% on any proceeds above $4 million, as well as warrants to purchase a number of shares equal to 10% multiplied by the proceeds. The warrants will have a three-year term, a purchase price of $0.21 and no cashless exercise feature. Such commissions will be paid as the proceeds of the Financing are received by the Company.

DESCRIPTION OF CAPITAL STOCK

Capital Stock

Our authorized capital stock consists of 750,000,000 shares of common stock, par value $0.00001 per share, and 10,000,000 shares of preferred stock, par value $0.001 per share. The following description summarizes the terms of our capital stock. Because it is only a summary, it does not contain all of the information that may be important to you. For a complete description you should refer to our restated certificate of incorporation and our amended and restated bylaws, each as amended to date, copies of which have been filed as exhibits to the registration statement of which this prospectus is a part, and to the applicable provisions of the Delaware General Corporation Law or DGCL.

Common Stock

As of March 21, 2012, we had issued and outstanding 440,240,028 shares of common stock held by 701 holders of record. All outstanding shares of common stock are fully paid and nonassessable.

The following summarizes the rights of holders of our common stock:

- each holder of common stock is entitled to one vote per share on all matters to be voted upon by the stockholders, including the election of directors;

- unless otherwise specified in our restated certificate of incorporation or amended and restated bylaws, the affirmative vote of a majority of the shares present in person or represented and voting at a duly held meeting at which a quorum is present shall be the act of the stockholders;

- holders of common stock are not entitled to cumulate votes in the election of directors, which means that the holders of a majority of the shares voted can elect all of the directors then standing for election;

- subject to preferences that may be applicable to the holders of outstanding shares of preferred stock, if any, the holders of common stock are entitled to receive dividends when, as and if declared by our board of directors out of assets legally available for dividends;

- upon our liquidation, dissolution or winding up, after satisfaction of all our liabilities and the payment of any liquidation preference of any outstanding preferred stock, the holders of shares of common stock will be entitled to receive on a pro rata basis all of our assets remaining for distribution;

- there are no redemption or sinking fund provisions applicable to our common stock; and

- there are no preemptive or conversion rights applicable to our common stock.

Preferred Stock

Our restated certificate of incorporation authorizes our Board of Directors, without further action by the stockholders, to create and issue one or more series of preferred stock and to fix the rights, preferences and privileges thereof. Among other rights, our board of directors may determine, without further vote or action by our stockholders:

- the number of shares constituting the series and the distinctive designation of the series;

- the dividend rate on the shares of the series, whether dividends will be cumulative, and if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of the series;

- whether the series will have voting rights in addition to the voting rights provided by law and, if so, the terms of the voting rights;

- whether the series will have conversion privileges and, if so, the terms and conditions of conversion;

- whether or not the shares of the series will be redeemable or exchangeable, and, if so, the dates, terms and conditions of redemption or exchange, as the case may be;

• whether the series will have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of the sinking fund; and

• the rights of the shares of the series in the event of our voluntary or involuntary liquidation, dissolution or winding up and the relative rights or priority, if any, of payment of shares of the series.

As of March 21, 2012, there were no shares of preferred stock issued and outstanding. Although we presently have no plans to issue any shares of preferred stock, any future issuance of shares of preferred stock, or the issuance of rights to purchase preferred shares, may delay, defer or prevent a change of control in our company or an unsolicited acquisition proposal and make removal of management more difficult. The issuance of preferred stock also could decrease the amount of earnings and assets available for distribution to the holders of common stock or could adversely affect the rights and powers, including voting rights, of the holders of the common stock. The issuance of preferred stock may have the effect of decreasing the market price of our common stock, and may adversely affect the voting and other rights of the holders of our common stock.

Options and Warrants

As of March 21, 2012, we had outstanding options to acquire 27,166,667 shares of common stock under our existing 2004 option plan, and outstanding warrants to acquire 46,917,624 shares of common stock. Also as of March 21, 2012, we had additional outstanding options to purchase 9,750,000 shares of common stock with performance-based vesting requirements. As of March 21, 2012, we have remaining available for issuance 20,000,000 shares of common stock pursuant to the 2011 Equity Compensation Incentive Plan that was approved by our stockholders at the annual meeting on July 26, 2011, since 5,000,000 shares of restricted common stock have been issued pursuant thereto.

Registration Rights

We are registering for resale an aggregate of 50,000,000 shares of our outstanding common stock, so that the shares may be resold publicly. After this registration statement is declared effective by the SEC, these shares will have been registered and will be freely tradable by the selling stockholder listed in the section of this prospectus entitled "Selling Stockholder." We have registered for resale an aggregate of 22,588,332 shares of our outstanding common stock, which registration statement has been declared effective, so that the shares are freely tradable by the selling stockholders listed in such registration statement.

Piggyback Registration Rights

In connection with our acquisition of GTC, the holder of an aggregate of 30,000,000 shares of common stock was entitled to, and waived, its rights to notice of this offering and to include its shares of registrable securities in this offering. In the event that we propose to register any of our securities under the Securities Act, either for our own account or for the account of other security holders, the holders of these shares will be entitled to certain "piggyback" registration rights allowing the holders to include its shares in such registration, subject to certain marketing and other limitations. As a result, whenever we propose to file a registration statement under the Securities Act, other than with respect to certain registrations, the holders of these shares is entitled to notice of the registration and has the right, subject to limitations that the underwriters may impose on the number of shares included in the registration, to include its shares in the registration.

Anti-Takeover Provisions of Delaware Law, Our Restated Certificate of Incorporation and Our Amended and Restated Bylaws

Provisions of the DGCL, as well as our restated certificate of incorporation and amended and restated bylaws, could make it more difficult to acquire us by means of a tender offer, a proxy contest or otherwise, or to remove incumbent officers and directors. These provisions, summarized below, are expected to discourage certain types of coercive takeover practices and takeover bids that our board of directors may consider inadequate and to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection of our ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

Delaware Anti-Takeover Statute

We are subject to Section 203 of the DGCL, an anti-takeover statute. In general, Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years following the time the person became an interested stockholder, unless the business combination or the acquisition of shares that resulted in a stockholder becoming an interested stockholder is approved in a prescribed manner. Generally, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an “interested stockholder” is a person who, together with affiliates and associates, owns (or within three years prior to the determination of interested stockholder status did own) 15% or more of a corporation’s voting stock. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by our stockholders.

Amendments

Our amended and restated bylaws provide that the affirmative vote of the holders of at least 75% of our voting stock then outstanding is required to amend certain provisions of our amended and restated bylaws relating to the calling of special meetings of stockholders, advance notice procedures, action of stockholders without a meeting, provisions regarding our board of directors, and amendments to the bylaws.

Size of Board and Vacancies

Our amended and restated bylaws provide that the number of directors on our board of directors is fixed exclusively by our board of directors. Newly created directorships resulting from any increase in our authorized number of directors and any vacancies in our board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause will be filled generally by the majority vote of our remaining directors in office, even if less than a quorum is present.

Classified Board of Directors

Our amended and restated bylaws provide for a classified board of directors. The board is divided into three classes, Class I, Class II and Class III, with directors in each class serving for a term of three years and with the terms of office of the directors in the respective classes expiring in successive years.

Removal of Director

Our amended and restated bylaws provide that a director can be removed only for cause by the affirmative vote of the holders of at least 75% of our voting stock then outstanding.

Special Stockholder Meetings

Our amended and restated bylaws provide that only the Chairman of the board of directors, a majority of the board of directors, or the President may call special meetings of our stockholders.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our amended and restated bylaws establish advance notice procedures with respect to stockholder proposals and nomination of candidates for election as directors other than nominations made by or at the direction of our board of directors or a committee of our board of directors.

No Cumulative Voting

The DGCL provides that stockholders are denied the right to cumulate votes in the election of directors unless our restated certificate of incorporation provides otherwise. Our restated certificate of incorporation does not provide for cumulative voting.

Undesignated Preferred Stock

The authority that is possessed by our board of directors to issue preferred stock could potentially be used to discourage attempts by third parties to obtain control of our company through a merger, tender offer, proxy contest or otherwise by making such attempts more difficult or more costly. Our board of directors may issue preferred stock with voting rights or conversion rights that, if exercised, could adversely affect the voting power of the holders of common stock.

Authorized but Unissued Shares

Our authorized but unissued shares of common stock and preferred stock will be available for future issuance without stockholder approval. We may use additional shares for a variety of purposes, including future offerings to raise additional capital, to fund acquisitions and as employee compensation. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

The combination of the provisions summarized above will make it more difficult for our stockholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Therefore, these provisions may have the effect of deterring hostile takeovers or delaying changes in our control or management. These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and in the policies they implement, and to discourage certain types of transactions that may involve an actual or threatened change of our control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts. Such provisions may also have the effect of preventing changes in our management.

Transfer Agent and Registrar

The transfer agent and registrar for our shares of common stock is American Stock Transfer & Trust Company, LLC.

Over-The-Counter Bulletin Board Listing

Our common stock is quoted on the Over-The-Counter Bulletin Board under the symbol "WSGI."

PLAN OF DISTRIBUTION

The selling stockholder and any of its pledgees, donees, transferees, assignees or other successors-in-interest may, from time to time, sell, transfer or otherwise dispose of any or all of their shares of common stock or interests in shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These dispositions may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at varying prices determined at the time of sale, or at negotiated prices. The selling stockholder may use one or more of the following methods when disposing of the shares or interests therein:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- through brokers, dealers or underwriters that may act solely as agents;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- through the writing or settlement of options or other hedging transactions entered into after the effective date of the registration statement of which this prospectus is a part, whether through an options exchange or otherwise;

- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;

- a combination of any such methods of disposition; and

- any other method permitted pursuant to applicable law.

The selling stockholder may also sell shares under Rule 144 under the Securities Act of 1933, as amended, if available, rather than under this prospectus.

Broker-dealers engaged by the selling stockholder may arrange for other broker-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholder (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling stockholder does not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

The selling stockholder may from time to time pledge or grant a security interest in some or all of the shares of common stock owned by it and, if it defaults in the performance of its secured obligations, the pledgees or secured parties may offer and sell shares of common stock from time to time under this prospectus, or under a supplement or amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

Upon being notified in writing by the selling stockholder that any material arrangement has been entered into with a broker-dealer for the sale of common stock through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, we will file a supplement to this prospectus, if required, pursuant to Rule 424(b) under the Securities Act, disclosing (i) the name of such selling stockholder and of the participating broker-dealer(s), (ii) the number of shares involved, (iii) the price at which such shares of common stock were sold, (iv) the commissions paid or discounts or concessions allowed to such broker-dealer(s), where applicable, (v) that such broker-dealer(s) did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus, and (vi) other facts material to the transaction. In addition, upon being notified in writing by a selling stockholder that a donee or pledge intends to sell more than 500 shares of common stock, we will file a supplement to this prospectus if then required in accordance with applicable securities law.

The selling stockholder also may transfer the shares of common stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

In connection with the sale of the shares of common stock or interests in shares of common stock, the selling stockholder may enter into hedging transactions after the effective date of the registration statement of which this prospectus is a part with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. The selling stockholder may also enter into option or other transactions after the effective date of the registration statement of which this prospectus is a part with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The selling stockholder and any broker-dealers or agents that are involved in selling the shares may be deemed to be “underwriters” within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. The maximum commission or discount to be received by any member of the Financial Industry Regulatory Authority (FINRA) or independent broker-dealer will not be greater than 15% of the initial gross proceeds from the sale of any security being sold.

We have advised the selling stockholder that it is required to comply with Regulation M promulgated under the Securities and Exchange Act during such time as they may be engaged in a distribution of the shares. The foregoing may affect the marketability of the common stock.

The aggregate proceeds to the selling stockholder from the sale of the common stock offered by it will be the purchase price of the common stock less discounts or commissions, if any. The selling stockholder reserves the right to accept and, together with its agents from time to time, to reject, in whole or in part, any proposed purchase of common stock to be made directly or through agents. We will not receive any of the proceeds from this offering.

We will pay all fees and expenses incident to the registration of the shares.

We have agreed with the selling stockholder to keep the registration statement of which this prospectus constitutes a part effective until the earlier of (a) such time as all of the shares covered by this prospectus have been disposed of pursuant to and in accordance with the registration statement or (b) the date on which the shares of common stock covered by this prospectus may be sold by non-affiliates without any volume limitations pursuant to Rule 144 of the Securities Act.

LEGAL MATTERS

Fleming PLLC, New York, NY will pass upon certain legal matters for us in connection with the offered securities.

EXPERTS

Rosen Seymour Shapss Martin & Company LLP, an independent registered public accounting firm, has audited our consolidated annual financial statements included in this prospectus, as stated in their report, and such consolidated financial statements have been included in this prospectus in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a Registration Statement on Form S-1 under the Securities Act with respect to the securities offered in this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some items of which are contained in exhibits or schedules to the registration statement as permitted by the rules and regulations of the SEC. You should refer to the registration statement and its exhibits and schedules for additional information. When we make references or statements in this prospectus to any of our contracts or any other documents or agreements, the references are not necessarily complete and you should refer to the exhibits filed with the registration statement for copies of the actual agreements, contracts or other documents and all such references and statements are qualified in their entirety by reference to the full text of those agreements, contracts and other documents.

We are subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the SEC. Such reports, proxy statements, other information and a copy of the registration statement and its exhibits may be inspected by anyone without charge and copies of these materials may be obtained upon the payment of the fees prescribed by the SEC, at the Public Reference Room maintained by the SEC, 100 F Street, N.E., Room 1580, Washington, D.C.

20549, on official business days during the hours of 10:00 a.m. to 3 p.m. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The registration statement and the reports, proxy statements and other information filed by us are also available through the SEC's Internet website on the World Wide Web at www.sec.gov , as well as on our own website at www.wsgi.com.

WORLD SURVEILLANCE GROUP INC.

INDEX TO FINANCIAL STATEMENTS

UNAUDITED PRO FORMA FINANCIAL STATEMENTS OF WSGI

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders of

World Surveillance Group Inc. f/k/a Sanswire Corp.:

We have audited the accompanying consolidated balance sheets of World Surveillance Group Inc. f/k/a Sanswire Corp. and Subsidiaries (the "Company"), as of December 31, 2010 and 2009 and the related consolidated statements of operations, stockholders' deficit and cash flows for each of the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of World Surveillance Group Inc., f/k/a Sanswire Corp. and Subsidiaries as of December 31, 2010 and 2009 and the consolidated results of their operations and their cash flows for each of the two 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 that the Company will continue as a going concern. As shown in the consolidated financial statements, the Company has experienced significant losses and negative cash flows, resulting in decreased capital and increased accumulated deficits. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are described in Note 1. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Rosen Seymour Shapss Martin & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

New York, New York

March 30, 2011

F-2

WORLD SURVEILLANCE GROUP INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2010	DECEMBER 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 29,491	$ 12
Inventories	—	1,545,490
Assets from discontinued operations	6,406	6,406
TOTAL CURRENT ASSETS	35,897	1,551,908
Deposits	350	11,150
Intangible assets, net of accumulated amortization of $1,049,425 at December 31, 2009	—	2,179,574
TOTAL NONCURRENT ASSETS	350	2,190,724
TOTAL ASSETS	$ 36,247	$ 3,742,632
LIABILITIES AND STOCKHOLDERS' DEFICIT		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (including $289,753 and $396,625 due to joint venture partner at December 31, 2010 and 2009)	$ 5,315,659	$ 4,220,167
Notes payable	7,811,510	7,391,718
Other accrued liabilities (including $2,185,000 due to joint venture partner at December 31, 2010 and 2009)	3,576,587	3,311,025
Derivative liabilities	1,329,489	1,406,665
Liabilities from discontinued operations	1,365,929	1,387,406
TOTAL CURRENT LIABILITIES	19,399,174	17,716,981
TOTAL LIABILITIES	19,399,174	17,716,981
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Common stock, $.00001 par value, 500,000,000 shares authorized; 322,538,559 and 263,040,586 shares issued and outstanding	3,226	2,631
Additional paid-in capital	125,146,946	120,114,115
Series E Preferred Stock, $.001 par value, 100,000 shares authorized; 0 and 100,000 shares issued and outstanding	—	100
Additional paid-in capital - Series E Preferred stock	—	625,894
Preferred Stock, $.001 par value, 10,000,000 shares authorized; 0 shares issued and outstanding	—	—
Accumulated deficit	(144,513,099)	(134,717,089)

TOTAL STOCKHOLDERS' DEFICIT	(19,362,927)	(13,974,349)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 36,247	$ 3,742,632

See accompanying notes to consolidated financial statements

F-3

WORLD SURVEILLANCE GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,

	2010	2009
REVENUES	$250,000	$—
EXPENSES		
General and administrative	3,277,319	4,749,910
Professional fees	2,249,082	1,771,372
Amortization of intangibles	968,700	1,049,425
Research and development	2,162,837	—
TOTAL EXPENSES	8,657,938	7,570,707
LOSS FROM OPERATIONS	(8,407,938)	(7,570,707)
OTHER INCOME (EXPENSE)		
Net gain on settlement of liabilities	363,366	—
Extinguishment of derivative liabilities	—	629,563
Change in fair value of derivative liabilities	77,176	(1,287,984)
Impairment of intangible assets	(1,210,875)	—
Interest expense, net	(607,957)	(1,185,379)
NET OTHER EXPENSE	(1,378,290)	(1,843,800)
LOSS FROM CONTINUING OPERATIONS	(9,786,228)	(9,414,507)
LOSS FROM DISCONTINUED OPERATIONS	(9,782)	—
NET LOSS	$(9,796,010)	$(9,414,507)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
BASIC and DILUTED	293,619,380	216,936,864
LOSS PER SHARE FROM CONTINUING OPERATIONS		
BASIC and DILUTED	$(0.03)	$(0.04)
LOSS PER SHARE FROM DISCONTINUED OPERATIONS		
BASIC and DILUTED	$(0.00)	—
NET LOSS PER SHARE		
BASIC and DILUTED	$(0.03)	$(0.04)

See accompanying notes to consolidated financial statements

WORLD SURVEILLANCE GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	COMMON STOCK		
Description	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL
BALANCE, DECEMBER 31, 2008 (as Restated)	184,704,015	$ 1,848	$ 109,848,580
Shares issued for cash	18,123,014	181	1,882,173
Shares issued for conversion of notes	25,683,212	257	2,702,942
Shares issued for settlement of debt	2,720,346	27	131,753
Shares issued for services	31,484,999	314	2,933,686
Shares issued for options exercised	75,000	1	(1)
Shares issued for interest	250,000	3	9,497
Fair value of vested options issued for officers' and directors' compensation	—	—	2,134,120
Warrants issued with convertible notes	—	—	28,060
Modification of warrants	—	—	443,305
Preferred Series E shares issued for accrued expenses	—	—	—
Preferred Series E shares issued for accounts payable	—	—	—
Net loss	—	—	—
BALANCE, DECEMBER 31, 2009	263,040,586	$ 2,631	$ 120,114,115
Shares issued for cash	23,111,159	231	1,702,898
Shares issued for settlement of debt	14,354,809	144	952,334
Shares issued for services	22,032,005	220	1,571,699
Fair value of vested options issued for officers' and directors' compensation	—	—	776,638
Modification of warrants	—	—	29,262
Preferred Series E shares cancelled and returned to accrued expenses	—	—	—
Preferred Series E shares cancelled and returned to accounts payable	—	—	—
Net loss	—	—	—
BALANCE, DECEMBER 31, 2010	322,538,559	$ 3,226	$ 125,146,946

(continued)

See accompanying notes to consolidated financial statements

WORLD SURVEILLANCE GROUP INC. AND SUBSIDIARIES (continued)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	SERIES E PREFERRED STOCK				
Description	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' DEFICIT
BALANCE, DECEMBER 31, 2008 (as Restated)				(125,302,582)	(15,452,154)
Shares issued for cash	—	—	—	—	1,882,354
Shares issued for conversion of notes	—	—	—	—	2,703,199
Shares issued for settlement of debt	—	—	—	—	131,780
Shares issued for services	—	—	—	—	2,934,000
Shares issued for options exercised	—	—	—	—	—
Shares issued for interest	—	—	—	—	9,500
Fair value of vested options issued for officers' and directors' compensation	—	—	—	—	2,134,120
Warrants issued with convertible notes	—	—	—	—	28,060
Modification of warrants	—	—	—	—	443,305
Preferred Series E shares issued for accrued expenses	70,385	70	440,537	—	440,607
Preferred Series E shares issued for accounts payable	29,615	30	185,357	—	185,387
Net loss	—	—	—	(9,414,507)	(9,414,507)
BALANCE, DECEMBER 31, 2009	100,000	$ 100	$ 625,894	$ (134,717,089)	$ (13,974,349)
Shares issued for cash	—	—	—	—	1,703,129
Shares issued for settlement of debt	—	—	—	—	952,478
Shares issued for services	—	—	—	—	1,571,919
Fair value of vested options issued for officers' and directors' compensation	—	—	—	—	776,638
Modification of warrants	—	—	—	—	29,262
Preferred Series E shares cancelled and returned to accrued expenses	(70,385)	(70)	(440,537)	—	(440,607)
Preferred Series E shares cancelled and returned to accounts payable	(29,615)	(30)	(185,357)	—	(185,387)
Net loss	—	—	—	(9,796,010)	(9,796,010)
BALANCE, DECEMBER 31, 2010	—	$ —	$ —	$ (144,513,099)	$ (19,362,927)

See accompanying notes to consolidated financial statements

F-6

WORLD SURVEILLANCE GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(9,796,010)	$(9,414,507)
Adjustments to reconcile net loss to net cash used by operating activities:		
Amortization of debt discount	—	176,465
Amortization of intangible asset	968,700	1,049,425
Fair value of stock based compensation	1,571,919	3,102,725
Fair value of vested options	889,445	2,134,120
Change in fair value of derivative liabilities	(77,176)	1,287,984
Extinguishment of derivative liabilities	—	(629,563)
Fair value of modification of warrants	29,262	443,305
Impairment of intangible assets	1,210,875	—
Accrued interest on notes payable	419,792	482,966
Change in operating assets and liabilities:		
Inventories	1,545,490	(1,545,490)
Accounts payable	1,438,582	615,808
Other accrued liabilities	136,148	306,172
Other accrued liabilities – Discontinued Operations	(21,477)	—
NET CASH USED IN OPERATING ACTIVITIES	(1,684,450)	(1,990,590)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	10,800	(11,150)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	10,800	(11,150)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	—	(25,411)
Proceeds from notes and loans payable	—	140,000
Proceeds from sale of common stock	1,703,129	1,882,354
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,703,129	1,996,943
NET CHANGE IN CASH AND EQUIVALENTS	29,479	(4,797)
CASH AND EQUIVALENTS – BEGINNING OF YEAR	12	4,809
CASH AND EQUIVALENTS – END OF YEAR	$29,491	$12
SUPPLEMENTAL DISCLOSURES		
Cash paid during the period for:		
Interest	$290	$2,903
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock for accounts payable	528,478	13,031
Common stock for accrued expenses	424,000	43,750
Stock options for accrued expenses	81,119	—
Conversion of notes payable to common stock	—	2,618,973
Non-cash equity-warrant valuation and intrinsic value of beneficial conversion associated with convertible notes	—	28,060
Preferred stock issued (cancelled and returned) for (to) accrued expenses	(440,607)	440,607

Preferred stock issued (cancelled and returned) for (to) accounts payable	(185,387)	185,387

See accompanying notes to consolidated financial statements

WORLD SURVEILLANCE GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 1

Description of Business and Significant Accounting Policies

Description of Business

Sanswire Corp. (the "Company") designs, develops, markets and sells technologically advanced autonomous lighter-than-air (LTA) unmanned aerial vehicles (UAVs) capable of carrying payloads that provide persistent security and/or wireless communication from air to ground solutions at low, mid and high altitudes. The Company's airships, when integrated with electronics systems and other high technology payloads, are designed for use by government-related and commercial entities that require real-time intelligence, surveillance and reconnaissance or communications support for military, homeland defense, border control, drug interdiction, natural disaster relief and maritime missions.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company, its majority owned subsidiaries and variable interest entity where the Company is the primary beneficiary, after elimination of intercompany transactions.

Use of Estimates

The preparation of these financial statements requires the use of certain estimates by management in determining the Company's assets, liabilities, revenues and expenses and related disclosure. Actual results could differ from those estimates.

Reclassifications

Certain 2009 amounts have been reclassified to conform to the 2010 presentation.

Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. However, as reflected in the accompanying consolidated financial statements, the Company had a net loss of $9,796,010 and negative cash flow from operations of $1,684,450 for the year ended December 31, 2010, and had a working capital deficit of $19,363,277 and a stockholders' deficit of $19,362,927 at December 31, 2010. The Company had an accumulated deficit of $144,513,099 at December 31, 2010. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to raise additional funds either through investments or by generating revenue from the sale of our products to continue its business operations and implement its strategic plan, which includes, among other things, continued development of its UAVs and the pursuit or continued development of strategic relationships.

The Company's business plan, which if successfully implemented, will allow it to sell UAVs for a profit, which in turn will reduce the Company's dependence on raising additional funds from outside sources. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable