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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2011

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

For the transition period from _____ to _____

Commission File Number: 001-32421

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	**58-2342021**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

420 Lexington Avenue, Suite 1718, New York, New York	**10170**
(Address of principal executive offices)	(Zip Code)

(212) 201-2400
(Registrants telephone number, including area code)

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ **No** ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ **No** ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer (Do not check if smaller reporting company)	☐	Smaller reporting company	☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b—2 of the Exchange Act. **Yes** ☐ **No** ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: May 9, 2011.

Title Of Each Class	**Number of Shares Outstanding**
Common Stock, $0.01 par value	137,439,239

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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements.

Condensed Consolidated Balance Sheets

	March 31, 2011 (unaudited)	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,978	$ 20,370
Accounts receivable, net of allowance for doubtful accounts of approximately $272,000 and $370,000, respectively	2,258,627	2,721,585
Prepaid expenses and other current assets	121,754	103,009
Assets held for sale	1,042	1,089
Current assets from discontinued operations	11,159	12,449
Total current assets	2,403,560	2,858,502
Property and equipment, net	1,037,295	1,124,398
Other assets:		
Security deposits	13,330	13,330
Restricted cash, net of current portion	533,437	533,437
Intangible assets, net	388,667	409,000
Other assets	51,366	39,486
Total other assets	986,800	995,253
TOTAL ASSETS	$ 4,427,655	$ 4,978,153
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Promissory notes payable - non-related parties	$ 673,372	$ 683,870
Promissory notes payable - related parties	3,382,625	2,420,625
Capital lease/equipment financing obligations, current portion	3,199	4,550
Escrow payable	80,000	155,000
Accounts payable and accrued expenses	8,837,225	9,178,674
Current liabilities from discontinued operations	150,274	165,274
Total current liabilities	13,126,695	12,607,993
Long-term liabilities:		
Other long-term liabilities	428,361	428,646
Total long-term liabilities	428,361	428,646
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, 7,295 shares issued and outstanding	73	73
Common stock, $0.01 par value, 300,000,000 shares authorized, 133,631,524 and 132,010,498 shares issued and outstanding	1,336,315	1,320,105
Capital in excess of par value	135,755,214	135,613,755
Accumulated deficit	(146,219,003)	(144,992,419)
Total stockholders' deficit	(9,127,401)	(8,058,486)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 4,427,655	$ 4,978,153

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statements of Operations
(Unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Revenues	$ 10,204,280	$ 9,588,632
Operating expenses:		
Cost of revenues, exclusive of depreciation and amortization, shown separately below	9,145,630	8,663,769
Depreciation and amortization	168,538	231,875
Selling general and administrative expenses (including $23,682 and $68,227 of stock-based compensation for the three months ended March 31, 2011 and 2010, respectfully)	2,160,753	2,196,312
Advertising and marketing	4,563	3,771
Total operating expenses	11,479,484	11,095,727
Operating loss	(1,275,204)	(1,507,095)
Other income (expenses):		
Interest income	96	124
Interest expense	(48,383)	(49,591)
Gain on settlements of debt	-	9,500
Other	88,695	4,867
Total other income (expenses)	40,408	(35,100)
Loss from continuing operations	(1,234,796)	(1,542,195)
Discontinued operations:		
Income (loss) from discontinued operations	8,212	(1,373)
Net loss	$ (1,226,584)	$ (1,543,568)
Loss applicable to common stockholders:		
Loss from continuing operations	$ (1,234,796)	$ (1,542,195)
Preferred stock dividends in arrears	(143,901)	(157,710)
Net loss from continuing operations applicable to common stockholders:	(1,378,697)	(1,699,905)
Income (loss) from discontinued operations	8,212	(1,373)
Net loss applicable to common stockholders:	$ (1,370,485)	$ (1,701,278)
Basic and diluted loss per common share:		
Loss from continuing operations	$ (0.01)	$ (0.02)
Loss from discontinued operations	0.00	(0.00)
Loss per common share	$ (0.01)	$ (0.02)
Weighted average common shares outstanding:		
Basic and diluted	132,604,753	97,046,963

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Cash flows from operating activities:		
Net loss	$ (1,226,584)	$ (1,543,568)
(Income) loss from discontinued operations	(8,212)	1,373
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	168,538	231,875
Bad debt expense	32,066	(67,063)
Stock-based compensation	23,681	63,041
Settlement of vendor liability	(75,000)	-
Gain on extinguishment of debt	-	(9,500)
Increase (decrease) in cash attributable to changes in operating assets		
Accounts receivable	430,893	(265,638)
Prepaid expenses and other current assets	(18,745)	(42,328)
Other assets	(11,833)	758
Accounts payable and accrued expenses	(341,449)	140,258
Other long-term liabilities	(285)	(9,147)
Net cash used in operating activities	(1,026,930)	(1,499,939)
Cash flows from investing activities:		
Purchase of property and equipment	(61,102)	(9,164)
Security deposits	-	(98)
Net cash used in investing activities	(61,102)	(9,262)
Cash flows from financing activities:		
Proceeds from the sale of common stock, net	139,154	455,622
Proceeds from the sale of common stock not yet issued	-	50,000
Proceeds from notes payable - related parties	962,000	798,000
Proceeds from notes payable - non-related parties	-	100,000
Payments on capital lease/equipment financing obligations	(1,351)	-
Repayments of notes payable - non-related parties	(10,498)	-
Net cash provided by financing activities	1,089,305	1,403,622
Net increase (decrease) in cash and cash equivalents from continuing operations	1,273	(105,579)
Cash flows from discontinued operations:		
Cash provided by (used for) operating activities of discontinued operations	(10,665)	6,560
Net change in cash and cash equivalents:	(9,392)	(99,019)
Cash and cash equivalents, beginning of period	20,370	99,019
Cash and cash equivalents, end of period	$ 10,978	$ -
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 2,874	$ 834
Supplemental schedule of non-cash investing and financing activities:		
Conversion of notes payable - related parties to common stock	$ -	$ 220,000
Conversion of interest payable - related parties to common stock	$ -	$ 19,982
Transfer from escrow payable to common stock	$ -	$ 321,417
Transfer from equity to escrow payable - shares to vendor, not yet issued	$ -	$ 75,000

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation, Consolidation, and Summary of Selected Significant Accounting Policies

The accompanying notes to the condensed consolidated interim financial statements should be read in conjunction with the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 for Fusion Telecommunications International, Inc. and its Subsidiaries (collectively, the "Company"). All material intercompany balances and transactions have been eliminated in consolidation. These condensed consolidated interim financial statements have been prepared in accordance with instructions to Form 10-Q and Article 8 of Regulation S-X of the United States Securities and Exchange Commission (the "SEC") and therefore omit or condense certain footnotes and other information normally included in condensed consolidated interim financial statements prepared in accordance with accounting principles generally accepted in the United States (the "U.S. GAAP"). In the opinion of the Company's management, all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the condensed consolidated interim financial statements have been made. The results of operations for an interim period are not necessarily indicative of the results for the entire year.

During the three months ended March 31, 2011 and 2010, comprehensive loss was equal to the net loss amounts presented for the respective periods in the accompanying Condensed Consolidated Interim Statements of Operations. In addition, certain prior year balances have been reclassified to conform to the current presentation.

Income taxes

The Company complies with accounting and reporting requirements with respect to accounting for income taxes, which require an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in future taxable or deductible amounts, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred income tax assets to the amount expected to be realized. In accordance with U.S. GAAP, the Company is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Company recording a tax liability that would reduce net assets. The Company is subject to income tax examinations by major taxing authorities for all tax years since inception and may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof. During the three month period ended March 31, 2011, the Company recognized no adjustments for uncertain tax positions.

Loss per share

The Company complies with the accounting and disclosure requirements regarding earnings per share. Basic loss per share excludes dilution and is computed by dividing loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the income of the Company.

Unexercised stock options to purchase 5,564,606 and 4,698,173 shares of the Company's common stock as of March 31, 2011 and 2010, respectively, and unexercised warrants to purchase 42,495,305 and 31,102,390 shares of the Company's common stock as of March 31, 2011 and 2010, respectively, were not included in the computation of diluted loss per share because the inclusion of these securities would be anti-dilutive. The net loss per common share calculation includes a provision for preferred stock dividends in the approximate amount of $144,000 and $158,000 for the three months ended March 31, 2011 and 2010, respectively. As of March 31, 2011, the Board of Directors had not declared any dividends on the Company's preferred stock. As of March 31, 2011, the Company has accumulated approximately $2,397,000 of preferred stock dividends.

Discontinued operations

The Company classifies a business component that has either been disposed of or is classified as held for sale as a discontinued operation if the cash flow of the component has been or will be eliminated from ongoing operations and the Company will no longer have any significant continuing involvement in the component. The results of operations of the discontinued component through the date of disposition, including any gains or losses on disposition, are aggregated and presented separately in the Condensed Consolidated Interim Statements of Operations. See Note 4 for additional information regarding discontinued operations.

Stock-based compensation

The Company accounts for stock-based compensation by recognizing the fair value of the compensation cost for all stock awards over the service period (generally equal to the vesting period). This compensation cost is determined using option pricing models intended to estimate the fair value of the awards at the grant date. An offsetting increase to stockholders' equity is recorded equal to the amount of the compensation expense charge. The fair value of issued stock options and warrants are estimated on the date of grant using the Black-Scholes option-pricing model.

Stock-based compensation expense recognized in the Condensed Consolidated Interim Statements of Operations for the three months ended March 31, 2011 and 2010 includes compensation expense for stock-based payment awards granted prior to March 31, 2011 but not yet vested, based on the estimated grant date fair value. As stock-based compensation expense recognized in the Condensed Consolidated Statements of Operations is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. When estimating forfeitures, the Company considered historical forfeiture rates as well as ongoing trends for actual option forfeiture.

The impact on the Company's results of continuing operations of stock-based compensation expense for the three months ended March 31, 2011 and 2010 was approximately $24,000 and $68,000 respectively, and is included in selling, general, and administrative expenses in the Condensed Consolidated Interim Statements of Operations.

The following table summarizes the stock option activity for the three months ended March 31, 2011:

	(unaudited)		
Activity	Number of Options		Weighted Average Exercise Price
Outstanding at December 31, 2010	5,722,375	$	0.96
Granted	43,000	$	0.09
Cancelled or expired	(200,769)	$	0.53
Outstanding at March 31, 2011	5,564,606	$	0.97
Exercisable at March 31, 2011	3,780,609	$	1.37

The Company calculated the fair value of each common stock option grant on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	(unaudited)	
	Three Months Ended March 31,	
	2011	2010
Dividend yield	0.00 %	0.00 %
Stock volatility	179.70 %	81.93 %
Average Risk-free interest rate	2.46 %	2.80 %
Average option term (years)	4	4

As of March 31, 2011, there was approximately $83,000 of total unrecognized compensation cost, net of estimated forfeitures, related to stock options granted under the Company's Stock Incentive Plans, which is expected to be recognized over a weighted-average period of 2.10 years.

Fair value of financial instruments

The carrying amounts of the Company's assets and liabilities approximate the fair value presented in the accompanying Condensed Consolidated Interim Balance Sheets, due to their short-term maturities.

Use of estimates

The preparation of the Condensed Consolidated Interim Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Interim Financial Statements and the reported amounts of revenues and expenses during the period. Actual results could be affected by the accuracy of those estimates.

Restricted cash

As of March 31, 2011 and December 31, 2010, the Company had approximately $533,437 of cash restricted from withdrawal and held by banks as certificates of deposit securing letters of credit. This restricted cash is required as security deposits under the Company's non-cancelable operating leases for office facilities.

2. Going Concern

At March 31, 2011, the Company had a working capital deficit of approximately $10.7 million and an accumulated deficit of approximately $(146.2) million. The Company has continued to sustain losses from operations. In addition, the Company has not generated positive cash flow from operations since inception. Management is aware that its current cash resources are not adequate to fund its operations for the remainder of the year. During the three months ended March 31, 2011, the Company raised approximately $1.1 million, net of expenses, from the issuance of related party promissory notes and the sale of its securities. The Company cannot provide any assurances if and when it will be able to attain profitability. These conditions, among others, raise substantial doubt about the Company's ability to continue operations as a going concern. No adjustment has been made in the Condensed Consolidated Interim Financial Statements to the amounts and classification of assets and liabilities which could result should the Company be unable to continue as a going concern.

3. Prepaid Expenses and Other Current Assets.

Prepaid expenses and other current assets consist of the following at March 31, 2011 and December 31, 2010:

	March 31, 2011 (unaudited)	December 31, 2010
Prepaid insurance	$ 77,513	$ 59,805
Inventory	-	4,243
Other prepaid expenses	44,241	38,961
Total	$ 121,754	$ 103,009

4. Discontinued Operations

In 2009, in order to streamline operations, reduce expenses, and focus on the development of the Company's corporate services and carrier services segments, the Company eliminated the consumer services segment and restructured its overall operations. In accordance with requirements under U.S. GAAP, the Company has classified the operating results of its consumer services segment as a discontinued operation in the accompanying Condensed Consolidated Interim Financial Statements. The March 31, 2011 and 2010 Condensed Consolidated Interim Financial Statements have been adjusted for the Company's discontinued consumer services segment. The following table represents the assets and liabilities of the discontinued operations as of March 31, 2011 and December 31, 2010:

	March 31, 2011	December 31, 2010
	(unaudited)	
Property and equipment, net	$ 11,159	$ 12,449
Total current assets reclassified to discontinued operations	$ 11,159	$ 12,449
Capital Lease obligations, current portion	$ 99,517	$ 99,517
Accounts payable and accrued expenses	50,757	65,757
Current liabilities reclassified to discontinued operations	$ 150,274	$ 165,374

The operating results of the discontinued operations for the three months ended March 31, 2011 and 2010 are as follows:

	Three Months Ended March 31,	
	2011	2010
	(unaudited)	(unaudited)
Revenues	$ -	$ -
Cost of revenues	-	-
Depreciation and amortization	(1,290)	(6,560)
Selling, general and administrative	(3,002)	(5,187)
Advertising and marketing	-	-
Other income (expense)	6,500	-
Net income (loss)	$ 8,212	$ (1,373)

5. Intangible Assets

Identifiable intangible assets as of March 31, 2011 and December 31, 2010 are comprised of:

	March 31, 2011 (unaudited)		December 31, 2010	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Trademarks	$ 478,871	$ (160,914)	$ 478,871	$ (143,926)
Intellectual Property	86,397	(15,687)	86,397	(12,342)
Total	$ 565,268	$ (176,601)	$ 565,268	$ (156,268)

Amortization expense for the three months ended March 31, 2011 and 2010 was $20,333 and $16,988, respectively. Estimated future aggregate amortization expense is as follows for the periods indicated:

Remaining nine months ending	December 31, 2011	61,000
Year ending December 31:	2012	80,663
	2013	79,449
	2014	79,449
	2015	79,449

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at March 31, 2011 and December 31, 2010:

	March 31, 2011 (unaudited)	December 31, 2010
Trade accounts payable	$ 7,134,847	$ 7,773,241
Accrued expenses	612,416	551,266
Accrued payroll and vacation	123,814	140,341
Cost accrual	130,341	2,752
Interest payable	336,495	291,782
Deferred revenue	164,135	149,545
Other	335,177	269,747
	$ 8,837,225	$ 9,178,674

7. Long-Term Debt and Capital Lease/Equipment Financing Obligations

At March 31, 2011 and December 31, 2010, components of long-term debt and capital lease/equipment financing obligations of the Company are comprised of the following:

	March 31, 2011 (unaudited)	December 31, 2010
Promissory notes payable - related parties	$ 3,382,625	$ 2,420,625
Promissory notes payable - non-related parties	673,372	683,870
Capital lease/equipment financing obligations	3,199	4,550
Total promissory notes payable and capital lease/equipment financing obligations	4,059,196	3,109,045
Less:		
Current portion of capital lease/equipment financing obligations	(3,199)	(4,550)
Current portion of notes payable - related parties	(3,382,625)	(2,420,625)
Current portion of notes payable - non-related parties	(673,372)	(683,870)
Current portion of promissory notes payable and capital lease/equipment financing obligations	$ -	$ -

Promissory notes payable – non-related parties

During 2008, the Company borrowed an aggregate of $375,000 from two stockholders. The loans are evidenced by promissory notes which matured on various dates during the year ended December 31, 2010, and bear interest at the rate of 10% per annum. Principal payments for the three months ended March 31, 2011 totaled $10,498. Notes not repaid by their respective maturity dates automatically convert to demand notes, and the principal sum and all accrued interest on the notes become payable in full upon ten days notice from the lender. Each note also grants the lender a collateralized security interest, pari passu with other lenders, in the Company's accounts receivable. At March 31, 2011, approximately $323,372 remains outstanding and is now payable on demand. However, neither lender has made a demand for payment. A portion of one of these notes was repaid subsequent to March 31, 2011 (see Note 13, Subsequent Events).

On September 30, 2009, the Company and a lender agreed to amend a promissory note (the "Amended Note") originally issued May 27, 2008 evidencing $200,000 borrowed from the lender, which Amended Note extended the maturity date of the note to December 31, 2009.

On January 4, 2010, the lender converted $100,000 of this note into 769,231 shares of common stock and warrants to purchase 153,847 shares of common stock. On January 5, 2010, the lender agreed to extend the maturity date of the $100,000 balance of the loan to April 5, 2010 and increase the interest rate to 12 percent (12%) per annum. On November 8, 2010, the maturity date was extended again to February 8, 2011. The Amended Note also grants the lender a collateralized security interest, pari passu with other lenders, in the Company's accounts receivable. If not repaid by the maturity date, the Amended Note automatically converts to a demand note, and the principal sum and all accrued interest becomes payable in full upon ten days notice from the lender. At March 31, 2011, the Amended Note remains outstanding. While the note is now payable on demand, the lender has not made a demand for payment.

On December 22, 2010, the Company borrowed $250,000 from a non-related party, evidenced by a promissory note which is payable in full upon ten days notice from the lender and bears interest at the rate of three and a quarter percent (3.25%) per annum. At March 31, 2011 the balance remains outstanding, for which the lender is granted a collateralized security interest, pari passu with other lenders, in the Company's accounts receivable. The lender has not made a demand for payment.

Promissory notes payable – related parties

During 2007, the Company borrowed an aggregate of $250,000 from Marvin Rosen, the Company's Chairman of the Board of Directors, evidenced by two promissory notes each of which are payable in 24 equal monthly installments of principal and interest at the rate of 10% per annum, commencing January 18, 2008 and January 19, 2008 respectively. The Company's obligations under the promissory notes are collateralized by a security interest in the Company's accounts receivables. Principal payments through March 31, 2011 total $107,843, and in 2010 Mr. Rosen converted $55,552 of indebtedness that was evidenced by one of the promissory notes into 462,933 shares of common stock and 92,587 warrants. The warrants are exercisable for five-years at 120% of the closing price of the Company's common stock the business day before the debt was converted. The remaining balance under these promissory notes as of March 31, 2011 of $86,605 is due upon ten days notice from the lender. To date the Company has not received a demand for payment.

During 2009, the Company borrowed an additional $1,140,268 from Mr. Rosen, evidenced by fourteen promissory notes, which matured at various dates throughout 2009 and bear interest at rates ranging from 3% to 10% per annum. Each note also grants the lender a collateralized security interest, pari passu with other lenders, in the Company's accounts receivable. Notes not repaid by the maturity date automatically converted to demand notes, and the principal sums and all accrued interest for those notes became payable in full upon ten days notice from the lender. However, the Company has not received demand for payment. At various times during 2010, Mr. Rosen converted a total of $394,248 of indebtedness evidenced by these promissory notes into an aggregate of 2,816,059 shares of the Company's common stock and five year warrants to purchase a total of 1,408,032 shares of the Company's common stock, one-half which are exercisable at 125% of the closing price of the Company's common stock the day before conversion, and the balance exercisable at 150% of such price. At March 31, 2011, eight of the promissory notes in the aggregate amount of $746,020 remain outstanding. On April 27, 2011, Mr. Rosen converted $175,000 of this amount into 2,187,500 shares of the Company's common stock (see Note 13).

On May 21, 2009, the Company borrowed $125,000 from Marose, LLC, of which Mr. Rosen is a member. This loan is evidenced by a promissory note, which matured on July 20, 2009, and bears an interest rate of 8% per annum. The note also grants the lender a collateralized security interest, pari passu with other lenders, in the Company's accounts receivable. On July 20, 2009, the note became a demand note pursuant to its terms, although to date the Company has not received a demand for payment. This $125,000 note remains outstanding at March 31, 2011.

During 2010, the Company borrowed an aggregate of $1,750,000 from Mr. Rosen. These loans were evidenced by twenty-five promissory notes, each bearing interest at the rate of 3.25% per annum with maturities extending through January 2011, at which point the notes automatically converted to demand notes, and the principal sum and all accrued interest for each note is now payable in full upon ten days notice from the lender. Each note also grants the lender a collateralized security interest, pari passu with other lenders, in the Company's accounts receivable. As of March 31, 2011, $1,463,000 remains due under twenty-one of these promissory notes. To date, the Company has not received a demand for payment.

On January 21, 2011, the Company borrowed $20,000 from an individual who is also a Director of the Company. The note was payable in full upon ten days notice of demand from the lender, with accrued interest at the rate of 3.25% per annum, and granted the lender a collateralized security interest, pari passu with other lenders, in the Company's accounts receivable. On April 27, 2011, the principal balance of this note, along with the accrued interest, was converted into 252,159 shares of the Company's common stock (see Note 13).

During the first three months of 2011, the Company borrowed an additional $942,000 from Mr. Rosen. These loans were evidenced by nine short-term promissory notes, each of which are payable in full upon ten days notice from the lender and bear interest at the rate of 3.25% per annum. Each note also grants the lender a collateralized security interest, pari passu with other lenders, in the Company's accounts receivable. The proceeds are being used for general working capital purposes. As of March 31, 2011, the entire balance of these notes remained outstanding; however the Company has not received a demand for payment.

8. Equity Transactions

During the first three months of 2011, the Company entered into subscription agreements with seven accredited investors, under which the Company issued an aggregate of 1,621,026 shares of common stock and five year warrants to purchase 324,208 shares of the Company's common stock for consideration of $139,200. The warrants are exercisable at 125% of the average closing price of the Company's common stock for the five trading days prior to closing.

As of March 31, 2011, the Company is authorized to issue 300,000,000 shares of common stock, and there were 133,631,524 shares of common stock issued and outstanding.

9. Recently Adopted and Issued Accounting Pronouncements

In April 2010, the FASB issued an accounting standards update on stock compensation which addresses the classification of a share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades. This new accounting guidance clarifies that a share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades shall not be considered to contain a market, performance, or service condition. Therefore, such an award is not to be classified as a liability if it otherwise qualifies as equity classification. The amendments in this update should be applied by recording a cumulative-effect adjustment to the opening balance of retained earnings. The cumulative-effect adjustment should be calculated for all awards outstanding as of the beginning of the fiscal year in which the amendments are initially applied, as if the amendments had been applied consistently since the inception of the award. The accounting guidance is effective for interim and annual periods beginning on or after December 15, 2010 and is not expected to have a material impact on the Company's consolidated financial position or results of operations.

In July 2010, the FASB issued an accounting standards update on the disclosure about the credit quality of financing receivables and the allowance for credit losses. This update requires additional disclosures that facilitate financial statement users' evaluation of the nature of credit risk inherent in the entity's portfolio of financing receivables, how that risk is analyzed and assessed in arriving at the allowance for credit losses, and the changes and reasons for those changes in the allowance for credit losses. The update makes changes to existing disclosure requirements and includes additional disclosure requirements about financing receivables, including credit quality indicators of financing receivables at the end of the reporting period by class of financing receivables, the aging of past due financing receivables at the end of the reporting period by class of financing receivables, and the nature and extent of troubled debt restructurings that occurred during the period by class of financing receivables and their effect on the allowance for credit losses. These disclosures, as of the end of a reporting period, are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occur during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The Company does not expect this accounting standards update to have a material effect on the consolidated financial statements other than the new disclosures required by the update.

In December 2010, the FASB issued an accounting standards update on when to perform step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. This update provides amendments to accounting standards on Intangibles and Goodwill that requires an entity to perform Step 2 impairment test even if a reporting unit has zero or negative carrying amount. Step 1 tests whether the carrying amount of a reporting unit exceeds its fair value. Previously reporting units with zero or negative carrying value passed Step 1 because the fair value was generally greater than zero. Step 2 requires impairment testing and impairment valuation be calculated in between annual tests if an event or circumstances indicate that it is more likely than not that goodwill has been impaired. The accounting guidance is effective beginning January 1, 2011. As a result of this standard, goodwill impairments may be reported sooner than under current practice. The Company does not expect this standard issuance to have a material impact on the consolidated financial statements.

The Company does not believe that any other recently issued but not yet effective accounting pronouncements, if currently adopted, would have a material effect on the accompanying Condensed Consolidated Interim Financial Statements.

10. Commitments and Contingencies

Legal Matters

On or about March 14, 2011, a landlord over premises leased by the Company commenced a proceeding in the New York City Civil Court, County of New York (Index No. 060260/11), in which the landlord sought to recover against the Company certain unpaid rent and related charges due under a lease agreement between the landlord and the Company, and to evict the Company from the premises. The Company filed its response to the landlord's claims on April 6, 2011. By Stipulation dated April 12, 2011, the landlord and the Company agreed to adjourn the appearance date in this proceeding until May 24, 2011, to allow the landlord and the Company time to work out a mutually agreeable payment schedule for the amounts owed. Although the parties are negotiating in good faith, to date they have not agreed upon a payment schedule, and there is no guarantee that the parties will be able to agree on a schedule or that the landlord will continue to agree to stay the proceeding until the Company pays the amounts due. The accompanying consolidated financial statements fully reflect the amounts owed to the landlord by the Company as of the date of the financial statements.

On July 30, 2008, a vendor that provided management consulting and software systems services filed a complaint in the Supreme Court for the State of New York (Software Synergy, Inc., v Fusion Telecommunications International, Inc., Index No. 602223/08) seeking damages in the amount of $624,594 plus $155,787 in Prejudgment interest and costs, allegedly due to the plaintiff under terms of a Professional Services Letter Agreement (the "PSLA") and a Master Software License Agreement (the "MSLA"). This complaint asserted claims for relief against the Company for breach of contract, failure to pay to plaintiff moneys allegedly due under the terms of the PSLA, violation of the terms of the MSLA, and prejudgment interest and costs. On September 17, 2008, the Company filed its Answer and Counterclaim against the vendor alleging the plaintiff materially breached its obligations to the Company under the PSLA and MSLA and is liable to the Company for damages, including full repayment of the amounts which the Company paid to the plaintiff for its failed development effort. On June 25, 2010, the parties entered into a Confidential Settlement Agreement resolving the litigation, providing for the mutual release of all claims, and agreeing to the dismissal of the case. Further proceedings have been stayed pending payment of the Company's obligations under that agreement, the amount of which is not considered material. To date, the Company has complied with its payment obligations, and the Company anticipates that its payment obligations will be fully satisfied in June 2011. The accompanying consolidated financial statements give effect to the financial impact of the Confidential Settlement Agreement on the Company.

On June 14, 2010, three individuals filed an action against a former customer of the Company and other associated persons, and against the Company, in New York State Court, County of Kings (Index No. 24255/09). The plaintiffs alleged that the non-Fusion defendants accepted funds from the plaintiffs for investment in real estate, but subsequently used some or all of those funds for other purposes. The plaintiffs further alleged that the non-Fusion defendants made certain payments to the Company and they seek repayment of those sums from the Company in the amount of $237,913 plus interest. The Company believes that the plaintiffs' claims are without merit as the bank account information provided by the plaintiffs themselves shows that the majority of the funds allegedly paid to the Company were actually paid to other non-affiliated entities. Moreover, those funds that were received by the Company from the non-Fusion defendants were payment for specific telecommunications equipment and services purchased by the non-Fusion defendants from the Company, and the Company had no knowledge of any alleged misuse of funds by the non-Fusion defendants. The Company has prepared and filed its answer to the complaint, and intends to vigorously defend itself. As the Company cannot accurately predict the likelihood of a favorable or unfavorable outcome or quantify the amount or range of potential financial impact, if any, no adjustment has been made in the Company's accompanying consolidated financial statements because of this claim.

The Company is from time to time involved in claims and legal actions arising in the ordinary course of business. Management does not expect that the outcome of any such claims or actions will have a material effect on the Company's operations or financial condition. In addition, due to the regulatory nature of the telecommunications industry, the Company periodically receives and responds to various inquiries from state and federal regulatory agencies. Management does not expect the outcome of any such regulatory inquiries to have a material impact on the Company's operations or financial condition.

Other Matters

In September 2008, the Company entered into a settlement agreement with a vendor providing, in part, that the Company issue common stock in the amount of $75,000 to the vendor in settlement of a debt. However, due to a failure by the vendor to perform its obligations under the settlement agreement, the Company never actually issued the shares, resulting in a transfer from equity to escrow payable in 2010 in the amount of $75,000, and an adjustment to the number of shares issued and outstanding.

On February 10, 2011, the Company executed a settlement agreement with the vendor which released the Company of all liability with respect to this matter. As a result, the Company reduced its escrow payable amount and recorded other income of $75,000 in the first three months of 2011.

11. Segment Information

The Company complies with the accounting and reporting requirements on Disclosures about Segments of an Enterprise and Related Information. The guidance requires disclosures of segment information on the basis that is used internally for evaluating segment performance and for determining the allocation of resources to the operating segments.

The Company has two reportable segments that it operates and manages – corporate services and carrier services. These segments are organized by the products and services that are sold and the customers that are served. The Company measures and evaluates its reportable segments based on revenues and gross profit margins. Segment income excludes unallocated Company expenses and other adjustments arising during each period. The other adjustments include transactions included in the Company's reported consolidated earnings that the Company's chief operating decision makers exclude in assessing business unit performance, due primarily to their non-operational and/or non-recurring nature. The Company's segments and their principal activities consist of the following:

Carrier Services

Carrier Services includes the termination of carrier traffic utilizing VoIP technology as well as traditional TDM (circuit switched) technology. VoIP permits a less costly and more rapid interconnection between the Company and international telecommunications carriers, and generally provides better profit margins for the Company. The Company currently interconnects with over 270 carrier customers and vendors, and is working to expand its interconnection relationships, particularly with carriers in emerging markets.

Corporate Services and Other

The Company provides a wide variety of communications services to small and medium-sized corporations, as well as enterprise customers, including basic voice and data communications services, broadband Internet access, private line services, audio and web conferencing services, e-fax services, and a variety of other value-added services. These customers are sold through both the Company's direct sales force and its partner sales program, which utilizes the efforts of independent third-party distributors to sell the Company's products and services.

Unaudited operating segment information for the three months ended March 31, 2011 and 2010 is summarized as follows:

Three Months Ended March 31, 2011

	Carrier Services	Corporate Services and Other	Corporate and Unallocated	Consolidated
Revenues	$ 9,684,193	$ 520,087	$ -	$ 10,204,280
Cost of revenues (exclusive of depreciation and amortization)	8,818,075	327,555		9,145,630
Depreciation and amortization	168,524	14		168,538
Selling, general and administrative expenses	1,195,606	965,147		2,160,753
Advertising and marketing	58	4,505		4,563
Other (income) expenses	(13,880)	(26,528)		(40,408)
Loss from continuing operations	$ (484,190)	$ (750,606)	$ -	$ (1,234,796)
Total assets	$ 2,604,228	$ 1,735,323	$ 88,104	$ 4,427,655
Capital expenditures	$ 60,270	$ 832		$ 61,102

Three Months Ended March 31, 2010

	Carrier Services	Corporate Services and Other	Corporate and Unallocated	Consolidated
Revenues	$ 9,207,231	$ 381,401		$ 9,588,632
Cost of revenues (exclusive of depreciation and amortization)	8,436,828	226,941		8,663,769
Depreciation and amortization	224,854	7,021		231,875
Selling, general and administrative expenses	1,461,249	735,063		2,196,312
Advertising and marketing	-	3,771		3,771
Other expenses	24,219	10,881		35,100
Loss from continuing operations	$ (939,919)	$(602,276)	$ -	$(1,542,195)
Total assets	$ 4,305,978	$ 747,809	$ 419,029	$ 5,472,816
Capital expenditures	$ -	$ -	$ 9,164	$ 9,164

12. Related Party Transactions

In addition to the financing transactions discussed in Notes 7 and 13, on March 29, 2011 the Company entered into a Desk Space Use and Occupancy Agreement with an entity affiliated with Mr. Rosen. Under the terms of the agreement, the counterparty will be able to utilize a portion of the Company's leased office space in New York City for a monthly fee of $9,000 per month. The term of the agreement runs from April 15, 2011 to October 14, 2011. The Company believes that the fee it is receiving under this agreement is comparable to what it would receive had the agreement been entered into with an unrelated third party.

13. Subsequent Events.

Between April 1, and May 5, 2011, the Company borrowed an additional $867,000 from Mr. Rosen. These loans were evidenced by 11 short-term promissory notes, each of which are payable in full upon ten days notice from the lender and bear interest at the rate of 3.25% per annum. On May 9, 2011, a portion of one of these notes in the amount of $95,000 was repaid to Mr. Rosen. Each note also grants the lender a collateralized security interest, pari passu with other lenders, in the Company's accounts receivable. The proceeds are being used for general working capital purposes.

On April 27, 2011, under a subscription agreement entered into with the Company, Mr. Rosen converted $175,000 of promissory notes into 2,187,500 shares of the Company's common stock and received 437,500 warrants to purchase the Company's common stock exercisable at 125% of the average closing price of the Company's common stock for the five trading days before the conversion of the debt. Also on April 27, 2011, another member of the Company's Board of Directors converted a promissory note in the principal amount of $20,000 plus accrued and unpaid interest into 252,159 shares of the Company's common stock. This Director also received warrants to purchase 50,432 shares of the Company's common stock exercisable at 125% of the average closing price of the Company's common stock for the five trading days before the conversion of the debt.

Between April 12, 2011 and April 29, 2011, the Company entered into additional subscription agreements with four accredited investors, under which the Company issued an aggregate of 1,368,056 shares of common stock and five year warrants to purchase 273,613 shares of the Company's common stock for consideration of $120,000. The warrants are exercisable at 125% of the average closing price of the Company's common stock for the five trading days prior to closing.

During April and May of 2011, the Company repaid an aggregate of approximately $113,000 related to one of the promissory notes due to an unrelated party

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

The following discussion should be read in conjunction with the information contained in our unaudited consolidated financial statements and the notes thereto appearing elsewhere herein and in conjunction with the Management's Discussion and Analysis set forth in our fiscal 2010 Annual Report on Form 10-K.

Overview

We are an international telecommunications carrier delivering value-added communications solutions to corporations and carriers in the United States and throughout the world. We offer services that include traditional voice and data communications services using Voice over Internet Protocol (VoIP), private network services, broadband and Internet access, and other advanced services.

The Company's corporate business segment focuses on small, medium, and large corporations headquartered in the United States, but with the ability to serve their global communications needs and to provide service virtually anywhere in the world. The Company's carrier business segment focuses on carriers across the globe, with a particular focus on providing services to and from emerging markets in Asia, the Middle East, Africa, Latin America, and the Caribbean.

Results of Operations

The following table summarizes our results of operations for the periods indicated:

	Three Months Ended March 31,			
	2011		2010	
Revenues	$ 10,204,280	100.0 %	$ 9,588,632	100.0 %
Operating expenses:				
Cost of revenues, exclusive of depreciation and amortization, shown separately below	9,145,630	89.6 %	8,663,769	90.4 %
Depreciation and amortization	168,538	1.7 %	231,875	2.4 %
Selling general and administrative expenses (including $23,682 and $68,227 of stock-based compensation for the three months ended March 31, 2011 and 2010, respectively)	2,160,753	21.2 %	2,196,312	22.9 %
Advertising and marketing	4,563	0.0 %	3,771	0.0 %
Total operating expenses	11,479,484	112.5 %	11,095,727	115.7 %
Operating loss	(1,275,204)	(12.5) %	(1,507,095)	(15.7) %
Other income (expenses):				%
Interest income	96	0.0 %	124	0.0 %
Interest expense	(48,383)	(0.5) %	(49,591)	(0.5) %
Gain on settlements of debt	-	- %	9,500	0.1 %
Other	88,695	0.9 %	4,867	0.1 %
Total other income (expenses)	40,408	0.4 %	(35,100)	(0.4) %
Loss from continuing operations	(1,234,796)	(12.1) %	(1,542,195)	(16.1) %
Discontinued operations:				
Income (loss) from discontinued operations	8,212	0.1 %	(1,373)	(0.0) %
Net loss	$ (1,226,584)	(12.0) %	$ (1,543,568)	(16.1) %

Revenues

Historically, we have generated the majority of our revenues from voice traffic sold to other carriers, with a strong focus in recent years on VoIP termination to emerging markets. We have focused on growing our existing customer base, which was primarily U.S. based, through the addition of a broad range of new international customers. We have also focused on expanding the Company's vendor base through the addition of direct VoIP terminating arrangements to many new countries, including many emerging markets. Although we believe that the carrier business segment continues to be of significant value to our long term strategy, ongoing competitive and pricing pressures have caused us to increase our focus on the higher margin corporate business segment and to expand our efforts to market to small and mid-sized corporations, as well as large enterprises, using both or direct and partner distribution channels.

While our corporate business segment is still a relatively small portion of our revenue base, we will continue to increase our emphasis on this area and increase the percentage of the Company’s total revenues contributed by the corporate business segment. We believe that this will complement the Company’s carrier business segment by providing higher margins and a more stable customer base.

We manage our revenues by business segment and customer. We manage our costs by provider (vendor). We track revenues by business segment, as the Company’s segments have different customer billing and payment terms and utilize different billing systems. We track total revenue at the customer level because our sales force manages revenue generation at the customer level, and because invoice charges are billed and collected at the customer level. We also track revenues and costs by product to manage product profitability.

We manage our business segments based on gross margin, which is net revenue less the cost of revenue, and on net profitability. Although the Company’s infrastructure is largely built to support all business segments and products, many of the infrastructure costs can be specifically associated with one of our two business segments. This also applies to most capital investments made (such as switching and transmission equipment), and to the majority of our selling, general and administrative expenses. The majority of the Company’s operations, engineering, information systems, and finance personnel are assigned to either the corporate or carrier business segment for cost purposes, and only a small number of personnel are considered “overhead” and allocated to the segments as appropriate. For segment reporting purposes, common overhead expenses are generally allocated based on percentage of utilization of resources unless the items can be specifically identified to one of the business segments.

Operating Expenses

Our operating expenses are categorized as cost of revenues, depreciation and amortization, selling, general and administrative expenses, and advertising and marketing.

Cost of revenues includes costs incurred in the operation of our leased network facilities, as well as the purchase of voice termination, Internet access, private line, and other services from telecommunications carriers and Internet Service Providers. We continue to work to lower the variable component of the cost of revenues through the use of least cost routing, and through on-going negotiation of both usage-based costs and fixed costs with our many domestic and international service providers.

Depreciation and amortization includes depreciation of our communications network equipment, amortization of leasehold improvements to our switch locations and administrative facilities, and the depreciation of our office equipment and fixtures.

Selling, general, and administrative expenses include salaries and benefits, sales commissions, occupancy costs, legal and professional fees, and other administrative expenses.

Advertising and marketing expense includes costs for promotional materials for the marketing of our corporate products and services, as well as for public relations.

Three Months Ended March 31, 2011 Compared With Three Months Ended March 31, 2010

Revenues

Consolidated revenues were $10.2 million during the three months ended March 31, 2011, compared to $9.6 million during the three months ended March 31, 2010, an increase of $0.6 million or 6.4%. Revenues for the carrier services segment were $9.7 million during the three months ended March 31, 2011, compared to $9.2 million during the three months ended March 31, 2010, an increase of $0.5 million or 5.2%. The increase was due to a higher blended rate per minute of the traffic terminated, while the actual number of minutes transmitted over our network was essentially unchanged from the prior year.

Revenues for the corporate services segment increased by $139,000, or 36.4%, to $520,000 during the three months ended March 31, 2011 from $381,000 in the same period of a year ago. This increase was primarily the result of our continued sales efforts to grow the customer base for this segment.

Cost of Revenues and Gross Margin

Consolidated cost of revenues was $9.1 million during the three months ended March 31, 2011, compared to $8.7 million during the three months ended March 31, 2010, an increase of $0.5 million, or 5.6%. Consolidated gross margin was 10.4% for the first three months of 2011, compared to 9.6% for the first three months of 2010.

Gross margin for the carrier services segment was 8.9% during the three months ended March 31, 2011, compared to $8.4% during the three months ended March 31, 2010, as the increase in average cost per minute of traffic was more than offset by lower fixed costs during the quarter.

Gross margin for the corporate services segment during the three months ended March 31, 2011 was 37.0%, compared with 40.5% during the three months ended March 31, 2010. The decrease in gross margin during the period was mainly due to price discounts granted to certain customers in 2011 in order to secure long-term business and expand our customer base.

Depreciation and Amortization

Depreciation and amortization decreased by $63,000 to $169,000 during the three months ended March 31, 2011 from $232,000 during the three months ended March 31, 2010. The decrease was due to more assets becoming fully depreciated than were placed into service during the period. Our ability to purchase new capital equipment continues to be impacted by our liquidity constraints.

Selling, General, and Administrative

Selling, general, and administrative expenses decreased by $36,000, or 1.6% during the three months ended March 31, 2011, compared to the same period in 2010. While many of the components of selling, general and administrative expenses decreased during the period as a result of our continued efforts to reduce operating costs, the decrease is primarily attributable to lower rent expense at our network facility in New York City, where we reduced our occupancy in connection with the renewal of the lease for this facility in late 2010. These reductions were largely offset by an increase in bad debt expense during the period. During the first quarter of 2011, we increased our allowance for doubtful accounts by $32,000, compared to a recovery of doubtful accounts by approximately $67,000 in the first quarter of 2010.

Advertising and Marketing

Advertising and marketing expenses of approximately $4,000 was largely unchanged in the first three months of 2011 compared to the same period in 2010.

Operating Loss

Our operating loss of $1.3 million in the first three months of 2011 represents a decrease of $0.2 million, or 15.4% from the first three months of 2010. The decrease in operating loss was primarily attributable to the increase in revenues and corresponding increase in gross profit, lower depreciation expense and lower selling, general, and administrative expenses.

Other Income (Expense)

Total other income (expense) increased by $76,000 in the first quarter of 2011 compared to the first quarter of 2010, mainly due to the settlement of a dispute with a vendor which released the Company from any financial obligation related to the dispute and resulted in a reduction to our escrow payable in the amount of $75,000.

Discontinued Operations

During the first three months of 2011 we had income from our discontinued retail segment of approximately $8,000, mainly due to cash we received from a former customer of this segment for a balance we had previously written off, compared to a loss of approximately $1,000 during the first three months of 2010.

Net Loss

Net loss decreased to $1.2 million during the three months ended March 31, 2011 from $1.5 million during the three months ended March 31, 2010. The main factors contributing to this decrease were increased revenues, the gain from the resolution of the vendor dispute and lower depreciation expense.

Liquidity and Capital Resources

Since our inception, we have incurred significant operating and net losses. In addition, we have yet to generate positive cash flow from operations. As of March 31, 2011, we had a stockholders' deficit of approximately $9.1 million as compared to $8.1 million at December 31, 2010, and a working capital deficit of approximately $10.7 million as compared to $9.7 million at December 31, 2010. We currently do not have sufficient cash or other financial resources to fund our operations and meet our obligations for the next twelve months.

We have historically relied upon the sale of our equity securities and loans from non-related and related parties, including Marvin Rosen, the Chairman of the Board of Directors, to fund our operations. From January 1, 2011 through the date of this report, we raised approximately $259,000 from the sale of our securities through private placement financings and received approximately $1.7 million in new loans from Mr. Rosen. We expect to continue to rely on additional sales of our securities and additional borrowings to support our operations and meet the Company's financial obligations for the remainder of 2011. There are no current commitments for such funds and there can be no assurances that such funds will be available to the Company as needed. In addition, a substantial portion of our outstanding indebtedness is payable upon ten days notice from the lender. Although we have yet to receive any demand notices for this indebtedness, there are no assurances that we will not receive any such notices in the future, and we currently do not have the financial resources to repay these loans should we receive a demand for payment.

Our management is also seeking to supplement the funds available from the sale of its securities and from its borrowings with the financing of our accounts receivable or other similar financing arrangements, in order to further address the Company's short-term liquidity challenge. For the long-term, we seek to continue to grow both the corporate and carrier segments of our business in order to ultimately achieve positive cash flow. We will also consider seeking strategic partners and/or acquisition candidates that will be accretive to earnings and offer synergies that will assist in achieving revenue growth and profitability.

In the event that we are unable to secure the necessary funding to meet our working capital requirements, either through the sale of our securities or through other financing arrangements, we may be required to downsize, reduce our workforce, sell assets, or possibly curtail or even cease operations.

A summary of the Company's cash flows for the periods indicated is as follows:

	Three Months Ended March 31,	
	2011	2010
Cash from continuing operations:		
Cash used in operating activities	$ (1,026,930)	$ (1,499,939)
Cash used in investing activities	(61,102)	(9,262)
Cash provided by financing activities	1,089,305	1,403,622
Increase (decrease) in cash and cash equivalents from continuing operations	1,273	(105,579)
Cash from discontinued operations	(10,665)	6,560
Net increase (decrease) in cash and cash equivalents	(9,392)	(99,019)
Cash and cash equivalents, beginning of period	20,370	99,019
Cash and cash equivalents, end of period	$ 10,978	$ -

Cash used in operating activities was $1.0 million during the first three months of 2011, compared to $1.5 million in the first three months in 2010. The decrease is due to a lower operating loss and improved collections of accounts receivable. As we continue to implement our business strategy with our carrier services and corporate services business segments we expect that our net cash flows from operating activities will continue to improve.

Cash used in investing activities was $61,000 in the first three months of 2011 compared to $9,000 in the first three months of 2010. Cash used in investing activities is almost exclusively comprised of capital expenditures. We expect our cash capital expenditures to be approximately $300,000 for the remainder of 2011, primarily for additional infrastructure development for the carrier services and corporate services segments.

Cash provided by financing activities was $1.1 million in the first three months of 2011, compared to $1.4 million in the first three months of 2010. During 2011, we raised $139,000 from the sale of our common stock, compared to $456,000 in 2010.

Sources of Liquidity

As of March 31, 2011, we had cash and cash equivalents of approximately $11,000 and accounts receivable of approximately $2.3 million. Our long-term liquidity is dependent on our ability to attain future profitable operations. We cannot predict if and when we will be able to attain future profitability.

Uses of Liquidity

Our short-term and long-term liquidity needs arise primarily from working capital requirements to support the growth and day-to-day operations of our business, principal and interest payments related to our financing obligations, capital expenditures and any additional funds that may be required for business expansion opportunities. In some situations, we may be required to guarantee payment or performance under agreements, and in these circumstances we may be required to secure letters of credit or bonds to do so.

Debt Service Requirements

During 2011, we repaid approximately $113,000 related to one of the promissory notes due to an unrelated party. We expect to make four additional monthly payments of approximately $56,000 each to satisfy the remaining principal and interest obligations related to this note. At March 31, 2011, we had approximately $4.1 million of current-term debt, substantially all of which is collateralized by a security interest in our accounts receivable.

Capital Instruments

During the first four months of 2011, we entered into subscription agreements with 11 accredited investors, under which we issued an aggregate of 2,989,082 shares of common stock and five year warrants to purchase 597,821 shares of the Company's common stock and received net proceeds of $259,000. The warrants are exercisable at prices ranging from $0.10 to $0.13 per share, which represents 125% of the average closing price of the Company's common stock for the five trading days prior to closing.

Critical Accounting Policies and Estimates

The Company has identified the policies and significant estimation processes below as critical to the Company's business operations and to the understanding of the Company's results of operations. In many cases, the accounting treatment of a particular transaction is dictated by specific accounting principles generally accepted in the United States, with no need for management's judgment in their application. In other cases, management is required to exercise judgment in the application of accounting principles with respect to particular transactions. For a detailed discussion on the application of these and other accounting policies, see Note 2 in the Notes to Consolidated Financial Statements for the Year Ended December 31, 2010, included in our Annual Report on Form 10-K. The preparation of the Company's consolidated financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Company's consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. There can be no assurance that actual results will not differ from those estimates and such differences could be significant.

Revenue Recognition

The Company's revenue is primarily derived from usage fees charged to carriers and corporations that terminate voice traffic over the Company's network, and from the monthly recurring fees charged to customers that purchase the Company's corporate products and services.

Variable revenue is earned based on the length (number of minutes duration) of a call. It is recognized upon completion of the call, and is adjusted to reflect customer billing adjustments. Revenue for each customer is calculated from information received through the Company's network switches.

Customized software has been designed to track the information from the switch and analyze the call detail records against stored detailed information about revenue rates. This software provides us the ability to complete a timely and accurate analysis of revenue earned in a period. Consequently, the recorded amounts are generally accurate and the recorded amounts are unlikely to be revised in the future.

Fixed revenue is earned from monthly recurring services provided to the customer that are fixed and recurring in nature, and are contracted for over a specified period of time. The initial start of revenue recognition is after the provisioning, testing and acceptance of the service by the customer. The charges continue to bill until the expiration of the contract, or until cancellation of the service by the customer.

Additionally, the majority of the Company's monthly recurring charges for corporate services are billed in advance. To the extent that revenue received from the customer is related to services in the current month, it is recorded in the current month's revenue. Any revenue received that is related to a future period is recorded as deferred revenue until the service is provided or the usage occurs.

Accounts Receivable

Accounts receivable are recorded net of an allowance for doubtful accounts. On a periodic basis, we evaluate our accounts receivable and record an allowance for doubtful accounts, based on our history of past write-offs and collections and current credit conditions. Specific customer accounts are written off as uncollectible if the probability of a future loss has been established, collection efforts have been exhausted and payments are not expected to be received.

Cost of Revenues and Cost of Revenues Accrual

Cost of revenues is comprised primarily of costs incurred from other domestic and international communications carriers to originate, transport, and terminate voice calls for the Company's carrier and corporate customers. The majority of the Company's cost of revenues is thus variable, based upon the number of minutes actually used by the Company's customers and the destinations they are calling. Cost of revenues also includes the monthly recurring cost of certain platform services purchased from other service providers, as well as the monthly recurring costs of broadband Internet access and/or private line services purchased from other carriers to meet the needs of the Company's customers.

Call activity is tracked and analyzed with customized software that analyzes the traffic flowing through the Company's network switches. During each period, the call activity is analyzed and an accrual is recorded for the revenues associated with minutes not yet invoiced. This cost accrual is calculated using minutes from the system and the variable cost of revenue based upon predetermined contractual rates.

In addition to the variable cost of revenue, we incur fixed expenses associated with the facilities comprising our network backbone and the connectivity between our switch facilities and the network backbone. These expenses generally include hubbing charges at our New York switching facility that allow other carriers to send traffic to our switch, as well as satellite and/or fiber optic cable charges to connect to international destinations. Our fixed expenses also include monthly recurring charges associated with certain platform services purchased from other service providers and the monthly recurring costs associated with broadband Internet access and/or private line services purchased from other carriers to meet the needs of our corporate customers.

Intangible Assets and Goodwill Impairment Testing

Absent any circumstances that warrant testing at another time, we test goodwill and indefinite-lived intangible assets for impairment annually. Impairment losses are recorded when indicators of impairment are present based primarily upon estimated future cash flows.

Income Taxes

The Company accounts for income taxes in accordance with the requirements under U.S. GAAP, which requires the recognition of deferred tax liabilities and assets for the expected future income tax consequences of events that have been recognized in our financial statements. Deferred tax liabilities and assets are determined based on the temporary differences between the condensed consolidated interim financial statements carrying amounts and the tax bases of assets and liabilities, using enacted tax rates in the years in which the temporary differences are expected to reverse. In assessing the likelihood of utilization of existing deferred tax assets and recording a full valuation allowance, we have considered historical results of operations and the current operating environment.

Recently Issued Accounting Pronouncements

In April 2010, the FASB issued an accounting standards update on stock compensation which addresses the classification of a share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades. This new accounting guidance clarifies that a share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades shall not be considered to contain a market, performance, or service condition. Therefore, such an award is not to be classified as a liability if it otherwise qualifies as equity classification. The amendments in this update should be applied by recording a cumulative-effect adjustment to the opening balance of retained earnings. The cumulative-effect adjustment should be calculated for all awards outstanding as of the beginning of the fiscal year in which the amendments are initially applied, as if the amendments had been applied consistently since the inception of the award. The accounting guidance is effective for interim and annual periods beginning on or after December 15, 2010 and is not expected to have a material impact on our consolidated financial position or results of operations.

In July 2010, the FASB issued an accounting standards update on the disclosure about the credit quality of financing receivables and the allowance for credit losses. This update requires additional disclosures that facilitate financial statement users' evaluation of the nature of credit risk inherent in the entity's portfolio of financing receivables, how that risk is analyzed and assessed in arriving at the allowance for credit losses, and the changes and reasons for those changes in the allowance for credit losses. The update makes changes to existing disclosure requirements and includes additional disclosure requirements about financing receivables, including credit quality indicators of financing receivables at the end of the reporting period by class of financing receivables, the aging of past due financing receivables at the end of the reporting period by class of financing receivables, and the nature and extent of troubled debt restructurings that occurred during the period by class of financing receivables and their effect on the allowance for credit losses. These disclosures, as of the end of a reporting period, are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occur during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. We do not expect this accounting standards update to have a material effect on the consolidated financial statements other than the new disclosures required by the update.

In December 2010, the FASB issued an accounting standards update on when to perform Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. This update provides amendments to accounting standards on Intangibles and Goodwill that requires an entity to perform Step 2 impairment test even if a reporting unit has zero or negative carrying amount. Step 1 tests whether the carrying amount of a reporting unit exceeds its fair value. Previously, reporting units with zero or negative carrying value passed Step 1 because the fair value was generally greater than zero. Step 2 requires impairment testing and impairment valuation be calculated in between annual tests if an event or circumstances indicate that it is more likely than not that goodwill has been impaired. The accounting guidance is effective beginning January 1, 2011. As a result of this standard, goodwill impairments may be reported sooner than under current practice. We do not expect this standard issuance to have a material impact on the consolidated financial statements.

We do not believe that any other recently issued but not yet effective accounting pronouncements, if currently adopted, would have a material effect on the accompanying condensed consolidated interim financial statements

Inflation

We do not believe inflation has a significant effect on the Company's operations at this time.

Off Balance Sheet Arrangements

Under SEC regulations, we are required to disclose the Company's off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. An off-balance sheet arrangement means a transaction, agreement or contractual arrangement to which any entity that is not consolidated with us is a party, under which we have:

- Any obligation under certain guarantee contracts
- Any retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets
- Any obligation under a contract that would be accounted for as a derivative instrument, except that it is both indexed to the Company's stock and classified in stockholder's equity in the Company's statement of financial position
- Any obligation arising out of a material variable interest held by us in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us, or engages in leasing, hedging or research and development services with us

As of March 31, 2011, the Company has no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Forward Looking Statements

Certain statements and the discussion contained herein regarding the Company's business and operations may include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1996. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as "may", "expect", "anticipate", "intend", "estimate" or "continue" or the negative thereof or other variations thereof or comparable terminology. The reader is cautioned that all forward-looking statements are speculative, and there are certain risks and uncertainties that could cause actual events or results to differ from those referred to in such forward-looking statements. This disclosure highlights some of the important risks regarding the Company's business. The number one risk of the Company is its ability to attract fresh and continued capital to execute its comprehensive business strategy. There may be additional risks associated with the integration of businesses following an acquisition, concentration of revenue from one source, competitors with broader product lines and greater resources, emergence into new markets, the termination of any of the Company's significant contracts or partnerships, the Company's inability to maintain working capital requirements to fund future operations or the Company's inability to attract and retain highly qualified management, technical and sales personnel, and the other factors identified by us from time to time in the Company's filings with the SEC. However, the risks included should not be assumed to be the only things that could affect future performance. We may, among other things, also be subject to service disruptions, delays in collections, or facilities closures caused by potential or actual acts of terrorism or government security concerns.

All forward-looking statements included in this document are made as of the date hereof, based on information available to us as of the date thereof, and we assume no obligation to update any forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Disclosure under this section is not required for a smaller reporting company.

Item 4. Controls and Procedures.

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, or the “Exchange Act”) that are designed to ensure that information required to be disclosed in Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2011. Based upon that evaluation and subject to the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to accomplish their objectives.

Our Chief Executive Officer and Chief Financial Officer do not expect that our disclosure controls or our internal controls will prevent all error and all fraud. The design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be considered relative to their cost. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that we have detected all of our control issues and all instances of fraud, if any. The design of any system of controls also is based partly on certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions.

There have been no changes in our internal control over financial reporting that occurred during our fiscal quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

On or about March 14, 2011, a landlord over premises leased by the Company commenced a proceeding in the New York City Civil Court, County of New York (Index No. 060260/11), in which the landlord sought to recover against the Company certain unpaid rent and related charges due under a lease agreement between the landlord and the Company, and to evict the Company from the premises. The Company filed its response to the landlord's claims on April 6, 2011. By Stipulation dated April 12, 2011, the landlord and the Company agreed to adjourn the appearance date in this proceeding until May 24, 2011, to allow the landlord and the Company time to work out a mutually agreeable payment schedule for the amounts owed. Although the parties are negotiating in good faith, to date they have not agreed upon a payment schedule, and there is no guarantee that the parties will be able to agree on a schedule or that the landlord will continue to agree to stay the proceeding until the Company pays the amounts due.

Item 1A. Risk Factors.

An investment in our Securities involves a high degree of risk. You should carefully consider the risks described below before you decide to invest in our Securities. If any of the following events actually occur, our business could be seriously harmed. In such case, the value of your investment may decline and you may lose all or part of your investment. You should not invest in our Securities unless you can afford the loss of your entire investment.

Risks Related to Our Business

We have a history of operating losses, working capital deficit, and stockholders' deficit. There can be no assurance that we will ever achieve profitability or have sufficient funds to execute our business strategy.

At March 31, 2011 we had a working capital deficit of approximately $10.7 million and a stockholders' deficit of approximately $9.1 million. Although we have reduced our losses, we continue to sustain losses from operations and for the period ended March 31, 2011, and 2010 we incurred net losses applicable to common stockholders of approximately $1.4 million, and $1.7 million, respectively. In addition, we did not generate positive cash flow from operations for the periods ended March 31, 2011 and 2010. We may not be able to generate profits in the future and may not be able to support our operations or otherwise establish a return on invested capital. In addition, we may not have sufficient funds to execute our business strategy, requiring us to raise funds from the capital markets, consequently diluting our common stock.

These losses, among other things, have had and will continue to have an adverse effect on our working capital, total assets and stockholders' deficit. In light of our recurring losses, accumulated deficit and cash flow difficulties, the report of our independent registered public accounting firm on our financial statements for the fiscal year ended December 31, 2010 contained an explanatory paragraph raising substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that may be necessary in the event we are unable to continue as a going concern.

Our carrier services revenue performance is subject to both internal and external influences, which have and may continue to negatively impact our revenues.

During 2010, the Company's carrier services revenue was negatively impacted not only by seasonal and economic market fluctuations, but also by a general decline in the overall market for international communications as a result of current economic conditions. We were also adversely affected by limits on our ability to provide extended payment terms to larger customers. We anticipate that these revenue growth constraints will be eased as the general economic conditions and the Company's financial condition improve, but there is no assurance that we will be successful in our efforts to increase revenues and margin contribution in this business segment.

The communications services industry is highly competitive and we may be unable to compete effectively.

The communications industry, including the provisioning of voice services, Internet services and data services, is highly competitive, rapidly evolving, and subject to constant technological change and intense marketing by providers with similar products and services. We expect that new carrier competitors, as well as "gray market" operators (operators who arrange call termination in a manner that bypasses the authorized local telephone company, resulting in high margins for them and substantially lower revenues for the legitimate providers), may have an impact on the market. In addition, many of our current carrier and corporate competitors are significantly larger and have substantially greater market presence; greater financial, technical, operational, and marketing resources; and more experience. In the event that such a competitor expends significant sales and marketing resources in one or several markets where we compete with them, we may not be able to compete successfully in those markets. We also believe that competition will continue to increase, placing downward pressure on prices. Such pressure could adversely affect our gross margins if we are not able to reduce our costs commensurate with the price reductions of our competitors. In addition, the pace of technological change makes it impossible for us to predict whether we will face new competitors using different technologies to provide the same or similar services offered or proposed to be offered by us. If our competitors were to provide better and more cost effective services than ours, we may not be able to increase our revenues or capture any significant market share.

Our business is capital intensive, and we do not currently generate sufficient revenues to offset our operating expenses. If we are unable to obtain additional funding, as and when required, we may have to significantly curtail or possibly terminate our operations.

We will require substantial future capital in order to continue to fund our operating expenses and to otherwise execute our business plan. We currently do not have sufficient cash or other financial resources to fund our operations and meet our obligations for the next twelve months. If we are unable to obtain additional financing or generate sufficient sales revenue as needed to sustain our operations, we could be forced to significantly curtail or suspend our operations, including laying-off employees, recording asset impairment write-downs and other measures. Additional capital may not be available to us when needed, or on terms that are acceptable to us, or at all.

In addition, limited cash resources may restrict our ability to sell those carrier services that require us to purchase termination capacity on shorter payment terms than the terms under which we are able sell to our customers. This could limit our ability to grow our revenues and/or margins, or limit our ability to achieve our revenue and/or margin targets.

We have historically relied on our officers and directors to loan us funds to sustain our operations. If such loans are not available if and when we require them in the future, we may have insufficient capital to operate. We may also be required to repay loans, including those from our affiliates, from our accounts receivable.

We have historically relied upon the sale of our equity securities and loans from non-related and related parties, including Marvin Rosen, the Chairman of the Board of Directors, to fund our operations. From January 1, 2011 through the date of this report, we raised approximately $259,000 from the sale of our securities through private placement financings and received approximately $1.7 million in new loans from Mr. Rosen. We expect to continue to rely on additional sales of our securities and additional borrowings to support our operations and meet the Company's financial obligations for the remainder of 2011. There are no current commitments for such funds and there can be no assurances that such funds will be available to the Company as needed. In addition, a substantial portion of our outstanding indebtedness is payable upon ten days notice from the lender. Although we have yet to receive any demand notices for this indebtedness, there are no assurances that we will not receive any such notices in the future, and we currently do not have the financial resources to repay these loans should we receive a demand for payment.

Our use of equity to fund operations is dilutive to stockholders and, depending upon the market price for our shares at the time of issuance, we may be required to issue shares at depressed prices.

Historically, we have funded our working capital requirements through the sale of our equity. The use of our equity to fund operations is dilutive to the equity ownership of our securities by our existing stockholders. Unless we are able to generate substantial revenues to fund our operating expenses, we will, in all likelihood, be required to continue to fund operations through the sale of our equity. Moreover, the dilutive effect of the issuance of shares on our stockholders is directly impacted by the market price for our shares at the time of issuance. If we are required to issue shares at a time when the market price for our shares is depressed, we will issue more shares than if the market price was higher, and the dilutive effect on our stockholders will be greater.

If we are unable to manage our growth or implement our expansion strategy, we may increase our costs without increasing our revenues.

We may not be able to expand our product offerings, our client base and markets, or implement the other features of our business strategy at the rate or to the extent presently planned. Our projected growth will place a significant strain on our administrative, operational, and financial resources and may increase our costs. If we are unable to successfully manage our future growth, establish, and continue to upgrade our operating and financial control systems, recruit and hire necessary personnel or effectively manage unexpected expansion difficulties, we may not be able to maximize revenues or profitability.

The success of our growth is dependent upon market developments and traffic patterns, which may lead us to make expenditures that do not result in increased revenues

Our purchase of network equipment and software will be based in part on our expectations concerning future revenue growth and market developments. As we expand our network, we will be required to make significant capital expenditures, including the purchase of additional network equipment and software, and to add additional employees. To a lesser extent our fixed costs will also increase from the ownership and maintenance of a greater amount of network equipment including our switching systems, gateways, routers, and other related systems. If our traffic volume were to decrease, or fail to increase to the extent expected or necessary to make efficient use of our network, our costs as a percentage of revenues would increase significantly.

We may be unable to adapt to rapid technology trends and evolving industry standards, which could lead to our products becoming obsolete.

The communications industry is subject to rapid and significant changes due to technology innovation, evolving industry standards, and frequent new service and product introductions. New services and products based on new technologies or new industry standards expose us to risks of technical or product obsolescence. We will need to use technologies effectively, continue to develop our technical expertise and enhance our existing products and services in a timely manner to compete successfully in this industry. We may not be successful in using new technologies effectively, developing new products, or enhancing existing products and services in a timely manner or that any new technologies or enhancements used by us or offered to our customers will achieve market acceptance.

Some of our services are dependent upon multiple service platforms, network elements, and back-office systems that are reliant on third party providers.

We have deployed back-office systems and services platforms that enable us to offer our customers a wide-array of services and features. Sophisticated back office information and processing systems are vital to our growth and our ability to monitor costs, bill clients, provision client orders, and achieve operating efficiencies. Some of these systems are dependent upon license agreements with third party vendors. These third party vendors may cancel or refuse to renew some of these agreements, and the cancellation or non-renewal of these agreements may harm our ability to bill and provide services efficiently.

We may be impacted by litigation regarding patent infringement to which we were not a party.

On March 8, 2007, a jury in the U.S. District Court for the Eastern District of Virginia ruled that Vonage Holdings had infringed on six patents held by Verizon Communications, and ordered Vonage to pay Verizon $58 million plus a future royalty payment equal to 5.5% of Vonage's customer sales. The patents related in part to technologies used to connect Internet telephone use to the traditional telephone network. Vonage appealed the decision, but terminated its appeals options in November 2007, when it agreed to pay Verizon approximately $120 million in settlement. The future impact, if any, of this litigation, or of similar litigation that might be initiated by other companies against VoIP service providers, including us, is unclear. If we were restricted from using certain VoIP technologies, it could increase our cost of service or preclude us from offering certain current or future services.

Breaches in our network security systems may hurt our ability to deliver services and our reputation, and result in liability.

We could lose clients and expose ourselves to liability if there are any breaches to our network security systems, which could jeopardize the security of confidential information stored in our computer systems. In the last four years, we experienced two known breaches of network security, which resulted in a temporary failure of network operations, but did not result in any losses of confidential customer information or material financial losses. Any network failure could harm our ability to deliver certain services, damage our reputation and subject us to liability.

Our revenue growth is dependent upon our ability to build new distribution relationships, and to bring on new customers, of which there can be no assurance.

Our ability to grow through efficient and cost effective deployment of our VoIP services is in part dependent upon our ability to identify and contract with local entities that will assist in the distribution of our services. This will include local sales partners that sell our corporate services. If we are unable to identify or contract for such distribution relationships, or if the efforts of third party sales agents are not successful, we may not generate the customers or revenues currently envisioned.

We are dependent upon our ability to obtain the necessary regulatory approvals and licenses to enter new domestic and international markets in which such approvals are required. Such approvals may or may not occur as planned and may or may not be delayed.

Our entry into new domestic and international markets may in certain cases rely upon our ability to obtain licenses or other approvals to operate in those markets, our ability to establish good working relationships with the relevant telecommunications regulatory authorities in that jurisdiction, or our ability to interconnect to the local telephone networks in that market. If we are not able to obtain necessary licenses or approvals, our ability to enter into new markets may be delayed or prevented.

Industry consolidation could make it more difficult for us to compete.

Companies offering voice, Internet, data and communications services are, in some circumstances, consolidating. We may not be able to compete successfully with businesses that have combined, or will combine, to produce companies with substantially greater financial, technical, sales, and marketing resources, or with larger client bases, more extended networks, or more established relationships with vendors, distributors and partners. With these heightened competitive pressures, there is a risk that our revenues may not grow as expected and the value of our common stock could decline.

Our ability to provide services is often dependent on our suppliers and other service providers who may not prove to be effective.

A majority of the voice calls made by our clients are connected through other communication carriers, which provide us with transmission capacity through a variety of arrangements. Our ability to terminate voice traffic in our targeted markets is an essential component of our ongoing operations. If we do not secure or maintain operating and termination arrangements, our ability to increase services to our existing markets, and gain entry into new markets, will be limited. Therefore, our ability to maintain and expand our business is dependent, in part, upon our ability to maintain satisfactory relationships with other domestic carriers, Internet service providers, international carriers, satellite providers, fiber optic cable providers and other service providers, many of which are our competitors, and upon our ability to obtain their services on a cost effective basis. In addition, if a carrier with whom we interconnect does not carry the traffic routed to it, or does not provide the required capacity, we may be forced to route our traffic to, or buy capacity from, a different carrier on less advantageous terms, which could reduce our profit margins or degrade our network service quality. In the event network service is degraded, it may result in a loss of customers. To the extent that any of these carriers with whom we interconnect raise their rates, change their pricing structure, or reduce the amount of capacity they will make available to us, our revenues and profitability may be adversely affected.

We rely on third party equipment suppliers who may not be able to provide us the equipment necessary to deliver the services that we seek to provide.

We are dependent on third party equipment suppliers for equipment, software, and hardware components, including Cisco, Nextone, BroadSoft, and Veraz. If these suppliers fail to continue product development and research and development or fail to deliver quality products or support services on a timely basis, or we are unable to develop alternative sources of supply, if and as required, it could result in an inability to deliver the services that we currently provide or intend to provide, and our financial condition and results of operations may be adversely affected thereby.

We rely on the cooperation of other international carriers and/or postal telephone and telegraph companies (PTTs), who may not always cooperate with us in our attempts to serve a specific country or market.

In some cases, the growth of our carrier services business requires the cooperation of other international carriers and/or the incumbent PTT in order to provide services to or from specific countries or markets. In the event the PTT, or another in-country international carrier, does not cooperate with us or support us in our efforts to serve that country, our ability to provide service to or from that country may be delayed, or the costs to provide service might increase due to our being forced to use another more expensive carrier. If we are unable to develop and maintain successful relationships with our joint venture partners, our ability to service an important market could be prevented or adversely affected.

Service interruptions due to disputes could result in a loss of revenues and harm our reputation.

Portions of our terminating network may be shut down from time to time, as a result of circumstances including disputes with vendors, acts of war, terrorism, acts of God or other issues, many of which are beyond our control. Any future network shut downs can have a significant negative impact on revenue and cash flows, as well as hurting our reputation. In addition, there is no assurance that we will be able to quickly resolve disputes or disruptions, which could result in a permanent loss of revenues.

Because we do business on an international level, we are subject to an increased risk of tariffs, sanctions and other uncertainties that may hurt our revenues.

There are certain risks inherent in doing business internationally, especially in emerging markets, such as unexpected changes in regulatory requirements, the imposition of tariffs or sanctions, licenses, customs, duties, other trade barriers, political risks, currency devaluations, high inflation, corporate law requirements, and even civil unrest. Many of the economies of these emerging markets we seek to enter are weak and volatile. We may not be able to mitigate the effect of inflation on our operations in these countries by price increases, even over the long-term. Further, expropriation of private businesses in such jurisdictions remains a possibility, whether by outright seizure by a foreign government or by confiscatory tax or other policies. Also, deregulation of the communications markets in developing countries may or may not continue. Incumbent service providers, trade unions and others may resist legislation directed toward deregulation and may resist allowing us to interconnect to their networks. The legal systems in emerging markets also frequently have insufficient experience with commercial transactions between private parties, and consequently, we may not be able to protect or enforce our rights in some emerging market countries. Governments and regulations may change, thus impacting the availability of new licenses or the cancellation or suspension of existing operating licenses. The instability of the laws and regulations applicable to our businesses, as well as their interpretation and enforcement, could materially and adversely affect our business, our financial condition, or results of operations in those countries.

Because we do business on an international level, we are subject to an increased risk of tariffs, sanctions and other uncertainties that may hurt our revenues.

There are certain risks inherent in doing business internationally, especially in emerging markets, such as unexpected changes in regulatory requirements, the imposition of tariffs or sanctions, licenses, customs, duties, other trade barriers, political risks, currency devaluations, high inflation, corporate law requirements, and even civil unrest. Many of the economies of these emerging markets we seek to enter are weak and volatile. We may not be able to mitigate the effect of inflation on our operations in these countries by price increases, even over the long-term. Further, expropriation of private businesses in such jurisdictions remains a possibility, whether by outright seizure by a foreign government or by confiscatory tax or other policies. Also, deregulation of the communications markets in developing countries may or may not continue. Incumbent service providers, trade unions and others may resist legislation directed toward deregulation and may resist allowing us to interconnect to their networks. The legal systems in emerging markets also frequently have insufficient experience with commercial transactions between private parties, and consequently, we may not be able to protect or enforce our rights in some emerging market countries. Governments and regulations may change, thus impacting the availability of new licenses or the cancellation or suspension of existing operating licenses. The instability of the laws and regulations applicable to our businesses, as well as their interpretation and enforcement, could materially and adversely affect our business, our financial condition, or results of operations in those countries.

The regulatory treatment of VoIP outside the United States varies from country to country. Some countries are considering subjecting VoIP services to the regulations applied to traditional telephone companies and they may assert that we are required to register as a telecommunications carrier in that country or impose other more onerous regulations. In such cases, our failure to register could subject us to fines, penalties, or forfeiture of our right to do business in that country. Regulatory developments such as these could have a material adverse effect on our international operations.

Additional taxation and government regulations of the communications industry may slow our growth, resulting in decreased demand for our products and services and increased costs of doing business.

As a result of changes in regulatory policy, we could be forced to pay additional taxes on the products and services we provide. We structure our operations and our pricing based on assumptions about various domestic and international tax laws, tax treaties, and other relevant laws. Taxation authorities or other regulatory authorities might not reach the same conclusions about taxation that we have reached in formulating our assumptions. We could suffer adverse tax and other financial consequences, if our assumptions about these matters are incorrect or the relevant laws are changed or modified.

Generally, in the U.S., our products and services are subject to varying degrees of federal, state, and local regulation, including regulation by the Federal Communications Commission (FCC) and various state public utility commissions. We may also be subject to similar regulation by foreign governments and their telecommunications and/or regulatory agencies. While these regulatory agencies grant us the authority to operate our business, they typically exercise minimal control over our services and pricing. However, they do require the filing of various reports, compliance with public safety and consumer protection standards, and the payment of certain regulatory fees and assessments.

We cannot assure that the applicable U.S. and foreign regulatory agencies will grant us the required authority to operate, will allow us to maintain existing authority so we can continue to operate, or will refrain from taking action against us if we are found to have provided services without obtaining the necessary authority. Similarly, if our pricing, and/or terms or conditions of service, are not properly filed or updated with the applicable agencies, or if we are otherwise not fully compliant with the rules of the various regulatory agencies, regulators or other third parties could challenge our actions and we could be subject to forfeiture of our authority to provide service, or to penalties, fines, fees, or other costs. We have been delinquent in certain filing and reporting obligations in the past, including, but not limited to, filings with the FCC and Universal Service Fund (USF) reports and payments. We are currently working with various federal and state regulatory agencies to complete any outstanding filings.

In addition to new regulations being adopted, existing laws may be applied to the Internet, which could hamper our growth.

New and existing laws may cover issues that include: sales and other taxes; user privacy; pricing controls; characteristics and quality of products and services; consumer protection; cross-border commerce; copyright, trademark and patent infringement; and other claims based on the nature and content of Internet materials. This could delay growth in demand for our products and services and limit the growth of our revenue.

A large percentage of our current revenues are related to a small group of customers and loss of any of those customers could negatively impact our revenues.

A large percentage of our carrier services revenues are provided by a limited number of customers. Specifically, our five largest customers accounted for approximately 53.8% and 66.4% of our revenues for the years ended December 31, 2010, and December 31, 2009, respectively. The terms of the customer's agreements do not bind the customer's contractually to continue using our services and, if our business with these customers were to significantly decrease or stop, it could have a negative impact on our revenues and cash flow.

Risks Related to Our Common Stock

One stockholder may be deemed to control us through its stock ownership and its interests may differ from other stockholders.

West End Special Opportunity Fund II, LP ("West End") currently beneficially owns approximately 19.9 million shares, or 14.9%, of our outstanding common stock, and is the second largest single voting bloc in the Company. Additionally, our directors and executive officers as a group currently beneficially own approximately 37.6 million shares, or 26.1% of our common stock. As a result, while neither West End nor our directors and officers as a group, have sufficient voting power to control the outcome of matters submitted to a vote of our stockholders, the extent of their ownership enable both groups to influence the outcome of these matters, including the election of directors and extraordinary corporation transactions including business combinations. Their interests may differ from those of other stockholders.

We are not likely to pay cash dividends on our common stock in the foreseeable future.

We have never declared or paid any cash dividends on our common stock. We intend to retain any future earnings to finance our operations and to expand our business and, therefore, do not expect to pay any cash dividends in the foreseeable future. Holders of our outstanding preferred stock are entitled to receive dividends prior to the payment of any dividends on our common stock. The payment of dividends is also subject to provisions of Delaware law prohibiting the payment of dividends except out of surplus and certain other limitations.

Our common stock is subject to price volatility unrelated to our operations.

The market price of our common stock could fluctuate substantially due to a variety of factors, including market perception of our ability to achieve our planned growth, quarterly operating results of other companies in the same industry, trading volume in our common stock, changes in general conditions in the economy and the financial markets or other developments affecting our competitors or us. In addition, the stock market is subject to extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to their operating performance and could have the same effect on our common stock.

In addition, the market price of our common stock may fluctuate significantly in response to a number of other factors, many of which are beyond our control, including, but not limited to, the following:

- Ability to obtain securities analyst coverage
- Changes in securities analysts' recommendations or estimates of our financial performance
- Changes in the market valuations of companies similar to us
- Announcements by us or our competitors of significant contracts, new offerings, acquisitions, commercial relationships, joint ventures, or capital commitments
- Failure to meet analysts' expectations regarding financial performance

Furthermore, in the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. A securities class action lawsuit against us, regardless of its merit, could result in substantial costs and divert the attention of our management from other business concerns, which in turn could harm our business.

Our common stock could become subject to the "Penny Stock" rules of the Commission, which will make transactions in our common stock cumbersome and may reduce the value of an investment in our common stock.

For so long as the trading price of our common stock is less than $5.00 per share, our common stock may be considered a "penny stock," and, in such event, trading in our common stock would be subject to the requirements of Rule 15g-9 under the Securities Exchange Act of 1934. Under this rule, broker/dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements. The broker/dealer must make an individualized written suitability determination for the purchaser and receive the purchaser's written consent prior to the transaction.

SEC regulations also require additional disclosure in connection with any trades involving a "penny stock," including the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and its associated risks. These requirements severely limit the liquidity of securities in the secondary market because few broker or dealers are likely to undertake these compliance activities. In addition to the applicability of the penny stock rules, other risks associated with trading in penny stocks could also be price fluctuations and the lack of a liquid market.

To date, we have not been considered a "penny stock" due to an exemption from Rule 15g-9 for companies with average annual audited revenues for the prior three years of in excess of $6,000,000 per year. However, should the exclusions from the definition of a "penny stock" change, or should our annual revenues fall dramatically, we may become subject to rules applicable to "penny stocks" and the market for our shares may be adversely affected thereby.

The elimination of monetary liability against our directors, officers and employees under our certificate of incorporation and the existence of indemnification rights to our directors, officers and employees may result in substantial expenditures by our Company and may discourage lawsuits against our directors, officers and employees.

Our certificate of incorporation contains provisions which eliminate the liability of our directors for monetary damages to our Company and stockholders to the maximum extent permitted under Delaware corporate law. Our by-laws also require us to indemnify our directors to the maximum extent permitted by Delaware corporate law. We may also have contractual indemnification obligations under our agreements with our directors, officers and employees. The foregoing indemnification obligations could result in our Company incurring substantial expenditures to cover the cost of settlement or damage awards against directors, officers and employees, which we may be unable to recoup. These provisions and resultant costs may also discourage our Company from bringing a lawsuit against directors, officers and employees for breaches of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our stockholders against our directors, officers and employees even though such actions, if successful, might otherwise benefit our Company and stockholders.

The issuance of our common stock upon the exercise of options or warrants or the conversion of outstanding convertible securities may cause significant dilution to our stockholders and may have an adverse impact on the market price of our common stock.

As of the date of this report, there were 137,439,239 shares of our common stock outstanding. The issuance of our shares upon the exercise or conversion of securities we have outstanding will increase the number of our publicly traded shares, which could depress the market price of our common stock. As of March 31, 2011, unexercised stock options to purchase 5,564,606 shares of our common stock, unexercised warrants to purchase 42,495,305 shares of our common stock and outstanding preferred stock convertible into 6,443,586 shares of common stock were outstanding.

The perceived risk of dilution may cause our stockholders to sell their shares, which would contribute to a downward movement in the stock price of our common stock. Moreover, the perceived risk of dilution and the resulting downward pressure on our stock price could encourage investors to engage in short sales of our common stock. By increasing the number of shares offered for sale, material amounts of short selling could further contribute to progressive price declines in our common stock.

We could use preferred stock to fund operations or resist takeovers, and the issuance of preferred stock may cause additional dilution.

Our certificate of incorporation authorizes the issuance of up to 10,000,000 shares of preferred stock, of which 7,295 shares of Series A-1, A-2 and A-4 Preferred Stock are currently issued and outstanding. Our certificate of incorporation gives our board of directors the authority to issue preferred stock without the approval of our stockholders. We may issue additional shares of preferred stock to raise money to finance our operations. We may authorize the issuance of the preferred stock in one or more series. In addition, we may set the terms of preferred stock, including:

- Dividend and liquidation preferences
- Voting rights
- Conversion privileges
- Redemption terms
- Other privileges and rights of the shares of each authorized series

The issuance of large blocks of preferred stock could possibly have a dilutive effect to our existing stockholders. It can also negatively impact our existing stockholders' liquidation preferences. In addition, while we include preferred stock in our capitalization to improve our financial flexibility, we could possibly issue our preferred stock to friendly third parties to preserve control by present management. This could occur if we become subject to a hostile takeover that could ultimately benefit our stockholders and us.

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

From January 1, 2011 through the date of this report, the Company sold and issued to 11 accredited investors 2,989,082 shares of common stock and warrants to purchase 597,821 shares of the Company's common stock at exercise prices ranging from $0.10 to $0.13 per share, which represents 125% of the average closing price of the Company's common stock for the five trading days prior to closing. The net proceeds of approximately $259,000 are being used for general working capital purposes. The securities were sold by the Company's officers and directors and no commissions or other remuneration were paid in connection with these transactions. These transactions were exempt from registration under Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D thereunder.

On April 27, 2011, the Company's Chairman of the Board of Directors converted $175,000 in loans evidenced by promissory notes into 2,187,500 shares of the Company's common stock and warrants to purchase 437,500 shares of the Company's common stock exercisable at $0.10 per share, which represents 125% of the average closing price of the Company's common stock for the five trading days before the conversion of the debt. Also on April 27, 2011, another member of the Company's Board of Directors converted a promissory note in the principal amount of $20,000 plus accrued and unpaid interest into 252,159 shares of the Company's common stock and warrants to purchase 50,432 shares of the Company's common stock exercisable at $0.10 per share, which represents 125% of the average closing price of the Company's common stock for the five trading days before the conversion of the debt. These securities were exempt from registration under Section 3(a)(9) of the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities.

None

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

None

Item 5. Other Information.

None

Item 6. Exhibits.

EXHIBIT NO.	DESCRIPTION
31.1	Certification of the Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC.

By: **/s/ MATTHEW D. ROSEN**
Matthew D. Rosen
May 19, 2011 Chief Executive Officer

By: **/s/ GORDON HUTCHINS, JR.**
Gordon Hutchins, Jr.
May 19, 2011 President, Chief Operating Officer and Acting Chief Financial Officer

Index to Exhibits

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EXHIBIT 31.1

Certification of the Chief Executive Officer

I, **Matthew D. Rosen**, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 (the "Report") of Fusion Telecommunications International, Inc., a Delaware corporation ("the Registrant");

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;

4. The Registrant's other certifying officer and I, are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)] for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

(d) Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors;

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC.

May 19, 2011

By: / s / **MATTHEW D. ROSEN**

Matthew D. Rosen
Chief Executive Officer

EXHIBIT 31.2

Certification of the Chief Financial Officer

I, **Gordon Hutchins, Jr.**, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 (the "Report") of Fusion Telecommunications International, Inc., a Delaware corporation ("the Registrant");

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;

4. The Registrant's other certifying officer and I, are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)] for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

(d) Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors;

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC.

May 19, 2011

By: **/ s / GORDON HUTCHINS, JR.**

Gordon Hutchins, Jr.
President, Chief Operating Officer, and Acting Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Fusion Telecommunications International, Inc., a Delaware corporation (the "Company"), does hereby certify that:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC.

May 19, 2011 By: / s / **MATTHEW D. ROSEN**
Matthew D. Rosen
Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Fusion Telecommunications International, Inc., a Delaware corporation (the "Company"), does hereby certify that:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC.

May 19, 2011 By: / s / **GORDON HUTCHINS, JR.**
Gordon Hutchins, Jr.
President, Chief Operating Officer, and Acting Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.