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 June 30, 2015

☐ **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 ☐	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: August 12, 2015.

Title of Each Class	Number of Shares Outstanding
Common Stock, $0.01 par value	8,231,567

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES

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Item 1. Financial Statements.

Condensed Consolidated Balance Sheets

	June 30, 2015	December 31, 2014
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,417,858	$ 6,444,683
Accounts receivable, net of allowance for doubtful accounts of approximately $452,098 and $245,000, respectively	7,167,733	7,087,599
Prepaid expenses and other current assets	1,384,088	927,772
Total current assets	12,969,679	14,460,054
Property and equipment, net	14,048,966	13,478,912
Other assets:		
Security deposits	648,998	648,998
Restricted cash	1,164,810	1,164,381
Goodwill	10,397,460	10,397,460
Intangible assets, net	28,728,209	32,432,416
Other assets	1,013,675	1,165,273
Total other assets	41,953,152	45,808,528
TOTAL ASSETS	$ 68,971,797	$ 73,747,494
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable - non-related parties	$ 1,225,432	$ 1,225,000
Equipment financing obligations	904,161	662,131
Accounts payable and accrued expenses	11,322,088	10,471,514
Total current liabilities	13,451,681	12,358,645
Long-term liabilities:		
Notes payable - non-related parties, net of discount	41,035,730	41,263,934
Notes payable - related parties	1,320,227	1,292,878
Equipment financing obligations	1,862,724	1,702,704
Derivative liabilities	2,533,421	3,839,569
Total liabilities	60,203,783	60,457,730
Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, 24,210 and 26,793 shares issued and outstanding	242	268
Common stock, $0.01 par value, 50,000,000 shares authorized, 8,224,482 and 7,345,028 shares issued and outstanding	82,244	73,449
Capital in excess of par value	175,965,069	175,519,459
Accumulated deficit	(167,279,541)	(162,303,412)
Total stockholders' equity	8,768,014	13,289,764
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 68,971,797	$ 73,747,494

See accompanying notes to the Condensed Consolidated Financial Statements.

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Revenues	$ 25,063,695	$ 23,140,973	$ 50,326,733	$ 46,045,802
Cost of revenues (exclusive of depreciation and amortization, shown separately below)	13,813,616	12,747,441	27,826,308	24,976,473
Gross profit	11,250,080	10,393,532	22,500,426	21,069,329
Depreciation and amortization	3,039,758	2,597,978	6,043,205	5,165,469
Selling, general and administrative expenses (including stock-based compensation of approximately $116,000 and $73,000 for the three months ended June 30, 2015 and 2014, respectively, and approximately $239,000 and $142,000 for the six months ended June 30, 2015 and 2014, respectively)	9,857,721	7,825,494	19,594,015	15,644,891
Total operating expenses	12,897,478	10,423,472	25,637,219	20,810,360
Operating (loss) income	(1,647,399)	(29,940)	(3,136,794)	258,969
Other (expenses) income:				
Interest expense	(1,608,709)	(1,597,215)	(3,215,552)	(2,991,761)
Gain (loss) on change in fair value of derivative liability	2,510,950	(690,878)	1,306,148	1,919,069
Other income (expense), net	32,750	719	70,069	(40,355)
Total other income (expenses)	934,991	(2,287,374)	(1,839,335)	(1,113,047)
Loss before income taxes	(712,408)	(2,317,314)	(4,976,129)	(854,078)
Provision for income taxes	-	151,583	-	173,078
Net loss	(712,408)	(2,468,897)	(4,976,129)	(1,027,156)
Preferred stock dividends in arrears	(388,098)	(443,194)	(807,086)	(885,282)
Net loss attributable to common stockholders	$ (1,100,506)	$ (2,912,091)	$ (5,783,215)	$ (1,912,438)
Basic and diluted loss per common share	$ (0.30)	$ (0.39)	$ (0.79)	$ (0.38)
Weighted average common shares outstanding:				
Basic and diluted	8,461,794	6,876,617	8,311,499	6,842,532

See accompanying notes to the Condensed Consolidated Financial Statements.

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Stockholders' Equity
(Unaudited)

	Preferred Stock		Common Stock		Capital in Excess of Par	Accumulated Deficit	Stockholders' Equity (Deficit)
	Shares	$	Shares	$			
Balance at December 31, 2014	26,793	$ 268	7,345,028	$ 73,449	$ 175,519,459	$ (162,303,412)	$ 13,289,764
Net loss						(4,976,129)	(4,976,129)
Conversion of preferred stock into common stock	(2,583)	(26)	605,350	6,054	(6,028)		-
Dividends on preferred stock			215,937	2159	(2,159)		-
Issuance of common stock for services rendered			58,167	582	215,029		215,611
Stock-based compensation associated with stock incentive plans					238,768		238,768
Balance at June 30, 2015	24,210	$ 242	8,224,482	$ 82,244	$ 175,965,069	$ (167,279,541)	$ 8,768,014

See accompanying notes to the Condensed Consolidated Financial Statements.

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Cash flows from operating activities:		
Net loss	$ (4,976,129)	$ (1,027,156)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	6,043,205	5,165,469
Loss on disposal of property	-	84,373
Bad debt expense	225,000	222,856
Stock-based compensation	238,768	142,140
Stock and warrants issued for services rendered or in settlement of liabilities	215,611	37,542
Amortization of debt discount and deferred financing fees	507,690	579,541
Gain in the change in fair value of derivative liability	(1,306,148)	(1,919,069)
Changes in operating assets and liabilities:		
Accounts receivable	(305,135)	(910,798)
Prepaid expenses and other current assets	(456,315)	(862,851)
Other assets	155,190	(46,870)
Deferred tax liability	-	147,341
Accounts payable and accrued expenses	156,308	(1,521,179)
Net cash provided by operating activities	498,045	91,339
Cash flows from investing activities:		
Purchase of property and equipment	(1,859,265)	(1,817,707)
Proceeds from the sale of property and equipment	-	46,116
Payment of obligations related to purchase price of acquisitions	-	(226,148)
Returns of security deposits	-	2,000,000
Payment of security deposits	-	(10,990)
Change in restricted cash	-	(136)
Net cash used in investing activities	(1,859,265)	(8,865)
Cash flows from financing activities:		
Proceeds from the sale of preferred stock and warrants, net	-	3,984,426
Proceeds from the accounts receivable factoring arrangement	1,078,576	1,102,724
Repayments of borrowings related to the accounts receivable factoring arrangement	(769,517)	(887,824)
Payments on equipment financing obligations	(361,948)	(173,832)
Repayments of notes payable - related parties	-	(185,714)
Repayments of notes payable - non-related parties	(612,716)	(312,500)
Net cash (used in) provided by financing activities	(665,605)	3,527,280
Net change in cash and cash equivalents	(2,026,825)	3,609,754
Cash and cash equivalents, beginning of period	6,444,683	6,176,575
Cash and cash equivalents, end of period	$ 4,417,858	$ 9,786,329

See accompanying notes to the Condensed Consolidated Financial Statements.

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Organization and Business

Fusion Telecommunications International, Inc. ("Fusion" and together with its subsidiaries, the "Company") is a Delaware corporation. The Company is a provider of integrated cloud solutions, including cloud voice, cloud connectivity, cloud storage and security to businesses of all sizes, and IP-based domestic and international voice services. The Company currently operates in two business segments, 'Business Services' and 'Carrier Services'.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in all material respects in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information. Pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"), certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The accompanying unaudited condensed consolidated interim financial statements have been prepared on the same basis as the financial statements for the year ended December 31, 2014.

Because certain information and footnote disclosures have been condensed or omitted, these unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 as filed with the SEC. In management's opinion, all normal and recurring adjustments considered necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented have been included. Management believes that the disclosures made in these unaudited condensed consolidated interim financial statements are adequate to make the information not misleading. The results for the three and six months ended June 30, 2015 are not necessarily indicative of the results to be expected for the full year.

Significant Accounting Policies

For a detailed discussion of significant accounting policies, please refer to our most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2014. There have been no material changes in our accounting policies during the quarter ended June 30, 2015.

Principles of Consolidation

The condensed consolidated interim financial statements include the accounts of Fusion and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of condensed consolidated interim financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported. Key estimates include: the recognition of revenue, allowance for doubtful accounts; asset lives used in computing depreciation and amortization; valuation of intangible assets; accounting for stock options and other equity awards, particularly related to fair value estimates; accounting for income taxes; contingencies; and litigation. While management believes that such estimates are reasonable when considered in conjunction with the financial position and results of operations taken as a whole, actual results could differ from those estimates, and such differences may be material.

Reclassifications

Certain reclassifications have been made to the prior years' financial statements in order to conform to the current year's presentation. The reclassifications had no impact on net earnings previously reported.

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit and short-term, highly-liquid investments with maturities of three months or less at the date of purchase. As of June 30, 2015 and December 31, 2014, the carrying value of cash and cash equivalents approximates fair value due to the short period of time to maturity.

Restricted Cash

Restricted cash consists primarily of cash held in reserve as required by the terms of the second amended and restated securities purchase agreement (the "SPA") and certificates of deposit that serve to collateralize outstanding letters of credit for one of our non-cancellable operating leases. Restricted cash is recorded as current or non-current assets in the consolidated balance sheets depending on the duration of the restriction and the purpose for which the restriction exists. Restricted cash at June 30, 2015 and December 31, 2014 includes $1,000,000 of cash held in reserve as required by the terms of the SPA, and certificates of deposit collateralizing a letter of credit in the aggregate amount of approximately $164,000. The letter of credit is required as security for one of the Company's non-cancelable operating leases for office facilities.

Fair value of Financial Instruments

At June 30, 2015 and December 31, 2014, the carrying value of the Company's accounts receivable, accounts payable and accrued expenses approximates its fair value due to the short term nature of these financial instruments.

Long-Lived Asset Impairment

The Company periodically reviews long-lived assets, including intangible assets subject to amortization, for possible impairment when events or changes in circumstances indicate, in management's judgment, that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset or asset group to the estimated undiscounted future cash flows expected to be generated by such asset or asset group. If the undiscounted cash flows are less than the carrying amount of the asset or asset group, an impairment loss is recognized for the amount by which the carrying amount of the asset or asset group exceeds its fair value. The Company did not record any impairment charges during the six months ended June 30, 2015 or 2014, as there were no indicators of impairment.

Goodwill

Goodwill represents the excess of consideration paid over the fair value of net assets acquired in business combinations. Goodwill is not amortized and is tested for impairment on an annual basis in the fourth quarter of each fiscal year and whenever events or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators include, but are not limited to, deterioration in general economic conditions, adverse changes in the markets in which a company operates, increases in input costs that have negative effects on earnings and cash flows, or a trend of negative or declining cash flows over multiple periods.

In testing goodwill for impairment, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (more than 50%) that the estimated fair value of a reporting unit is less than its carrying amount. If the Company elects to perform a qualitative assessment and determines that an impairment is more likely than not, it is then required to perform a quantitative impairment test, otherwise no further analysis is required. The Company also may elect not to perform the qualitative assessment and, instead, proceed directly to the quantitative impairment test.

Under the goodwill two-step quantitative impairment test, the Company reviews for impairment the fair value of each reporting unit to its carrying value. The Company has determined that its reporting units are its operating segments (See Note 15). The first step compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying value of the reporting unit exceeds its fair value, then the second step would be conducted; otherwise, no further steps are necessary as no potential impairment exists. The second step compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. Any excess of the reporting unit goodwill carrying value over the respective implied fair value is recognized as an impairment loss. Goodwill at June 30, 2015 and December 31, 2014 was approximately $10.4 million. All of the Company's goodwill is attributable to its 'Business Services' segment. There was no change in goodwill as a result of adjustments to purchase price allocations of previous acquisitions during the quarter ended June 30, 2015. There was no impairment charge recorded for goodwill during the six months ended June 30, 2015 or 2014, as there were no indicators of impairment.

Advertising and Marketing Costs

Costs related to advertising and marketing are expensed as incurred and included in selling, general and administrative expenses in the Company's condensed consolidated statements of operations. The Company's advertising and marketing expense was approximately $122,000 and $33,000 for the three months ended June 30, 2015 and 2014, respectively, and approximately $234,000 and $77,000 for the six months ended June 30, 2015 and 2014, respectively.

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. Derecognition of a tax benefit previously recognized could result in the Company recording a tax liability that would reduce net assets. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognized tax benefits as of June 30, 2015 and December 31, 2014. The Company is subject to income tax examinations by major taxing authorities for all tax years since 2010 and its tax returns 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. No interest expense or penalties have been recognized as of June 30, 2015 and December 31, 2014. During the three and six months ended June 30, 2015 and 2014, the Company recognized no adjustments for uncertain tax positions.

Stock-Based Compensation

The Company recognizes expense for its employee stock-based compensation based on the fair value of the awards that are granted. The fair values of stock options are estimated at the date of grant using the Black-Scholes option valuation model. The use of the Black-Scholes option valuation model requires the input of subjective assumptions. Measured compensation cost, net of estimated forfeitures, is recognized ratably over the vesting period of the related stock-based compensation award. In addition, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is a more reliable measurement.

New and Recently Adopted Accounting Pronouncements

In April 2015, the Financial Accounting Standard Board the (“FASB”) issued guidance clarifying the circumstances under which an entity would account for fees paid in a cloud computing arrangement as a license of internal-use software. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued guidance requiring an entity to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued authoritative guidance that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most recent current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for certain incremental costs of obtaining a contract and costs to fulfill a contract with a customer. Entities have the option of applying either a full retrospective approach to all periods presented or a modified approach that reflects differences prior to the date of adoption as an adjustment to equity. In April 2015, the FASB deferred the effective date of this guidance by one year. As such, this guidance will be effective on January 1, 2018 and the Company is currently assessing the impact of this guidance on its consolidated financial statements.

Note 3. Earnings per share

Basic and diluted loss per share is computed by dividing (i) loss available to common stockholders, adjusted by approximately $1.5 million gain and $0.2 million loss on the fair value of the Company's derivative liability for the three months ended June 30, 2015 and 2014, and $0.7 million gain for the six months ended June 30, 2015 and 2014, respectively, that is attributable to 728,333 outstanding warrants with a nominal exercise price and dividends on preferred stock, by (ii) the weighted-average number of common shares outstanding during the period, increased by the number of common shares underlying such warrants with a nominal exercise price as if such exercise had occurred at the beginning of the year.

The following table sets forth the computation for basic and diluted net income per share for the three and six months ended June 30, 2015 and 2014:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Numerator				
Loss available to common stockholders	$ (712,408)	$ (2,468,897)	$ (4,976,129)	$ (1,027,156)
Dividends on Series A-1, A-2 and A-4 Convertible Preferred Stock	(100,623)	(100,624)	(200,141)	(200,141)
Dividends declared on Series B-2 Convertible Preferred Stock	(287,475)	(342,570)	(606,945)	(685,141)
(Gain) loss on nominal warrants	(1,456,666)	218,515	(742,900)	(688,256)
Loss attributable to common stockholders	$ (2,557,172)	$ (2,693,576)	$ (6,526,115)	$ (2,600,694)
Denominator				
Basic and diluted weighted average common shares outstanding	8,461,794	6,876,617	8,311,499	6,842,532
Loss per share				
Basic and diluted	$ (0.30)	$ (0.39)	$ (0.79)	$ (0.38)

For the six months ended June 30, 2015 and 2014, the following were excluded from the calculation of diluted earnings per common share because of their anti-dilutive effects:

	Six Months Ended June 30,	
	2015	2014
Warrants	3,132,707	3,565,583
Convertible preferred stock	3,999,398	4,726,572
Stock options	682,234	386,333
	7,814,339	8,678,488

The net loss per common share calculation includes a provision for preferred stock dividends on the Company's outstanding Series A-1, A-2 and A-4 Preferred Stock (the "Series A Preferred Stock") of approximately $100,000 for the three months ended June 30, 2015 and 2014, and approximately $200,000 for the six months ended June 30, 2015 and 2014. As of June 30, 2015, Fusion's Board of Directors had not declared any dividends on the Series A Preferred Stock, and the Company had accumulated approximately $4,133,458 of preferred stock dividends. Fusion's Board of Directors has declared a dividend of $287,475 and $606,945 for the three and six months ended June 30, 2015, related to the Company's Series B-2 Preferred Stock, which, in accordance with the terms of the Series B-2 Preferred Stock, was paid in the form of 143,732 and 215,937 shares of common stock.

Note 4. Intangible Assets

Intangible assets as of June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015	December 31, 2014
Trademarks and tradename	$ 1,093,400	$ 1,093,400
Proprietary technology	5,781,000	5,781,000
Non-compete agreements	9,852,100	9,852,100
Customer relationships	24,897,800	24,897,800
Favorable lease intangible	218,000	218,000
	41,842,300	41,842,300
Less: accumulated amortization	(13,114,091)	(9,409,884)
Intangible assets, net	$ 28,728,209	$ 32,432,416

Amortization expense was $1.9 million and $1.7 million for the three months ended June 30, 2015 and 2014, respectively, and for the six months ended June 30, 2015 and 2014 was $3.7 million and $3.3 million, respectively. Estimated future aggregate amortization expense is expected to be as follows:

Year	Estimated Annual Amortization Expense
2015	$ 3,523,262
2016	$ 3,587,246
2017	$ 3,454,097
2018	$ 2,729,701
2019	$ 1,895,455

Note 5. Stock–based compensation

The Company's stock-based compensation plan provides for the issuance of stock options to the Company's employees, officers, and directors. The Compensation Committee of Fusion's Board of Directors (the "Compensation Committee") approves all awards that are granted under the Company's stock-based compensation plan.

The following weighted average assumptions were used to determine the fair value of the stock options granted under the Company's stock-based compensation plan using the Black-Scholes option-pricing model:

	Six months ended June 30,	
	2015	2014
Dividend yield (%)	0.0	0.0
Expected volatility (%)	112.6	137.2
Average Risk-free interest rate (%)	1.69	2.34
Expected life of stock option term (years)	7.82	8.08

The Company recognized compensation expense of approximately $116,000 and $239,000 for the three and six months ended June 30, 2015, respectively, and $73,000 and $142,000 for the three and six months ended June 30, 2014, respectively. These amounts are 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 six months ended June 30, 2015:

	Number of Options	Weighted Average Exercise Price
Oustanding at December 31, 2014	607,877	$ 8.00
Granted	108,730	$ 3.71
Exercised	-	$ -
Forfeited	(26,318)	$ 4.59
Expired	$ (8,055)	$ 31.41
Outstanding at June 30, 2015	682,234	$ 7.09
Exercisable at June 30, 2015	204,561	$ 14.58

As of June 30, 2015, the Company had approximately $1.0 million of unrecognized compensation expense, net of estimated forfeitures, related to stock options granted under the Company's stock-based compensation plan, which is expected to be recognized over a weighted-average period of 2.1 years.

Note 6. Supplemental Disclosure of Cash Flow Information

The following table summarizes the Company's supplemental cash flows information:

	Six Months Ended June 30,	
Supplemental Cash Flow Information	**2015**	**2014**
Cash paid for interest	$ 2,680,029	$ 2,749,360
Cash paid for income taxes	$ -	$ 21,495
Supplemental Non-Cash Investing and Financing Activities		
Property and equipment acquired under capital leases	$ 764,991	$ 49,090
Dividend on Series B-2 preferred stock paid with the issuance of common stock	$ 215,937	$ 123,833
Conversion of preferred stock into common stock	$ 2,583,000	$ -

Note 7. Prepaid Expenses and Other Current Assets

The following table sets forth the items in prepaid expenses and other current assets:

	June 30, 2015	December 31, 2014
Insurance	$ 88,001	$ 61,004
Rent	109,902	54,209
Marketing	57,598	34,482
Sofware subscriptions	588,705	502,696
Real estate taxes and other taxes	98,036	-
Due from factoring party	99,417	-
Commissions	22,000	23,015
Other	320,429	252,366
	$ 1,384,088	$ 927,772

Note 8. Accounts Payable and Accrued Expenses

The following table sets forth the items in accounts payable and accrued expenses:

	June 30, 2015	December 31, 2014
Trade accounts payable	$ 2,788,089	$ 3,028,902
Accrued bonus	603,750	575,000
Professional and consulting fees	96,690	132,521
Property and other taxes	409,075	238,368
Accrued network costs	1,224,880	1,384,159
Rent	129,903	131,627
Accrued Universal Service Fund fees	1,063,712	538,302
Customer deposits	392,314	-
Due to factoring party	408,475	-
Accrued payroll and vacation	453,027	250,574
Accrued sales and federal excise taxes	1,842,489	1,722,554
Accrued sales commissions	763,421	864,928
Interest payable	33,518	33,341
Deferred revenue	655,396	729,618
Other	457,349	841,620
	$ 11,322,088	$ 10,471,514

Note 9. Equipment Financing Obligations

From time to time, the Company enters into equipment financing or capital lease arrangements to finance the purchase of network hardware and software utilized in its operations. These arrangements require monthly payments over a period of 24 to 48 months with interest rates ranging between 4% and 11%. The Company's equipment financing obligations are as follows:

	June 30, 2015	December 31, 2014
Equipment financing obligations	$ 2,766,885	$ 2,364,835
Less: current portion	(904,161)	(662,131)
Long-term portion	$ 1,862,724	$ 1,702,704

Note 10. Notes Payable – Non-Related Parties

Notes payable – non-related at June 30, 2015 and December 31, 2014 is as follows:

	June 30, 2015	December 31, 2014
Senior Notes	$ 45,553,951	$ 46,166,667
Discount on Senior Notes	(3,292,789)	(3,677,733)
Total notes payable - non-related parties	42,261,162	42,488,934
Less: current portion	(1,225,432)	(1,225,000)
Long-term portion	$ 41,035,730	$ 41,263,934

Note 11. Derivative Liability

As part of various debt and equity financing transactions and other agreements, the Company has issued warrants to purchase shares of Fusion's common stock. These warrants are accounted for in accordance with the guidance contained in *ASC Topic 815*, '*Derivatives and Hedging'* ("ASC 815"). For warrant instruments that do not meet an exclusion from derivative accounting, the Company classifies the warrant instrument as a liability at its fair value and adjust the instrument to fair value at each reporting period. This liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in the Company's statement of operations. The fair values of the warrants have been estimated using Black-Scholes and other valuation models, and the quoted market price of Fusion's common stock.

The following assumptions were used to determine the fair value of the warrants for the six months ended June 30, 2015 and 2014:

	Six months ended June 30,	
	2015	2014
Stock price ($)	2.13	5.30
Exercise price ($)	0 - 6.25	0 - 6.25
Risk-free interest rate (%)	2.07 - 2.35	2.53
Expected volatility (%)	112.6	135.1
Time to maturity (years)	7.3 - 8.5	8.3 - 9.5

At June 30, 2015 and December 31, 2014, the fair value of the derivative was $2.5 million and $3.8 million, respectively. For the three months ended June 30, 2015 and 2014, the Company recognized a gain on the change in the fair value of this derivative of approximately $2.5 million and a loss of approximately $0.7 million, respectively, and a gain of approximately $1.3 million and $1.9 million for the six months ended June 30, 2015 and 2014, respectively.

Note 12. Notes Payable-Related Parties

Notes payable – related parties at June 30, 2015 and December 31, 2014 is as follows:

	June 30, 2015	December 31, 2014
Notes payable to Marvin Rosen	$ 1,478,081	$ 1,478,081
Discount on note	(157,854)	(185,203)
Total notes payable - non-related parties	$ 1,320,227	$ 1,292,878

The note payable to Marvin Rosen, the Company's Chairman of the Board of Directors, is subordinated to the Company's senior note obligations and the Company's other obligations to its senior lenders under the SPA. This note is unsecured, pays interest monthly at an annual rate of 7%, and matures 60 days after the Company's senior notes obligations are paid in full.

For the six months ended June 30, 2015, the Company recognized interest expense on the note of approximately $53,000, and amortization on the discount of approximately $27,000.

Note 13. Equity Transactions

Common Stock

Fusion is authorized to issue 50,000,000 shares of its common stock. As of June 30, 2015 and December 31, 2014, 8,224,482 and 7,345,028 shares of its common stock were issued and outstanding, respectively.

During the six months ended June 30, 2015, Fusion issued an aggregate of 58,167 shares of common stock to third party consultants for services rendered valued at $215,611. In addition, the Fusion Board of Directors declared aggregate dividends of $606,945 related to Fusion's Series B-2 preferred stock, which, as permitted by the terms of the Series B-2 preferred stock, was paid in the form of 215,937 shares of Fusion's common stock. Also, certain holders of Series B-2 preferred stock elected to convert 2,583 shares of their Series B-2 preferred stock into an aggregate of 605,350 shares of Fusion's common stock.

Preferred Stock

Fusion is authorized to issue up to 10,000,000 shares of preferred stock. As of June 30, 2015 and December 31, 2014, there were 5,045 shares of Fusion's Series A-1, A-2 and A-4 cumulative convertible preferred stock issued and outstanding. In addition, as of June 30, 2015 and December 31, 2014 there were 19,165 and 21,748 shares of Series B-2 preferred stock issued and outstanding, respectively.

The holders of the Series A preferred stock are entitled to receive cumulative dividends of 8% per annum payable in arrears, when and if declared by Fusion's Board of Directors, on January 1 of each year. As of June 30, 2015, no dividend had been declared by the Fusion Board of Directors with respect to the Series A preferred stock, and the Company had accumulated approximately $4,133,458 of preferred stock dividends. In addition, shares of Series B-2 preferred stock bear a cumulative 6% annual dividend payable quarterly in arrears, in cash or shares of common stock, at the option of the Company.

Commencing on January 1, 2016, Fusion has the right to force the conversion of the Series B-2 preferred stock into common stock at the specified preferred conversion price; provided that the volume weighted average price for its common stock is at least $12.50 for ten consecutive trading days.

Note 14. Commitments and Contingencies

Legal matters

From time to time, the Company may be involved in a variety of claims, lawsuits, investigations and proceedings relating to contractual disputes, employment matters, regulatory and compliance matters, intellectual property rights and other litigation arising in the ordinary course of business. Defending such proceedings can be costly and can impose a significant burden on the Company's management and its other employees. The Company does not expect that the outcome of any such claims or actions will have a material adverse effect on the Company's liquidity, results of operations or financial condition. As of June 30, 2015, the Company did not have any significant ongoing legal matters.

Note 15. Segment Information

Operating segments are defined under U.S. GAAP as components of an enterprise for which separate financial information is available and evaluated regularly by a company's chief operating decision maker ("CODM") in deciding how to allocate resources and assess performance.

The Company has two reportable segments – "Carrier Services" and "Business 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. The Company's measurement of segment gross profit exclude the Company's executive, administrative and support costs. The accounting policies of the segments are the same as those described in Note 2, Summary of Significant Accounting Policies, of the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014. The Company's segments and their principal activities consist of the following:

Carrier Services

Carrier Services includes the termination of domestic and international carrier traffic utilizing primarily Voice over Internet Protocol ("VoIP") 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 than other technologies. 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.

Business Services

Through this operating segment, the Company provides cloud communications, cloud connectivity, storage and security solutions to small, medium and large businesses. These services are sold through both the Company's direct sales force and its partner sales channel, which utilizes the efforts of independent third-party distributors to sell the Company's products and services. The Business Services segment includes the Company's acquisition of PingTone Communications effective as of November 1, 2014.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Operating segment information for the three and six months ended June 30, 2015 and 2014 is summarized in the following table:

	Three months ended June 30, 2015			
	Carrier Services	Business Services	Corporate and Unallocated*	Consolidated
Revenues	$ 9,020,449	$ 16,043,246	$ -	$ 25,063,696
Cost of revenues (exclusive of depreciation and amortization)	7,971,898	5,841,717	-	13,813,616
Gross profit	1,048,551	10,201,529	-	11,250,080
Selling, general and administrative expenses	1,336,207	7,731,305	790,209	9,857,721
Interest expense	(91,191)	(1,081,792)	(435,726)	(1,608,709)
Gain on change in fair value of derivative liability	-	-	2,510,950	2,510,950
Other income (expenses)	408,937	(153,710)	(222,477)	32,750
Net (loss) income	$ (15,835)	$ (1,742,787)	$ 1,046,214	$ (712,408)
Total assets	$ 1,719,940	$ 62,469,874	$ 4,781,983	$ 68,971,797

	Six months ended June 30, 2015			
	Carrier Services	Business Services	Corporate and Unallocated*	Consolidated
Revenues	$ 17,497,571	32,829,163	$ -	$ 50,326,733
Cost of revenues (exclusive of depreciation and amortization)	15,898,565	11,927,743	-	27,826,308
Gross profit	1,599,006	20,901,420	-	22,500,426
Depreciation and amortization	90,922	5,911,602	40,680	6,043,204
Interest expense	(91,191)	(2,644,019)	(480,342)	(3,215,552)
Gain on change in fair value of derivative liability	-	-	1,306,148	1,306,148
Other income (expenses)	408,937	(338,868)		70,069
Net loss	$ (245,857)	$ (3,732,823)	$ (997,449)	$ (4,976,129)
Capital expenditures	$ 31,344	$ 1,827,921	$ -	$ 1,859,265

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Three months ended June 30, 2014			
	Carrier Services	Business Services	Corporate and Unallocated*	Consolidated
Revenues	$ 7,510,875	$ 15,630,098	$ -	$ 23,140,973
Cost of revenues (exclusive of depreciation and amortization)	6,714,319	6,033,122	-	12,747,441
Gross profit	796,556	9,596,976	-	10,393,532
Depreciation and amortization	53,503	2,522,472	22,003	2,597,978
Selling, general and administrative expenses	725,383	5,878,297	1,221,814	7,825,494
Interest expense	-	(1,400,275)	(196,940)	(1,597,215)
Loss on change in fair value of derivative liability	-	-	(690,878)	(690,878)
Other (expenses) income	(52,997)	(25,556)	79,272	719
Provision for income taxes	-	-	151,583	151,583
Net loss	$ (35,327)	$ (229,624)	$ (2,203,946)	$ (2,468,897)
Total assets	$ 5,040,316	$ 58,293,657	$ 6,720,174	$ 70,054,147

	Six months ended June 30, 2014			
	Carrier Services	Business Services	Corporate and Unallocated*	Consolidated
Revenues	$ 14,673,371	$ 31,372,431	$ -	$ 46,045,802
Cost of revenues (exclusive of depreciation and amortization)	13,033,057	11,943,416	-	24,976,473
Gross profit	1,640,314	19,429,015	-	21,069,329
Depreciation and amortization	116,198	5,005,102	44,169	5,165,469
Selling, general and administrative expenses	1,441,232	11,840,301	2,363,358	15,644,891
Interest expense	-	(2,754,067)	(237,694)	(2,991,761)
Gain on change in fair value of derivative liability			1,919,069	1,919,069
Other (expenses) income	(94,037)	(26,656)	80,338	(40,355)
Provision for income taxes	-	-	173,078	173,078
Net loss	$ (11,153)	$ (197,111)	$ (818,892)	$ (1,027,156)
Capital expenditures	$ 56,995	$ 1,760,712	$ -	$ 1,817,707

*The Company employs executive, administrative, human resources, and finance resources that service both the Carrier Services and Business Services segments. The amounts reflected as Corporate and Unallocated represent those operating expenses, assets and capital expenditures that were not allocated to a business segment or product line.

Note 16. Related Party Transactions

Since March 6, 2014, the Company has engaged a third party to prepare its tax returns and to provide related tax advisory services. Larry Blum, a member of Fusion's Board of Directors, is a Senior Advisor and a former partner of the third party that the Company is using to provide tax advisory services.

Note 17. Fair Value Disclosures

Fair value of financial and non-financial assets and liabilities is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for assets and liabilities, is as follows:

Level 1—Quoted prices in active markets for identical assets or liabilities
Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities
Level 3—No observable pricing inputs in the market

The following table represents the fair value of the liability measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
As of June 30, 2015				
Non-current liabilities:				
Derivative liability (see note 11)	$ -	$ -	$ 2,533,421	$ 2,533,421
As of December 31, 2014				
Non-current liabilities:				
Derivative liability (see note 11)	$ -	$ -	$ 3,839,569	$ 3,839,569

Changes in the derivative warrant liability for the six months ended June 30, 2015 are as follows:

Balance at December 31, 2014	$ 3,839,569
Gain for the period:	
Included in net loss	(1,306,148)
Balance at June 30, 2015	$ 2,533,421

Note 18. Subsequent Events

On June 16, 2015, the Company and the senior lenders entered into a Second Amendment to the SPA whereby the senior lenders agreed, among other things, to (i) increase the amount of our capital lease indebtedness to $7.0 million, (ii) extend to July 31, 2015, the date by which we are required to satisfy the minimum cash commitment, (iii) extend to September 30, 2015, the date by which EBITDA at Fusion must equal or exceed EBITDA at Fusion's subsidiaries. In the Second Amendment, we also agreed to sell at least $3.0 million of Fusion equity securities by July 31, 2015 on terms reasonably satisfactory to the senior lenders. As of July 31, 2015, we failed to sell the required equity securities and we also failed to meet the minimum cash commitment. In addition, we were not in compliance with our minimum EBITDA and Fixed Charge Coverage Ratio covenants for the three months ended June 30, 2015. On August 13, 2015, the holders of our senior notes waived our events of default with respect to the minimum EBITDA and Fixed Charge Coverage Ratio obligations and extended to September 30, 2015 the date by which we must raise $3.0 million of additional capital from the sale of Fusion equity and our obligation to satisfy the minimum cash commitment. As a result of this waiver and amendment, we were in compliance with our obligations under the SPA as of June 30, 2015. We are in active discussion with potential equity investors regarding the $3.0 million investment in Fusion, with our senior lenders concerning permanent adjustments to our existing covenants, and with other financing sources concerning a new senior debt facility. We are unable to provide any assurance, however, that any of these discussions will result in final agreement(s) or that the terms and conditions of any such agreements will be acceptable to us.

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 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Overview

Our Business

We offer a comprehensive suite of cloud communications, cloud connectivity, cloud computing, and managed cloud-based applications solutions to small, medium and large businesses, and offer domestic and international VoIP services to communications carriers worldwide. Our advanced, proprietary cloud services platforms, as well as our state-of-the art switching systems, enable the integration of leading edge solutions in the cloud, increasing customer collaboration and productivity by seamlessly connecting employees, partners, customers and vendors. We currently operate our business in two distinct business segments: Business Services and Carrier Services.

In the Business Services segment, we are focused on becoming our business customers' single source for leveraging the increasing power of the cloud, providing a robust package of what we believe to be the essential services that form the foundation for their successful migration to, and efficient use of, the cloud. Our core Business Services products and services include cloud voice and unified communications, improving communication and collaboration on virtually any device, virtually anywhere, and cloud connectivity services, securely and reliably connecting customers to the cloud with managed network solutions that are designed to increase quality and optimize network efficiency. Our cloud computing and IaaS solutions are designed to provide our larger enterprise customers with a platform on which additional cloud services can be layered. Complemented by storage solutions, as well as SaaS solutions such security and business continuity, our advanced cloud offerings allow our larger enterprise customers to experience the increased efficiencies and agility delivered by the cloud. Fusion's cloud-based services are flexible, scalable and rapidly deployed, reducing our customers' cost of ownership while increasing their productivity.

Through our Carrier Services segment, we have agreements with over 270 carrier customers and vendors, and sells its domestic and international voice services to other communications service providers throughout the world. Customers include U.S.-based carriers sending voice traffic to international destinations, and foreign carriers sending traffic to the U.S. and internationally. We also purchase domestic and international voice services from many of our Carrier Services customers. Our carrier-grade network, advanced switching platform and interconnections with global carriers on six continents also reduce the cost of global voice traffic and expand service delivery capabilities for our Business Services segment.

We manage our business segments based on gross profit and gross margin, which represents net revenue less the cost of revenue, and on net profitability after excluding certain non-cash and non-recurring items. The majority of our operations, engineering, information systems and support personnel are assigned to either the Business Services or Carrier Services business segment for segment reporting purposes.

We intend to increasingly focus our sales and marketing efforts on developing vertically oriented solutions for targeted markets that require the kind of specialized solutions made possible by our state-of-the-art network and advanced services platforms. Our vertically oriented solutions, with an initial focus on healthcare, legal services, hospitality and real estate, offer a substantial opportunity to gain market share. We intend to accelerate the growth of our Business Services segment with the goal of increasing the portion of our total revenue derived from this higher margin and more stable segment. In addition to lowering the underlying costs of termination, we believe that our Carrier Services business supports the growth of the Business Services segment by providing enhanced service offerings for business customers and by strengthening its relationships with major service providers throughout the world.

Our Performance

Revenues for the three months ended June 30, 2015 were $25.0 million, an increase of $1.9 million, or 8.3%, compared to the three months ended June 30, 2014. Our operating loss for the three months ended June 30, 2015 was $1.7 million, compared to an operating loss of $30,000 in the same period a year ago, as a result of higher salaries and payroll benefits of approximately $1.3 million and depreciation and amortization expense of approximately $0.4 million.

We had a net loss for the three months ended June 30, 2015 of $0.7 million, compared to a net loss of $2.5 million for the three months ended June 30, 2014, the improvement in net loss was primarily a result of the gain in the change in the fair value of our derivative liability of approximately $2.5 million.

Revenues for the six months ended June 30, 2015 were $50.3 million, an increase of $4.3 million, or 9.3%, compared to the six months ended June 30, 2014. Our operating loss for the six months ended June 30, 2015 was $3.1 million, as compared to an operating income of $0.3 million in the same period a year ago, mainly due to higher salaries and payroll benefits of approximately $2.3 million and depreciation and amortization expense of $0.9 million. We had a net loss for the six months ended June 30, 2015 of $4.9 million, as compared to net loss of $1.0 million for the six months ended June 30, 2014, primarily a result of higher interest expense, depreciation and amortization, and selling, general and administrative expenses.

Our Outlook

Our ability to achieve positive cash flows from operations and net profitability is substantially dependent upon our ability to increase revenue in both of our business segments and, to a lesser extent, on our ability to identify further synergistic cost savings and operational efficiencies from our recent acquisitions.

Revenues from our Carrier Services segment have declined over the last few years due, in large part, to decreases in the prevailing rates charged for the termination of international traffic. We believe these declines resulted largely from increased competition, deregulation in many of the markets we serve and the use by competitors of lower cost, Internet-based technologies. While the market demand for international voice termination has seen a corresponding increase over the last few years, we have been unable to increase our revenues accordingly due to capacity limitations on our network switching platform and liquidity constraints. During late 2014, we implemented new systems and equipment which increased our network capacity to levels necessary to compete in the current market environment and allow us to increase our traffic volume and, therefore, gross profit for this business segment.

Results of Operations

The following table summarizes the results of our consolidated operations for the three and six months ended June 30, 2015 and 2014:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015	% Sales	2014	% Sales	2015	% Sales	2014	% Sales
Revenues	$ 25,063,695	100.0%	$ 23,140,973	100.0%	$ 50,326,733	100.0%	$ 46,045,802	100.0%
Cost of revenues*	13,813,616	55.1%	12,747,441	55.1%	27,826,308	55.3%	24,976,473	54.2%
Gross profit	11,250,080	44.9%	10,393,532	44.9%	22,500,426	44.7%	21,069,329	45.8%
Depreciation and amortization	3,039,758	12.1%	2,597,978	11.2%	6,043,205	12.0%	5,165,469	11.2%
Selling, general and administrative expenses	9,857,721	39.3%	7,825,494	33.8%	19,594,015	38.9%	15,644,891	34.0%
Total operating expenses	12,897,478	51.5%	10,423,472	45.0%	25,637,219	50.9%	20,810,360	45.2%
Operating (loss) income	(1,647,399)	-6.6%	(29,940)	-0.1%	(3,136,794)	-6.2%	258,969	0.6%
Other (expenses) income:								
Interest expense	(1,608,709)	-6.4%	(1,597,215)	-6.9%	(3,215,552)	-6.4%	(2,991,761)	-6.5%
Gain (loss) on change in fair value of derivative liability	2,510,950	10.0%	(690,878)	-3.0%	1,306,148	2.6%	1,919,069	4.2%
Other expenses, net	32,750	0.1%	719	0.0%	70,069	0.1%	(40,355)	-0.1%
Total other income (expenses)	934,991	3.7%	(2,287,374)	-9.9%	(1,839,335)	-3.7%	(1,113,047)	-2.4%
Loss before income taxes	(712,408)	-2.8%	(2,317,314)	-10.0%	(4,976,129)	-9.9%	(854,078)	-1.9%
Provision for income taxes	-	0%	151,583	0.7%	-	0%	173,078	0.4%

Net loss	$ (712,408)	-2.8%	$ (2,468,897)	-10.7%	$ (4,976,129)	-9.9%	$ (1,027,156)	-2.2%

*Exclusive of depreciation and amortization, shown separately below.

Three Months Ended June 30, 2015 Compared with Three Months Ended June 30, 2014

Revenues

Consolidated revenues were $25.0 million during the three months ended June 30, 2015 compared to $23.1 million during the three months ended June 30, 2014, an increase of $1.9 million, or 8.3%.

Revenues for the Business Services segment were $16.0 million for the three months ended June 30, 2015 as compared to $15.6 million for the three months ended June 30, 2014. The increase is primarily due to the inclusion of revenues from our acquisition of PingTone which was completed on October 31, 2014.

Carrier Services revenue of approximately $9.0 million represents an increase of $1.5 million, or 20.1%, from the same period a year ago, mainly due to a 35% increase in overall traffic volume partially offset by a decrease of 11% in the blended per minute rate of traffic terminated.

Cost of Revenues and Gross Margin

Consolidated cost of revenues was $13.8 million for the three months ended June 30, 2015 as compared to $12.7 million for the three months ended June 30, 2014. The increase was primarily due to higher cost of traffic terminated in the Carrier Services segment of approximately $1.3 million slightly offset by a decrease of $0.2 million in the costs incurred by the Business Services segment.

For the three months ended June 30, 2015, consolidated gross margin remained unchanged at 44.9%, as compared to the same three month period a year ago.

Gross margin for the Business Services segment was 63.6% for the three months ending June 30, 2015 as compared to 61.4% for the three months ending June 30, 2014, as a result of the incremental revenue from PingTone and a favorable mix in cost of revenues.

Gross margin for the Carrier Services segment was 11.6% for the three months ended June 30, 2015 as compared to 10.6% in the three months ended June 30, 2014. This increase was due to an approximately 35% increase in minutes of traffic terminated and a decrease of approximately 12% in the cost per minute of traffic terminated over the same period a year ago.

Depreciation and Amortization

Depreciation and amortization expense was $3.0 million for the three months ended June 30, 2015 as compared to $2.6 million during the same period a year ago, primarily due to our acquisition of PingTone.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (“SG&A”) for the three months ended June 30, 2015 was $9.9 million as compared to $7.8 million for the three months ended June 30, 2014. This increase is the result of higher salaries and employee related benefits of approximately $1.1 million driven primarily by headcount increase as a result of our PingTone acquisition, professional and consulting fees of $0.09 million, integration costs of approximately $0.3 million associated with our Broadvox and Pingtone acquisitions, and office and general expenses of $0.10 million.

Operating Loss

Our operating loss for the three months ended June 30, 2015 was $1.7 million as compared to an operating loss of $30,000 for the three months ended June 30, 2014. The increase in operating loss was due to increases in SG&A and depreciation and amortization expense.

Interest Expense

Interest expense increased by approximately $11,000 in the three months ended June 30, 2015 as compared to the three months ended June 30, 2014, mainly due to an additional $5.0 million of senior debt incurred in October 2014 to finance the PingTone acquisition.

Change in Fair Value of Derivative Liability

During the three months ended June 30, 2015, we recognized a gain on the change in fair value of our derivative liability in the amount of $2.5 million compared to a loss in the amount of $0.7 million for the same period in 2014. These gains and losses are related to the derivatives associated with the warrants that we issued to our senior lenders in 2012 and 2013 and with the warrants we issued to purchasers of our preferred stock, the terms of which require them to be treated as liabilities and not equity instruments. The changes in their fair value are required to be recorded through the statement of operations at each accounting period. The warrants are valued using the Black-Scholes pricing model and other option pricing models, such that increases to our stock price result in a higher valuation of the derivative and a charge to our income statement, and decreases to our stock price result in a lower valuation and a gain being recorded in our income statement. We expect that we will be subject to additional significant fluctuations in our income statement in 2015 and beyond based on changes in our stock price and the corresponding changes in fair value of our derivative liabilities.

Net Loss

Net loss for the three months ended June 30, 2015 was $0.7 million as compared to a net loss of $2.5 million for the three months ended June 30, 2014, an improvement of approximately $1.8 million. This improvement was primarily a result of the gain on the change in the fair value of our derivative liability of approximately $2.5 million.

Six Months Ended June 30, 2015 Compared with Six Months Ended June 30, 2014

Revenues

Consolidated revenues were $50.3 million for the six months ended June 30, 2015 compared to $46.0 million for the six months ended June 30, 2014, an increase of $4.3 million, or 9.3%.

Revenues for the Business Services segment increased by $1.5 million in 2015 to $32.8 million from $31.3 million in 2014, mainly as the result of the inclusion of revenues from the PingTone acquisition which was completed on October 31, 2014.

Carrier Services revenue of $17.5 million represents an increase of $2.8 million, or 19.2%, from a year ago, as a result of a 29% increase in the volume of traffic terminated over our network offset by a 7% decrease in the blended rate realized per minute of traffic terminated.

Cost of Revenues and Gross Margin

Consolidated cost of revenues was $27.8 million for the six months ended June 30, 2015 compared to $24.9 million for the six months ended June 30, 2014. This increase was primarily due to higher cost of traffic terminated in the Carrier Services segment of $2.9 million.

Consolidated gross margin was 44.7% in the six months ended June 30, 2015 compared to 45.8% in the six months ended June 30, 2014. The increase is due to the higher mix of Business Services revenue resulting from the PingTone acquisition.

Gross Margin for the Business Services segment was 63.7% in the first six months of 2015 compared to 61.9% in the first six months of 2014, as a result of the incremental revenue from PingTone of approximately $1.5 million and a favorable mix in improvement in the cost of revenues of approximately $16,000.

Gross margin for the Carrier Services business segment was 9.1% for the six months ended June 30, 2015 compared to 11.2% in the six months ended June 30, 2014, primarily due to a 5% decrease in the blended rate of per minute traffic terminated.

Depreciation and Amortization

Depreciation and amortization increased by approximately $0.9 million to $6.1 million for the six months ended June 30, 2015 from $5.2 million during the same period of a year ago, mainly as a result of the Pingtone acquisition that contributed approximately $85,000 and $400,000 in depreciation and amortization expense.

Selling, General and Administrative Expenses

SG&A expenses increased by $3.9 million for the six months ended June 30, 2015 as compared to the six months ended June 30, 2014. The increase is the result of higher salaries and employee related benefits of approximately $2.1 million driven primarily by headcount increase as a result of the PingTone acquisition, office and general expenses of $0.2 million, and higher integration costs of approximately $1.0 million as a result of the Broadvox and PingTone acquisitions.

Operating Loss

Our operating loss was $3.1 million for the six months ending June 30, 2015 as compared to an operating income of $0.3 million for the same period of a year ago. The operating loss is driven primarily by an increase in SG&A of approximately $3.9 million and depreciation and amortization expense of $0.9 million.

Interest Expense

Interest expense increased by $0.2 million in the six months ended June 30, 2015 as compared to the six months ended June 30, 2014, mainly due to an additional $5.0 million of senior debt incurred in October 2014 to finance the PingTone acquisition.

Change in Fair Value of Derivative Liability

The change in fair value of the derivative was a gain of $1.3 million in the six months ended June 30, 2015 compared to a gain of $1.9 million the six months ended June 30, 2014. This change is due to the decrease in Fusion's stock price during these periods, which decreases the value of our derivative liability.

Net Loss

Our net loss was $4.9 million for the six months ended June 30, 2015 compared to a net loss of $1.0 million in the same period of a year ago, mainly due to the increase in SG&A of approximately $3.9 million and depreciation and amortization expense of $0.9 million, partially offset by the increase in the gain on the change of the fair value of our derivative liability.

Liquidity and Capital Resources

Since our inception, we have incurred significant net losses. In addition, we have only recently begun to generate positive cash flow from operations. At June 30, 2015, we had negative working capital of $482,000 and stockholders' equity of approximately $8.8 million. At December 31, 2014, we had working capital of $2.1 million and stockholders' equity of approximately $13.3 million. Our consolidated cash balance at June 30, 2015 was $4.4 million as compared to $6.4 million at December 31, 2014. While we believe that we have sufficient cash to fund our operations and meet our operating and debt obligations for the next twelve months, we may be required to raise additional capital to support our business plan. There are no current commitments for such funds and there can be no assurances that such funds will be available to the Company as and when needed.

During fiscal year 2013 and for most of fiscal year 2014, we relied primarily on the sale of our equity securities and the cash generated from the operations of our Business Services segment to fund our operations.

We have never paid any cash dividends on our common stock, and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain all of our earnings, if any, for general corporate purposes, and, if appropriate, to finance the expansion of our business. Subject to the rights of holders of our outstanding preferred stock, any future determination to pay dividends is at the discretion of Fusion's Board of Directors, and will be dependent upon our financial condition, operating results, capital requirements, general business conditions, the terms of our senior debt and other factors that our Board of Directors and senior management of the Company consider appropriate.

The holders of the Series A-1, A-2, and A-4 preferred stock are entitled to receive cumulative dividends of 8% per annum payable in arrears, as and if declared by the Fusion Board of Directors. The holders of the Series B-2 preferred stock are entitled to receive quarterly dividends at an annual rate of 6%. These dividends can be paid, at the Company's option, either in cash or in shares of our common stock.

As of June 30, 2015, the Fusion Board of Directors had not declared any dividends on Fusion's Series A preferred stock, and the Company had accumulated approximately $4.1 million of undeclared preferred stock dividends. The Fusion Board of Directors declared a dividend of $287,475 for the three months ended June 30, 2015 related to the Series B-2 preferred stock, which, as permitted by the terms of the Series B-2 preferred stock, was paid in the form of 143,732 shares of Fusion's common stock.

At June 30, 2015, we have approximately $43 million principal amount of senior notes outstanding under the second amended and restated securities purchase agreement (the "SPA") as follows:

- **Series A and B Notes**. On October 29, 2012, the Company sold the Series A Notes in the aggregate principal amount of $6.5 million, bearing interest at the rate of 10.0% annually, and the Series B notes in the aggregate principal amount of $10.0 million bearing interest at the rate of 11.5% annually. The proceeds from the sale of the Series A Notes and Series B Notes were used to finance the acquisition of Network Billing Systems, LLC.

- **Series C Notes.** On December 15, 2013, the Company sold the Series C Notes in the aggregate principal amount of $0.5 million. The proceeds were used to pay a deposit on the purchase price to the sellers in connection with our acquisition of certain assets of Broadvox.

- **Series D Notes.** On December 31, 2013, the Company sold the Series D Notes in the aggregate principal amount of $25.0 million. The proceeds from the sale of the Series D Notes were used to finance the acquisition of certain assets of Broadvox.

- **Series E Notes.** On October 31, 2014, contemporaneously with the completion of the acquisition of PingTone, the Company sold the Series E Notes in an aggregate principal amount of $5.0 million.

In accordance with the terms of the SPA, the senior notes bear interest at an annual rate of 11.15%, with monthly principal payments of approximately $102,119 from January 2015 through October 2019 with the outstanding principal balance on all the senior notes payable at maturity on October 31, 2019.

For the three months ended June 30, 2015 and 2014, we paid interest expense on the senior notes of approximately $1.3 million and $1.2 million, respectively, and $2.6 million and $2.3 million for the six months ended June 30, 2015 and 2014, respectively.

We have a note payable outstanding of approximately $1.3 million from Marvin Rosen, the Company's Chairman of the Board of Directors. This note is subordinated to the senior notes and the Company's other obligations to the senior lenders. This note is unsecured, pays interest monthly at an annual rate of 7%, and matures 60 days after the Senior Notes are paid in full. For the three months ended June 30, 2015 and 2014 and six months ended June 30, 2015 and 2014, we paid interest expense on this note of approximately $27,000 and $53,000, respectively.

As set forth in the SPA, our obligations to the senior lenders are secured by a first priority security interest on all of the assets of Fusion's subsidiaries (including their capital stock) and by a second lien on the accounts receivable and other assets of our Carrier Services segment which continues to be operated through Fusion. Further, subject to certain limitations, the borrower subsidiaries and Fusion have guaranteed the obligations of the borrower under the SPA, including its obligations to repay the senior notes.

In addition, the SPA contains a number of affirmative and negative covenants, including but not limited to, restrictions on paying indebtedness subordinate to the senior notes, incurring additional indebtedness (as defined), making capital expenditures, dividend payments and cash distributions by subsidiaries. As set forth in the SPA, , we are required to maintain a minimum cash bank balance of no less than $1.0 million in excess of any amounts outstanding under a permitted working capital line of credit and in excess of any and all cash balances held by Fusion's subsidiaries through which it provides Business Services (the "minimum cash commitment"). The SPA also requires on-going compliance with various financial covenants, including leverage ratio, fixed charge coverage ratio and minimum levels of earnings before interest, taxes, depreciation and amortization. Failure to comply with any of the restrictive or financial covenants could result in an event of default and accelerated demand for repayment of the senior notes. We do not have the financial resources to repay the senior notes if we are required to pay them off prior to their maturity date.

For the year ended December 31, 2014, we exceeded the limit on capital expenditures set forth in the SPA, which constituted to an event of default under terms of the senior notes and the SPA. On March 27, 2015, the holders of our senior notes waived the event of default for 2014 and amended the terms of the SPA by adjusting the threshold for 2015. As a result of the amendment, we were in compliance with the capital expenditure limit for the year ended December 31, 2014.

On June 16, 2015, the Company and the senior lenders entered into a Second Amendment to the SPA whereby the senior lenders agreed, among other things, to (i) increase the amount of our capital lease indebtedness to $7.0 million, (ii) extend to July 31, 2015, the date by which we are required to satisfy the minimum cash commitment, (iii) extend to September 30, 2015, the date by which EBITDA at Fusion must equal or exceed EBITDA at Fusion's subsidiaries. In the Second Amendment, we also agreed to sell at least $3.0 million of Fusion equity securities by July 31, 2015 on terms reasonably satisfactory to the senior lenders. As of July 31, 2015, we failed to sell the required equity securities and we also failed to meet the minimum cash commitment. In addition, we were not in compliance with our minimum EBITDA and Fixed Charge Coverage Ratio covenants. On August 13, 2015, the holders of our senior notes waived our events of default with respect to the minimum EBITDA and Fixed Charge Coverage Ratio obligations and extended to September 30, 2015 the date by which we must raise $3.0 million of additional capital from the sale of Fusion equity and our obligation to satisfy the minimum cash commitment. As a result of this waiver and amendment, we were in compliance with our obligations under the SPA as of June 30, 2015. We are in active discussion with potential equity investors regarding the $3.0 million investment in Fusion, with our senior lenders concerning permanent adjustments to our existing covenants, and with other financing sources concerning a new senior debt facility. We are unable to provide any assurance, however, that any of these discussions will result in final agreement(s) or that the terms and conditions of any such agreements will be acceptable to us.

The following table sets forth a summary of our cash flows for the periods indicated:

	Six Months Ended June 30,	
	2015	2014
Net cash provided by operating activities	$ 498,045	$ 91,339
Net cash used in investing activities	(1,859,265)	(8,865)
Net cash (used in) provided by financing activities	(665,605)	3,527,280
Net (decrease) increase in cash and cash equivalents	(2,026,825)	3,609,754
Cash and cash equivalents, beginning of period	6,444,683	6,176,575
Cash and cash equivalents, end of period	$ 4,417,858	$ 9,786,329

Cash provided by operating activities increased to $0.5 million for the six months ended June 30, 2015 compared to $0.09 million for the six months ended June 30, 2014, primarily due to changes in non-cash items. The following table illustrates the primary components of our cash flows from operations:

	Six Months Ended June 30,	
	2015	2014
Net loss	$ (4,976,129)	$ (1,027,156)
Non-cash expenses, gains and losses	5,924,126	4,312,852
Accounts receivable	(305,135)	(910,798)
Accounts payable and accrued expenses	156,308	(1,521,179)
Other	(301,125)	(762,380)
Cash provided by operating activities	$ 498,045	$ 91,339

Cash used in investing activities, comprised mainly of capital expenditures, was approximately $1.9 million for the six months ended June 30, 2015, compared to $1.8 million for the six months ended June 30, 2014. Capital expenditures for the remainder of 2015 are expected to be approximately $0.8 million to fund the purchase of network and related equipment and operational support systems as we continue to grow our Business Services segment. A portion of our capital expenditure requirements may be financed through capital leases or other equipment financing arrangements. Many of these projects are subject to review and cancellation at the discretion of our Chief Executive Officer and Board of Directors.

Cash used in financing activities for the six months ended June 30, 2015 of approximately $0.7 million was primarily attributable to payments of $0.6 million to our senior lenders, $0.4 million in capital lease payments, and approximately $0.8 million repayment of borrowings under a factoring arrangement with a third party, offset by approximately $1.1 million in proceeds received from the transfer of receivables from such related party.

Other Matters

Inflation

We do not believe inflation has a significant effect on our operations at this time.

Off Balance Sheet Arrangements

At June 30, 2015, we have no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Forward Looking Statements

Certain statements and the discussion contained herein regarding our 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. Our primary risk is our ability to attract new capital to execute on our comprehensive business strategy. There may be additional risks associated with the integration of businesses following an acquisition, our ability to comply with our senior debt agreements, concentration of revenue from one source, competitors with broader product lines and greater resources, emergence into new markets, natural disasters, acts of war, terrorism or other events beyond our control and the other factors identified by us from time to time in our filings with the SEC. However, the risks included should not be assumed to be the only things that could affect our future performance.

All forward-looking statements included 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 (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 Acting Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2015. 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 Acting 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 June 30, 2015 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.

None.

Item 1A. Risk Factors.

Risk factors describing the major risks to our business can be found under Item 1A, “Risk Factors”, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014. There have been no material changes to our risk factors from those previously disclosed in such Annual Report.

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

During the quarter covered by this report, we issued an aggregate of 46,500 shares of common stock valued at approximately $169,000 to third party consultants for services rendered. These securities were not registered under the Securities Act of 1933, as amended (the “Securities Act”), but were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act as a transaction by an issuer not involving a public offering.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable

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 Acting 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 Acting Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
10.63	Second Amendment to Second Amended and Restated Securities Purchase Agreement and Security Agreement, dated June 16, 2015 by and among Fusion NBS Acquisition Corp., Fusion Telecommunications International, Inc., Network Billing Systems, LLC, Fusion BVX LLC, PingTone Communications, Inc., Praesidian Capital Opportunity Fund III, LP, Praesidian Capital Opportunity Fund III-A, LP, Plexus Fund II, L.P., Plexus Fund III, L.P., Plexus Fund QP III, L.P. and United Insurance Company.
10.64	Waiver and Third Amendment to Second Amended and Restated Securities Purchase Agreement and Security Agreement, dated August 12, 2015 by and among Fusion NBS Acquisition Corp., Fusion Telecommunications International, Inc., Network Billing Systems, LLC, Fusion BVX LLC, PingTone Communications, Inc., Praesidian Capital Opportunity Fund III, LP, Praesidian Capital Opportunity Fund III-A, LP, Plexus Fund II, L.P., Plexus Fund III, L.P., Plexus Fund QP III, L.P. and United Insurance Company.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities, as amended, except as expressly set forth by specific reference in such filing, are deemed not filed for purposes of Section 18 of the Exchange Act and otherwise are not subject to liability under those sections.

SIGNATURE

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.

August 13, 2015

By: /s/ Gordon Hutchins, Jr.
Gordon Hutchins, Jr.
President, Chief Operating Officer and Acting Chief Financial Officer

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES

Index to Exhibits

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EXHIBIT 10.63

SECOND AMENDMENT TO SECOND AMENDED AND RESTATED SECURITIES PURCHASE AGREEMENT AND SECURITY AGREEMENT

THIS SECOND AMENDMENT (this "***Amendment***") is entered into as of June 16, 2015, by and among FUSION NBS ACQUISITION CORP. a Delaware corporation ("***Borrower***"), FUSION TELECOMMUNICATIONS INTERNATIONAL, INC., a Delaware corporation (*"**Parent**"*), NETWORK BILLING SYSTEMS, L.L.C., a New Jersey limited liability company (***"NBS"***), FUSION BVX LLC, a Delaware limited liability company (*"**BVX**"*), PINGTONE COMMUNICATIONS, INC., a Delaware corporation (***"PingTone,"*** and together with Parent, NBS, BVX, the *"**Guarantors**"*, and together with the Borrower, the *"**Credit Parties**"*), the financial institutions set forth on the signature pages hereto (each a "***Lender***" and collectively, "***Lenders***") and Praesidian Capital Opportunity Fund III, LP as agent for Lenders (in such capacity, "***Agent***").

BACKGROUND

WHEREAS, Credit Parties, Lenders and Agent are parties to a Second Amended and Restated Securities Purchase Agreement and Security Agreement, dated as of October 31, 2014 (as amended, restated, supplemented or otherwise modified from time to time, the ***"Loan Agreement"***), pursuant to which Agent and Lenders provide Borrower with certain financial accommodations.

WHEREAS, Credit Parties have requested that Agent and Lenders amend certain provisions of the Loan Agreement and Agent and Lenders are willing to do so on the terms and conditions hereafter set forth.

WHEREAS, Parent has issued Warrants to the Lenders and Parent has requested that the Lenders exercise the Warrants and Lenders are willing to do so on the terms and conditions hereafter set forth;

NOW, THEREFORE, in consideration of any loan or advance or grant of credit heretofore or hereafter made to or for the account of Borrower by Agent and Lenders, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. All capitalized terms not otherwise defined herein shall have the meanings given to them in the Loan Agreement.

2. Exercise of Warrants. Subject to the satisfaction of the conditions precedent set forth in Section 4 below, upon payment within 30 days of the date hereof by Parent to each Lender of an amount equal to 150% of the "Cash Amount", as defined in the respective Warrant, provided that a Default does not then exist, each Lender shall exercise its Warrant by completing and returning to Parent the Notice of Exercise form attached to its Warrants. The parties confirm that two thirds of such amount shall by applied as an offset against the "Payment Obligation", as defined in and as provided in the Warrants and the balance shall be retained by each Lender in consideration of the early exercise of its Warrant.

3. Amendment of Loan Agreement. Subject to the satisfaction of the conditions precedent set forth in Section 4 below, Sections 8.18(e) and 8.18(f) are hereby added to the Loan Agreement and Sections 9.01, 9.07(d), 9.15(e) and 9.15(f) of the Loan Agreement are hereby amended to read in their entirety as follows:

8.18(e) Not later than July 31, 2015 Parent shall sell equity interests in Parent, on terms reasonably satisfactory to Lenders, with net sale proceeds of not less than $3,000,000.

8.18(f) Obligors covenant and agree that if, within one (1) year from the date of exercise of the Warrants, any Lender sells its "Issued Warrant Shares" (as defined in the Warrants) as a result of a merger or other transaction not initiated by such Lender, then Obligors shall pay to each such Lender an amount equal to 20% of the gain realized by such Lender as a result of its sale of such Issued Warrant Shares. The amount of gain shall be calculated by each Lender and shall be paid upon the closing of the merger or such other transaction. The obligations contained in this section 8.18(f) shall survive the termination of this Agreement and the Transaction Documents and payment in full of the Notes.

9.01 Fundamental Changes; Consolidations, Mergers and Acquisitions; Asset Sales. No Credit Party shall, and no Credit Party shall permit any of its Subsidiaries to, directly or indirectly: (a) enter into any merger, consolidation or other reorganization with or into any other Person or acquire all or a substantial portion of the assets or Equity Interests of any Person or permit any other Person to consolidate with or merge with it (other than the merger of PingTone and BVX with and into NBS), or (b) sell, lease, transfer or otherwise dispose of any of its properties or assets, except dispositions of inventory in the Ordinary Course of Business.

9.07(d) Indebtedness disclosed on Schedule 9.07 including up to $7,000,000 aggregate amount of Indebtedness at any time in respect of equipment financing leases, and any extension, renewal or refinancing thereof; provided that in connection with any such extension, renewal or refinancing: (i) the aggregate principal amount of such Indebtedness is not increased, (ii) the scheduled maturity date of such Indebtedness is not shortened, (iii) the covenants or defaults are not materially more restrictive or more onerous than analogous provisions in the

9.15(e) Minimum Parent EBITDA. The Parent shall not permit Parent EBITDA, measured as of the last day of each period of four consecutive fiscal quarters beginning with the four consecutive fiscal quarters ending September 30, 2015, to be less than the amount of EBITDA for such period; provided, however that if Parent sells its equity securities in accordance with section 8.18(e) then the period for calculating compliance with this provision shall be extended to March 31, 2016.

9.15(f) Minimum Cash. The Parent, on a non-Consolidated Basis, shall at all times from and after July 31, 2015 have at least $1,000,000 of Cash Equivalents in excess of the amount of the Working Capital Loans then outstanding.

4. Conditions of Effectiveness. This Amendment shall become effective upon satisfaction of the following conditions precedent: Agent shall have received (i) four (4) copies of this Amendment executed by Credit Parties and Required Lenders, and (ii) payment of Lenders' costs and expenses, including reasonably attorneys' fees and expenses in connection with this Amendment.

5. Representations and Warranties. Each Credit Party hereby represents and warrants as follows:

(a) This Amendment and the Loan Agreement constitute legal, valid and binding obligations of each Credit Party and are enforceable against each Credit Party in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance or transfer, moratorium or other laws of general application relating to or affecting the enforcement of creditors' rights generally or by general principles of equity.

(b) Upon the effectiveness of this Amendment, each Credit Party hereby reaffirms all covenants, representations and warranties made in the Loan Agreement, as amended hereby, and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Amendment.

(c) No Event of Default or Default has occurred and is continuing immediately prior to giving effect to this Amendment and no Event of Default or Default has occurred and is continuing or would exist after giving effect to this Amendment.

(d) No Credit Party has any defense, counterclaim or offset with respect to the Loan Agreement.

6. Effect on the Loan Agreement.

(a) The Loan Agreement, and all other documents, instruments and agreements executed and/or delivered in connection therewith, as amended hereby, shall remain in full force and effect, and are hereby ratified and confirmed.

(b) Except as expressly provided in Sections 2 and 3, the execution, delivery and effectiveness of this Amendment shall not constitute a modification of any provision of the Loan Agreement, or any other documents, instruments or agreements executed and/or delivered under or in connection therewith.

(c) This Amendment shall be a Transaction Document for all purposes under the Loan Agreement.

7. GOVERNING LAW. THIS AMENDMENT SHALL BE BINDING UPON AND INURE TO THE BENEFIT OF THE PARTIES HERETO AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS AND SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES THAT WOULD RESULT IN THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION.

8. Release. In consideration of the agreements of Agent and Lenders contained herein, each Credit Party on behalf of itself and its successors, assigns, and other legal representatives, hereby, jointly and severally, absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and each Lender, and their present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives and their respective successors and assigns (Agent, each Lender and all such other parties being hereinafter referred to collectively as the "Releasees" and individually as a "Releasee"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, whether liquidated or unliquidated, matured or unmatured, asserted or unasserted, fixed or contingent, foreseen or unforeseen and anticipated or unanticipated, which such Credit Party, or any of its successors, assigns, or other legal representatives and its successors and assigns may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any nature, cause or thing whatsoever which arises at any time on or prior to the day and date of this Amendment, in relation to, or in any way in connection with the Loan Agreement, as amended and supplemented through the date hereof, this Amendment and the Transaction Documents.

9. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

10. Counterparts; Facsimile. This Amendment may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission or electronic transmission of a "pdf" or similar file shall be deemed to be an original signature hereto.

[Signature Pages Follows]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first written above.

Borrower: **FUSION NBS ACQUISITION CORP.**

By: /s/ Gordon Hutchins, Jr.
Name: Gordon Hutchins, Jr.
Title: President

Guarantors: **FUSION TELECOMMUNICATIONS INTERNATIONAL, INC.**

By: /s/ Gordon Hutchins, Jr.
Name: Gordon Hutchins, Jr.
Title: President

NETWORK BILLING SYSTEMS, LLC

By: /s/ Gordon Hutchins, Jr.
Name: Gordon Hutchins, Jr.
Title: President

FUSION BVX LLC

By: /s/ Gordon Hutchins, Jr.
Name: Gordon Hutchins, Jr.
Title: President

FUSION PTC ACQUISITION, INC.

By: /s/ Gordon Hutchins, Jr.
Name: Gordon Hutchins, Jr.
Title: President

PINGTONE COMMUNICATIONS, INC.

By: /s/ Gordon Hutchins, Jr.
Name: Gordon Hutchins, Jr.
Title: President

Lenders:

PRAESIDIAN CAPITAL OPPORTUNITY FUND III, L.P.

By: Capital Opportunity GP III, LLC,
its General Partner

By: /s/ Jason D. Drattell
Name: Jason D. Drattell
Title: Manager

PRAESIDIAN CAPITAL OPPORTUNITY FUND III-A, L.P.

By: Praesidian Capital Opportunity GP III-A, LLC,
its General Partner

By: /s/ Jason D. Drattell
Name: Jason D. Drattell
Title: Manager

PLEXUS FUND II, LP

By: Plexus Fund II GP,
its General Partner

By: /s/ Bob Anders
Name: Bob Anders
Title: Manager

PLEXUS FUND III, L.P.

By: Plexus Fund III GP, LLC
its General Partner

By: /s/ Bob Anders
Name: Bob Anders
Title: Manager

PLEXUS FUND QP III, L.P.

By: Plexus Fund III GP, LLC
its General Partner

By: /s/ Bob Anders
Name: Bob Anders
Title: Manager

UNITED INSURANCE COMPANY OF AMERICA

By: /s/ John Boschelli
Name: John Boschelli
Title: Assistant Treasurer

Agent

PRAESIDIAN CAPITAL OPPORTUNITY FUND III, L.P.

By: Praesidian Capital Opportunity GP III, LLC,
its General Partner

By: /s/ Jason D. Drattell
Name: Jason D. Drattell
Title: Manager

[signature page to second amendment to second amended and restated securities purchase agreement and security agreement]

Exhibit 10.64

WAIVER AND THIRD AMENDMENT TO SECOND AMENDED AND RESTATED SECURITIES PURCHASE AGREEMENT AND SECURITY AGREEMENT

THIS WAIVER AND THIRD AMENDMENT (this "***Amendment***") is entered into as of August 12, 2015, by and among FUSION NBS ACQUISITION CORP. a Delaware corporation ("***Borrower***"), FUSION TELECOMMUNICATIONS INTERNATIONAL, INC., a Delaware corporation (*"**Parent**"*), NETWORK BILLING SYSTEMS, L.L.C., a New Jersey limited liability company (***"NBS"***), FUSION BVX LLC, a Delaware limited liability company (*"**BVX**"*), PINGTONE COMMUNICATIONS, INC., a Delaware corporation (together with Parent, NBS, BVX, the *"**Guarantors**"*, and together with the Borrower, the *"**Credit Parties**"* and each a *"**Credit Party**"*), the financial institutions set forth on the signature pages hereto (each a "***Lender***" and collectively, "***Lenders***") and Praesidian Capital Opportunity Fund III, LP as agent for Lenders (in such capacity, "***Agent***").

BACKGROUND

WHEREAS, Credit Parties, Lenders and Agent are parties to a Second Amended and Restated Securities Purchase Agreement and Security Agreement, dated as of October 31, 2014 (as amended, restated, supplemented or otherwise modified from time to time, the ***"Loan Agreement"***), pursuant to which Agent and Lenders provide Borrower with certain financial accommodations; and

WHEREAS, Credit Parties have requested that Agent and Lenders waive Events of Default that have occurred and amend certain provisions of the Loan Agreement and Agent and Lenders are willing to do so on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of any loan or advance or grant of credit heretofore or hereafter made to or for the account of Borrower by Agent and Lenders, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. All capitalized terms not otherwise defined herein shall have the meanings given to them in the Loan Agreement.

2. Waiver. Credit Parties acknowledge that (a) the Parent failed to sell equity interests in Parent, on terms reasonably satisfactory to Lenders, with net sale proceeds of not less than $3,000,000 by July 31, 2015 and that such failure constitutes an Event of Default under Section 11.01(c) of the Loan Agreement (the "***Parent Equity EOD***"), (b) as of and for the period of four consecutive fiscal quarters ended June 30, 2015, (i) the Fixed Charge Coverage Ratio was 1.34 to 1.00, which was less than the ratio permitted under Section 9.15(b) of the Loan Agreement and that such failure constitutes an Event of Default under Section 11.01(c) of the Loan Agreement (the "***FCCR EOD***"), and (ii) EBITDA was approximately $12,300,000, which was less than the amount permitted under Section 9.15(d) of the Loan Agreement and that such failure constitutes an Event of Default under Section 11.01(c) of the Loan Agreement (the "***EBITDA EOD***"), and (c) the Parent, on a non-Consolidated Basis, failed at all times during the period from and after July 31, 2015 to the date hereof (the "***Minimum Cash Waiver Period***") to have at least $1,000,000 of Cash Equivalents in excess of the amount of the Working Capital Loans then outstanding as required by Section 9.15(f) of the Loan Agreement and that such failure constitutes an Event of Default under Section 11.01(c) of the Loan Agreement (such failure during the Minimum Cash Waiver Period, together with the Parent Equity EOD, the FCCR EOD and the EBITDA EOD, collectively, the ***"Specified Events of Default"***). Subject to satisfaction of the conditions precedent set forth in Section 4 below, Agent and Lenders hereby waive the Specified Events of Default.

3. Amendment of Financial Covenants. Subject to the satisfaction of the conditions precedent set forth in Section 4 below, Sections 8.18(e) and 9.15(f) of the Loan Agreement are hereby amended to read in their entirety as follows:

> 8.18(e) Not later than September 30, 2015, Parent shall sell equity interests in Parent, on terms reasonably satisfactory to Lenders, with net sale proceeds of not less than $3,000,000.
>
> 9.15(f) Minimum Cash. The Parent, on a non-Consolidated Basis, shall at all times from and after September 30, 2015 have at least $1,000,000 of Cash Equivalents in excess of the amount of the Working Capital Loans then outstanding

4. Conditions of Effectiveness. This Amendment shall become effective upon satisfaction of the following conditions precedent: Agent shall have received (i) four (4) copies of this Amendment executed by the Credit Parties and Lenders, and (ii) for the benefit of the applicable Lenders, Lenders' costs and expenses, including reasonably attorneys' fees and expenses in connection with this Amendment.

5. Representations and Warranties. Each Credit Party hereby represents and warrants as follows:

(a) This Amendment and the Loan Agreement constitute legal, valid and binding obligations of each Credit Party and are enforceable against each Credit Party in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance or transfer, moratorium or other laws of general application relating to or affecting the enforcement of creditors' rights generally or by general principles of equity.

(b) Upon the effectiveness of this Amendment, each Credit Party hereby reaffirms all covenants, representations and warranties made in the Loan Agreement, as amended hereby, and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Amendment.

(c) No Event of Default or Default has occurred and is continuing immediately prior to giving effect to this Amendment other than the Specified Events of Default, and no Event of Default or Default has occurred and is continuing or would exist after giving effect to this Amendment.

(d) No Credit Party has any defense, counterclaim or offset with respect to the Loan Agreement.

6. Amendment Fee. If the Obligations (other than contingent Obligations for which no claim has been asserted) owing to Plexus (as defined below) are not paid in full by August 20, 2015, Borrower shall, no later than August 30, 2015, pay to Lenders amendment fees equal to (a) $50,000 in the aggregate in the case of Plexus Fund II, L.P. Plexus Fund III, L.P. and Plexus Fund QP III, L.P (collectively, "Plexus"), (b) $50,000 in the aggregate in the case of Praesidian Capital Opportunity Fund III, LP and Praesidian Capital Opportunity Fund III-A, LP, and (c) $13,600 in the case of United Insurance Company of America.

7. Effect on the Loan Agreement.

(a) The Loan Agreement, and all other documents, instruments and agreements executed and/or delivered in connection therewith, as amended hereby, shall remain in full force and effect, and are hereby ratified and confirmed.

(b) Except as expressly provided in Sections 2 and 3, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver or other modification of any right, power or remedy of Agent or Lenders, nor constitute a waiver or other modification of any provision of the Loan Agreement, or any other documents, instruments or agreements executed and/or delivered under or in connection therewith.

(c) This Amendment shall be a Transaction Document for all purposes under the Loan Agreement.

(d) This Amendment applies solely with respect to the Specified Events of Default and does not apply to, or constitute a waiver or other modification of, any other Default or Event of Default that exists or may exist under the Loan Agreement or any of the other Transaction Documents, including, without limitation, the Credit Parties' failure to comply with the covenants set forth in Sections 8.18(e) and 9.15(f) of the Loan Agreement, as modified hereby. Except with respect to the Specified Events of Default, such modification does not (x) constitute a waiver of compliance by any Credit Party with respect to any other term, provision or condition of the Loan Agreement or any other Transaction Document, or any other instrument or agreement referred to therein; or (y) prejudice any right or remedy that Lenders and Agent may now have or may have in the future under or in connection with the Loan Agreement or any other Transaction Document.

8. GOVERNING LAW. THIS AMENDMENT SHALL BE BINDING UPON AND INURE TO THE BENEFIT OF THE PARTIES HERETO AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS AND SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES THAT WOULD RESULT IN THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION.

9. Release. In consideration of the agreements of Agent and Lenders contained herein, each Credit Party on behalf of itself and its successors, assigns, and other legal representatives, hereby, jointly and severally, absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and each Lender, and their present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives and their respective successors and assigns (Agent, each Lender and all such other parties being hereinafter referred to collectively as the "Releasees" and individually as a "Releasee"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, whether liquidated or unliquidated, matured or unmatured, asserted or unasserted, fixed or contingent, foreseen or unforeseen and anticipated or unanticipated, which such Credit Party, or any of its successors, assigns, or other legal representatives and its successors and assigns may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any nature, cause or thing whatsoever which arises at any time on or prior to the day and date of this Amendment, in relation to, or in any way in connection with the Loan Agreement, as amended and supplemented through the date hereof, this Amendment and the Transaction Documents.

10. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

11. Counterparts; Facsimile. This Amendment may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission or electronic transmission of a "pdf" or similar file shall be deemed to be an original signature hereto.

[Signature Pages Follows]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first written above.

Borrower:

FUSION NBS ACQUISITION CORP.

By: /s/ Gordon Hutchins, Jr.
Gordon Hutchins, Jr.
President

Guarantors:

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC.

By: /s/ Gordon Hutchins, Jr.
Gordon Hutchins, Jr.
President

NETWORK BILLING SYSTEMS, LLC

By: /s/ Gordon Hutchins, Jr.
Gordon Hutchins, Jr.
Executive Vice President

FUSION BVX LLC

By: /s/ Gordon Hutchins, Jr.
Gordon Hutchins, Jr.
President

FUSION PTC ACQUISITION, INC.

By: /s/ Gordon Hutchins, Jr.
Gordon Hutchins, Jr.
President

PINGTONE COMMUNICATIONS, INC.

By: /s/ Gordon Hutchins, Jr.
Gordon Hutchins, Jr.
President

[SIGNATURE PAGE TO WAIVER AND THIRD AMENDMENT TO SECOND AMENDED AND RESTATED SECURITIES PURCHASE AGREEMENT AND SECURITY AGREEMENT]

Lenders:

PRAESIDIAN CAPITAL OPPORTUNITY FUND III, L.P.

By: Capital Opportunity GP III, LLC,
its General Partner

By: /s/ Jason D. Dratell
Jason D. Dratell
Manager

PRAESIDIAN CAPITAL OPPORTUNITY FUND III-A, L.P.

By: Praesidian Capital Opportunity GP III-A, LLC,
its General Partner

By: /s/ Jason D. Dratell
Jason D. Dratell
Manager

PLEXUS FUND II, LP

By: Plexus Fund II GP,
its General Partner

By: /s/ Robert R. Anders, Jr.
Robert R. Anders, Jr.
Manager

PLEXUS FUND III, L.P.

By: Plexus Fund III GP, LLC
its General Partner

By: /s/ Robert R. Anders, Jr.
Robert R. Anders, Jr.
Manager

[SIGNATURE PAGE TO WAIVER AND THIRD AMENDMENT TO SECOND AMENDED AND RESTATED SECURITIES PURCHASE AGREEMENT AND SECURITY AGREEMENT]

PLEXUS FUND QP III, L.P.

By: Plexus Fund III GP, LLC
its General Partner

By: /s/ Robert R. Anders, Jr.
Robert R. Anders, Jr.
Manager

UNITED INSURANCE COMPANY OF AMERICA

By: /s/ John Boschelli
John Boschelli
Assistant Treasurer

[SIGNATURE PAGE TO WAIVER AND THIRD AMENDMENT TO SECOND AMENDED AND RESTATED SECURITIES PURCHASE AGREEMENT AND SECURITY AGREEMENT]

Agent:

PRAESIDIAN CAPITAL OPPORTUNITY FUND III, L.P.

By: Praesidian Capital Opportunity GP III, LLC,
its General Partner

By: /s/ Jason D. Dratell
Jason D. Dratell
Manager

[SIGNATURE PAGE TO WAIVER AND THIRD AMENDMENT TO SECOND AMENDED AND RESTATED SECURITIES PURCHASE AGREEMENT AND SECURITY AGREEMENT]

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 June 30, 2015 (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.
August 13, 2015

By: /s/**MATTHEW D. ROSEN**
Matthew D. Rosen
Chief Executive Officer

EXHIBIT 31.2

Certification of the Acting Chief Financial Officer

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

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (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.

August 13, 2015

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 June 30, 2015 (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.

August 13, 2015 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 June 30, 2015 (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.

August 13, 2015 By: /s/**GORDON HUTCHINS, JR.**

Gordon Hutchins, Jr.
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.