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, 2013

☐ 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: 001-31671

GLOBALWISE INVESTMENTS, INC.
(Exact name of registrant as specified in its charter)

Nevada	87-0613716
(State or Other Jurisdiction of Incorporation or	(I.R.S. Employer Identification No.) Organization)
2190 Dividend Drive Columbus, Ohio	43228
(Address of Principal Executive Offices)	(Zip Code)

(614) 388-8909

(Registrant's telephone number, including area code)

2157 S. Lincoln Street Salt Lake City, Utah, 84106

(Former name and former address, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Yes ☒ 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 definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

As of August 14, 2013, there were 47,362,047 shares of the issuer's common stock outstanding.

GLOBALWISE INVESTMENTS, INC.
Form 10-Q
June 30, 2013
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Part I Financial Information
Item 1. Financial Statements

GLOBALWISE INVESTMENTS, INC. and SUBSIDIARY
Condensed Consolidated Balance Sheets

	Unaudited June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash	$ 567,654	$ 46,236
Accounts receivable, net	744,876	332,413
Prepaid expenses and other current assets	70,792	40,026
Total current assets	1,383,322	418,675
Property and equipment, net	62,568	58,129
Other assets	33,081	37,239
Total assets	$ 1,478,971	$ 514,043
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	$ 480,946	$ 1,143,265
Deferred revenues	696,197	571,268
Derivative Liability	-	15,470
Notes payable - current	221,688	563,009
Convertible note payable, net of discount	-	107,518
Notes payable - related party - current	237,915	95,000
Total current liabilities	1,636,746	2,495,530
Long-term liabilities:		
Deferred compensation	218,935	309,740
Notes payable - net of current portion	1,306,074	1,509,265
Notes payable - related party	-	369,415
Deferred interest expense	62,691	41,440
Other long-term liabilities - related parties	36,718	72,033
Total long-term liabilities	1,624,418	2,301,893
Total liabilities	3,261,164	4,797,423
Stockholders' deficit:		
Common stock, $0.001 par value, 50,000,000 shares authorized; 47,362,047 and 36,490,345 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	54,363	36,492
Additional paid-in capital	4,912,814	1,348,794
Accumulated deficit	(6,749,370)	(5,668,666)
Total stockholders' deficit	(1,782,193)	(4,283,380)
Total liabilities and stockholders' deficit	$ 1,478,971	$ 514,043

See notes to these condensed consolidated financial statements.

GLOBALWISE INVESTMENTS, INC. and SUBSIDIARY
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended June 30, 2013	For the Three Months Ended June 30, 2012	For the Six Months Ended June 30, 2013	For the Six Months Ended June 30, 2012
Revenues:				
Sale of software licenses without professional services	$ 130,619	$ 34,939	$ 139,279	$ 56,678
Sale of software licenses with professional services	119,733	393,403	119,733	413,395
Software as a service	34,320	24,596	69,111	53,637
Software maintenance services	213,542	195,857	437,006	373,308
Consulting services	82,950	238,490	170,907	350,595
Total revenues	581,164	887,285	936,036	1,247,613
Cost of revenues:				
Sale of software licenses without professional services	6,733	14,627	13,103	31,832
Sale of software licenses with professional services	117,015	109,229	231,951	262,855
Software as a service	6,893	7,364	13,803	13,894
Software maintenance services	32,374	36,404	60,324	61,284
Consulting services	19,348	122,538	42,668	224,244
Total cost of revenues	182,363	290,162	361,849	594,109
Gross profit	398,801	597,123	574,187	653,504
Operating expenses:				
General and administrative	507,469	348,976	1,075,617	1,169,198
Sales and marketing	252,240	323,439	480,022	645,333
Depreciation	6,772	7,647	12,116	14,437
Total operating expenses	766,481	680,062	1,567,755	1,828,968
Loss from operations	(367,680)	(82,939)	(993,568)	(1,175,464)
Other income (expense)				
Derivative gain	-	-	15,470	-
Interest expense, net	(41,227)	(72,311)	(102,606)	(127,659)
Total other income (expense)	(41,227)	(72,311)	(87,136)	(127,659)
Net loss	$ (408,907)	$ (155,250)	$ (1,080,704)	$ (1,303,123)
Basic and diluted net loss per share:	$ (0.01)	$ (0.00)	$ (0.03)	$ (0.04)
Weighted average number of common shares outstanding - basic and diluted	47,362,047	32,590,850	43,182,708	31,589,531

See notes to these condensed consolidated financial statements.

GLOBALWISE INVESTMENTS, INC. and SUBSIDIARY

Condensed Consolidated Statement of Stockholders' Deficit
For the Six Months Ended June 30, 2013
(Unaudited)

	Common Stock				Additional Paid-in		Accumulated		
	Shares		Amount		Capital		Deficit		Total
Balance, December 31, 2012	36,490,345	$	36,492	$	1,348,794	$	(5,668,666)	$	(4,283,380)
Convertible Securities Exercised	1,998,369		1,998		586,872		-		588,870
Shares issued for accounts payable and accrued liabilities	873,333		873		261,127		-		262,000
Share Return	(7,000,000)		-		-		-		-
Private Placement of Stock	15,000,000		15,000		2,716,021		-		2,731,021
Net loss	-		-		-		(1,080,704)		(1,080,704)
Balance, June 30, 2013	47,362,047	$	54,363	$	4,912,814	$	(6,749,370)	$	(1,782,193)

See Notes to these condensed consolidated financial statements

GLOBALWISE INVESTMENTS, INC. and SUBSIDIARY

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	For the Six Months Ended June 30, 2013	For the Six Months Ended June 30, 2012
Cash flows from operating activities:		
Net loss	$ (1,080,704)	$ (1,303,123)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	12,116	14,437
Bad debt expense	14,757	-
Amortization of deferred financing costs	4,158	5,004
Amortization of beneficial conversion option	2,387	-
Amortization of original issue discount	1,206	-
Gain on derivative	(15,470)	-
Changes in operating assets and liabilities:		
Accounts receivable	(427,220)	(64,716)
Prepaid expenses and other current assets	(30,766)	(26,437)
Accounts payable and accrued expenses	(380,608)	610,830
Other long-term liabilities - related parties	(30,657)	31,209
Deferred interest expense	21,251	17,501
Deferred revenues	124,929	(218,068)
Deferred compensation	(90,805)	19,096
Total adjustments	(794,722)	388,856
Net cash used in operating activities	(1,875,426)	(914,267)
Cash flows from investing activities:		
Repayment of equity receivable	-	5,600
Purchases of property and equipment	(16,555)	(53,778)
Net cash used in investing activities	(16,555)	(48,178)
Cash flows from financing activities:		
Proceeds from notes payable	$ -	$ 661,056
Proceeds from notes payable - related parties	-	314,000
Repayment of notes payable	(186,122)	(135,516)
Repayment of notes payable - related parties	(131,500)	-
Sale of Common Stock	2,731,021	-
Net cash provided by financing activities	2,413,399	839,540
Net increase (decrease) in cash	521,418	(122,905)
Cash - beginning of period	46,236	140,271
Cash - end of period	$ 567,654	$ 17,366
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest and taxes	$ 101,165	$ 40,103
Supplemental disclosure of non-cash financing activities:		
Accounts payable and accrued interest converted to equity	$ 286,370	$ -
Notes payable converted to equity	469,500	-
Notes payable - related party converted to equity	95,000	-
Total non-cash financing activities	$ 850,870	$ -

See notes to these condensed consolidated financial statements.

1. Business Organization and Nature of Operations

Globalwise Investments, Inc. (“Globalwise”) is a Nevada holding company incorporated in 1997, with a single operating subsidiary, Intellinetics, Inc. (“Intellinetics”), (Globalwise and Intellinetics together hereinafter referred to as the “Company”). On February 10, 2012 (the “Closing Date”), Globalwise entered into a Securities Exchange Agreement (the “Exchange Agreement”) by and between itself and Intellinetics. Pursuant to the terms of the Exchange Agreement, all of the former shareholders of Intellinetics transferred to Globalwise all of their shares of Intellinetics in exchange for shares of common stock (“Share Exchange”) of Globalwise. Prior to the Share Exchange, Globalwise was a non-operating public shell company. As a result of the Share Exchange, Intellinetics became a wholly-owned subsidiary of Globalwise. The Share Exchange was accounted for as a reverse merger and recapitalization of Intellinetics (See Note 4 – Share Exchange). The Company is an enterprise content management (ECM) software development, sales and marketing company serving both the public and private sectors. In the public sector, the Company’s products, services and process models serve, principally, the critical needs of law enforcement and compliance agencies within the state and local government establishment. Intellinetics was formed in December 1996 as a corporation in the state of Ohio.

The Company provides its software solutions principally through (i) the direct licensing of its software installed on customer computer platforms and (ii) software as a service, accessible through the internet. The Company’s comprehensive solutions include services that range from pre-installation assessment, project scoping, implementation, consulting and ongoing software maintenance and customer support.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) for interim financial information and the instructions to Form 10-Q and Article 8.03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP. In the opinion of management, all adjustments (consisting of normal accruals) considered for a fair presentation of the consolidated financial position of the Company as of June 30, 2013 and the condensed consolidated results of its operations for the three and six months ended June 30, 2013 and June 30, 2012, and cash flows for the six months ended June 30, 2013 and June 30, 2012 have been included. The Company has evaluated subsequent events through the issuance of this Form 10-Q. Operating results for the three months and six months ended June 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013 or any other interim or future period. Accordingly, the condensed consolidated financial statements included in this Form 10-Q for the quarter ended June 30, 2013 (this “Form 10-Q”) should be read in conjunction with the audited consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (the “2012 Form 10-K”) filed with the Securities and Exchange Commission on April 1, 2013, and the notes to the audited consolidated financial statements contained in our Amendment No. 1 to our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2012 filed with the Securities and Exchange Commission on April 30, 2013.

3. Liquidity and Management’s Plans

Through June 30, 2013, the Company has incurred an accumulated deficit since inception of $6,749,370. At June 30, 2013, the Company had a cash balance of $567,654, primarily as a result of the private placement discussed in detail elsewhere in this Form 10-Q.

From the Company’s inception, it has generated revenues from the sales and implementation of its internally generated software applications.

The Company’s plan is to increase its sales and market share by developing an expanded network of resellers through which the Company can sell its expanded software product portfolio. The Company expects that this marketing initiative will require that it hire and develop an expanded sales force and enhance its product marketing efforts, all of which will require additional capital.

On the Closing Date, the Company consummated its merger, and its shares began trading on the OTC Bulletin under the symbol “GWIV”. The Company intends to deploy capital to expand its sales and marketing capabilities, develop ancillary software products, enhance its internal infrastructure, support the accounting, auditing and legal costs of operating as a public company, and provide working capital.

The Company expects that through the next 10 to 16 months, the capital requirements to fund the Company's growth and to cover the operating costs as a public company will consume substantially all of the cash flows that it intends to generate from its operations, as well as the funds raised in the private placement discussed elsewhere in this Form 10-Q, in addition to the proceeds of any issuances of debt and equity securities, if consummated. The Company further believes that during this period, while the Company is focusing on the growth and expansion of its business, the gross profit that it expects to generate from operations will not generate sufficient funds to cover these anticipated operating costs. Our cash requirements are insufficient by approximately $120,000 per month. Accordingly, the Company expects to use proceeds from the private placement to sustain operations and to follow through on the execution of its business plan. Assuming over the next 10 to 16 months, we do not increase our cash flow generated from operations, we will need an additional $1,200,000 to $1,920,000 to fund planned operations. There is no assurance that the Company's plans as discussed above will materialize and/or that the Company will have sufficient funds to fund the Company's operations. Given these conditions, the Company's ability to continue as a going concern is contingent upon successfully managing its cash requirements. In addition, the Company's ability to continue as a going concern must be considered in light of the problems, expenses and complications frequently encountered by entrants into established markets, the competitive environment in which the Company operates and its cash requirements. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

Since inception, the Company's operations have primarily been funded through a combination of operating margins, state business development loans, bank loans, loans from friends and family, and the sale of securities. Although management believes that the Company has access to capital resources, there are currently no commitments in place for new financing at this time, and there is no assurance that the Company will be able to obtain funds on commercially acceptable terms, if at all.

During the six months ended June 30, 2013, the Company raised $2,731,021 in net new funds through the issuance of the Company's common stock to certain accredited investors through a private placement. The Company used portions of the net proceeds from the private placement of securities for working capital and general corporate purposes, including without limitation, debt reduction purposes.

The Company expects to use the remaining funds raised through the private placement to fund the Company's operations, including the costs that it expects to incur as a public company, and to fund the Company's plans to increase staff and operations to complete the build-out of its expanded reseller network which the Company believes will enable it to expand into additional markets and deepen its penetration of existing markets. The current level of cash and operating margins may not be enough to cover the existing fixed and variable obligations of the Company, so increased revenue performance and the addition of capital, as needed are critical to the Company's success.

The Company's financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should it be unable to continue as a going concern.

4. Share Exchange

On the Closing Date, Intellinetics was acquired by Globalwise pursuant to the Share Exchange, with Intellinetics remaining as a wholly-owned subsidiary of Globalwise.

In connection with the consummation of the Share Exchange, (i) the stockholders of Intellinetics surrendered all of the issued and outstanding shares of Intellinetics capital stock and received, in exchange for such shares, an aggregate of 28,034,850 shares of common stock of Globalwise on a 4,650-for-1 basis which represented approximately 86% of the Company's total shares outstanding immediately following the closing of the transaction; and (ii) Intellinetics paid $220,000 in advance of the closing and $85,000 upon the closing of the Share Exchange to the stockholders of Globalwise to provide both a reimbursement of professional fees incurred by Globalwise and for the split-off of the net liabilities of Globalwise at closing.

The Share Exchange was accounted for as a "reverse merger". Furthermore, the Share Exchange was deemed to be a recapitalization of Intellinetics, and as such, all capital accounts have been restated as if the Share Exchange had occurred prior to the earliest period presented. Intellinetics was deemed to be the acquirer in the Share Exchange for accounting purposes. Consequently, the assets and liabilities and the historical operations of the Company that are reflected in the financial statements prior to the Share Exchange are those of Intellinetics, and the condensed consolidated financial statements of the Company after completion of the Share Exchange include the assets and liabilities of Intellinetics, historical operations of Intellinetics and operations of Intellinetics from the Closing Date of the Share Exchange.

5. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities, amounts of revenue and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from estimated amounts. Significant estimates and assumptions include reserves related to receivables, the recoverability of long-term assets, depreciable lives of property and equipment, deferred taxes and related valuation allowances. The Company's management monitors these risks and assesses its business and financial risks on a quarterly basis.

Concentrations of Credit Risk

The Company maintains its cash with high credit quality financial institutions. At times, the Company's cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation insurance limit.

The number of customers that comprise the Company's customer base, along with the different industries, governmental entities and geographic regions, in which the Company's customers operate, limits concentrations of credit risk with respect to accounts receivable. The Company does not generally require collateral or other security to support customer receivables; however, the Company may require its customers to provide retainers, up-front deposits or irrevocable letters-of-credit when considered necessary to mitigate credit risk. The Company has established an allowance for doubtful accounts based upon facts surrounding the credit risk of specific customers and past collections history. Credit losses have been within management's expectations. At June 30, 2013 and December 31, 2012, the Company's allowance for doubtful accounts was $20,978 and $6,221, respectively.

Property and Equipment

Property and equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed over the estimated useful lives of the related assets on a straight-line basis. Furniture and fixtures, computer hardware and purchased software are depreciated over 3 to 7 years. Leasehold improvements are amortized over the life of the lease or the asset, whichever is shorter, generally 7 to 10 years. Upon retirement or other disposition of these assets, the cost and related accumulated depreciation and amortization of these assets are removed from the accounts and the resulting gains and losses are reflected in the results of operations.

Impairment of Long-Lived Assets

The Company accounts for the impairment and disposition of long-lived assets in accordance with Accounting Standards Codification ("ASC") Topic 360, "Property, Plant, and Equipment." The Company tests long-lived assets or asset groups, such as property and equipment, for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant adverse changes in the business climate or legal factors; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and a current expectation that the asset will more likely than not be sold or disposed of before the end of its estimated useful life.

Recoverability is assessed based on comparing the carrying amount of the asset to the aggregate pre-tax undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group. Impairment is recognized when the carrying amount is not recoverable and exceeds the fair value of the asset or asset group. The impairment loss, if any, is measured as the amount by which the carrying amount exceeds fair value, which for this purpose is based upon the discounted projected future cash flows of the asset or asset group.

Share Based Compensation

The Company accounts for stock-based payments to employees in accordance with ASC 718, “Stock Compensation” (“ASC 718”). Stock-based payments to employees include grants of stock that are recognized in the consolidated statement of operations based on their fair values at the date of grant.

The Company accounts for stock-based payments to non-employees in accordance with ASC 718 and AC 505-50, “Equity-Based Payments to Non-Employees,” which requires that such equity instruments are recorded at their fair value on the measurement date, with the measurement of such compensation being subject to periodic adjustment as the underlying equity instruments vest.

Both employee and non-employee grants of stock are fully vested at their respective date of grants. For the three months and six months ended June 30, 2013 and 2012, there was no share-based compensation.

Software Development Costs

Software development costs incurred for software to be sold or otherwise marketed prior to the establishment of technological feasibility are expensed as incurred. The Company defines establishment of technological feasibility as the completion of a working model. Software development costs incurred subsequent to the establishment of technological feasibility through the period of general market availability of the product are capitalized, if material. To date, all software development costs for software to be sold or otherwise marketed have been expensed as incurred. In accordance with ASC 350-40, the Company capitalizes purchase and implementation costs of internal use software. No such costs were capitalized during the periods presented.

Valuation of Derivative Instruments

ASC Topic 814-40 (Formerly SFAS No. 133, "Accounting for derivative instruments and hedging activities"), requires that embedded derivative instruments be bifurcated and assessed, along with free-standing derivative instruments on their issuance date and in accordance with ASC Topic 815-40-15 (formerly EITF 00-19, "Accounting for derivative financial instruments indexed to, and potentially settled in, a company's own stock") to determine whether they should be considered a derivative liability and measured at their fair value for accounting purposes. The Company adjusts its derivative liability to fair value at each balance sheet date, and reflects the change in fair value, in its statement of operations as gain or loss on derivative.

Revenue Recognition

a) Sale of software licenses without Professional Services

The Company recognizes revenues in accordance with ASC Topic 985-605, “Software Revenue Recognition” (“ASC 985-605”).

The Company records revenues from the sale of software licenses when persuasive evidence of an arrangement exists, the software has been delivered, there are no significant uncertainties surrounding product acceptance by the customer, the fees are fixed and determinable, and collection is considered probable. Revenues included in this classification typically include sales of additional software licenses to existing customers and sales of software to the Company’s Resellers (See section h) – Reseller Agreements, below).

The Company assesses whether payment terms are customary or extended in accordance with normal practice relative to the market in which the sale is occurring. The Company’s sales arrangements generally include standard payment terms. These terms effectively relate to all customers, products, and arrangements regardless of customer type, product mix or arrangement size.

If an undelivered element for the arrangement exists under the license arrangement, revenues related to the undelivered element are deferred based on vendor specific objective evidence (“VSOE”) of the fair value of the undelivered element. Often, multiple-element sales arrangements include arrangements where software licenses and the associated post-contract customer support (“PCS”) are sold together. The Company has established VSOE of the fair value of the undelivered PCS element based on the contracted price for renewal PCS included in the original multiple element sales arrangement, as substantiated by contractual terms and the Company’s significant PCS renewal experience, from the Company’s existing customer base.

b) Sale of Software Licenses with Professional Services

In connection with the sale of software with professional services, the Company provides the customer with a solution that is customized or configured to fit the customer’s particular needs and/or our professional services are essential to the functionality of the software. In these arrangements, the software license and professional services do not qualify for separate accounting. Accordingly, we record the revenues of these sales as prescribed by ASC 985-605, in accordance with the contract accounting guidelines in ASC 605-35, “Revenue Recognition: Construction-Type and Production-Type Contracts”, after evaluating for separation of any non-ASC 605-35 elements in accordance with the provisions of ASC 605-25, “Revenue Recognition: Multiple-Element Arrangements,” as updated. The accounting guidelines require that the software license revenue to be recognized together with the professional services based on contract accounting using either the percentage-of-completion or completed-contract method. The Company recognizes revenues for these contracts under the completed contract method, as we believe it is the appropriate method through June 30, 2013.

The fair value of any undelivered elements in multiple-element arrangements in connection with the sales of software licenses with professional services are deferred based upon VSOE.

c) Sale of Software as a Service

Sale of software as a service consists of revenues from arrangements that provide customers the use of the Company’s software applications, as a service, typically billed on a monthly or annual basis. Advance billings of these services are not recorded to the extent that the term of the arrangement has not commenced and payment has not been received. Revenue on these services is recognized ratably over the term of the underlying arrangement.

d) Sale of Software Maintenance Services

Software maintenance services revenues consist of revenues derived from arrangements that provide PCS to the Company’s software license holders. These revenues are recognized ratably over the term of the contract. Advance billings of PCS are not recorded to the extent that the term of the PCS has not commenced and payment has not been received.

e) Sales of Consulting Services

Consulting services consist principally of revenues from consulting, advisory services, training and customer assistance with management and uploading of data into the Company’s applications. When these services are provided on a time and material basis, the Company records the revenue as the services are rendered, since the revenues from services rendered through any point in time during the performance period are not contingent upon the completion of any further services. Where the services are provided under a fixed priced arrangement, the Company records the revenue on a proportional performance method, since the revenues from services rendered through any point in time during the performance period are not contingent upon the completion of any further services.

f) Deferred revenues

The Company records deferred revenue primarily related to software maintenance support agreements, when the customer pays for the contract prior to the time the services are performed. Substantially all maintenance agreements have a one-year term that commences immediately following the delivery of the maintained products or on the date of the applicable renewal period.

g) Rights of return and other incentives

The Company does not generally offer rights of return or any other incentives such as concessions, product rotation, or price protection and, therefore, does not provide for or make estimates of rights of return and similar incentives. The Company, from time to time, may discount bundled software sales with PCS services. Such discounts are recorded as a component of the software sale and any revenue related to PCS is deferred over the PCS period based upon appropriate VSOE of fair value.

h) Reseller agreements

The Company executes certain sales contracts through resellers and distributors (collectively, “Resellers”). The Company recognizes revenues relating to sales through Resellers when all the recognition criteria have been met—in other words, persuasive evidence of an arrangement exists, delivery has occurred the fee is fixed and determinable, and collectability is probable. In addition, the Company assesses the credit-worthiness of each Reseller, and if the Reseller is undercapitalized or in financial difficulty, any revenues expected to emanate from such Resellers are deferred and recognized only when cash is received and all other revenue recognition criteria are met.

Advertising

The Company expenses the cost of advertising as incurred. Advertising expense for the three months and six months ended June 30, 2013 and 2012 amounted to approximately $6,698 and $10,072, and $8,857 and $38,267, respectively.

6. Property and Equipment

Property and equipment are comprised of the following:

	June 30, 2013	December 31, 2012
Computer hardware and purchased software	$ 296,900	$ 281,846
Leasehold improvements	221,666	220,166
Furniture and fixtures	88,321	88,322
	606,887	590,334
Less: accumulated depreciation and amortization	(544,319)	(532,205)
Property and equipment, net	$ 62,568	$ 58,129

Total depreciation expense on the Company’s property and equipment for the three months and six months ended June 30, 2013 and 2012 amounted to $6,772 and $12,116, and $7,647 and $14,437, respectively.

7. Notes Payable

On March 24, 2004, the Company's sole operating subsidiary, Intellinetics, issued a note payable to a bank in the amount of $201,024, bearing a current interest rate of 6.25% per annum (the "Bank Loan"). Monthly principal and interest payments are $3,826 each with the final payment due on April 30, 2014. The note is secured by the personal guarantees of the Company's founders, as well as a director. The guarantee by the director is secured by the pledge of the directors' certificate of deposit in the amount of $200,000. In addition, the note is secured by a senior secured interest on all business assets of Intellinetics. The obligation is subject to certain covenants, which require that Intellinetics maintain continuity of operations and which include limitations regarding Intellinetics' indebtedness. In addition, the bank is a party to an intercreditor agreement involving Authority Loan No. 1 and Authority Loan No. 2 (together, the "Authority Loans"), as discussed and defined below, which provides for cross notifications between the lenders.

On July 17, 2009, the Company's sole operating subsidiary, Intellinetics, issued a note payable to the Ohio State Development Authority in the amount of $1,012,500, with a maturity date of September 1, 2015, bearing interest at a rate of 6.00% per annum ("Authority Loan No. 1"). Pursuant to the terms of the loan, Intellinetics was required to pay only interest through September 30, 2010 and then monthly principal and interest payments of $23,779 through September 30, 2015. The note is secured by a senior secured interest on all business assets financed with loan proceeds, as well as a second secured interest in all business assets. Upon maturity, by acceleration or otherwise, Intellinetics shall pay a loan participation fee of $101,250, which is accounted for as a loan premium, accreted monthly, utilizing the interest method, over the term of the loan. Effective December 31, 2012, Intellinetics and the Ohio State Development Authority entered into a Notice and Acknowledgement of Modification to Payment Schedule relating to Authority Loan No. 1 deferring principal and interest payments for a six month period from December 1, 2012 to May 1, 2013, with the next principal and interest payment due on June 1, 2013. Effective March 12, 2013, Intellinetics and the Ohio State Development Authority entered into another Notice and Acknowledgement of Modification to Payment Schedule relating to Authority Loan No. 1, deferring principal and interest payment until December 31, 2013, with the next principal and interest payment due on January 1, 2014. As of June 30, 2013, the principal amount outstanding under Authority Loan No. 1 was $741,788.

On June 3, 2011, the Company's sole operating subsidiary, Intellinetics, issued a note payable to the Ohio State Development Authority in the amount of $750,000, with a maturity date of August 1, 2018, bearing interest at a rate of 1% per annum for the first 12 months, then interest at rate of 7% per annum for the second 12 months ("Authority Loan No. 2"). Pursuant to the terms of the loan, Intellinetics is not obligated to remit payments of principal until the beginning of the third year of the loan, September 1, 2013. The monthly principal and interest payments, beginning on the third anniversary of the loan origination, are $14,850 and are payable on a monthly basis through July 13, 2017. The note is secured by a senior secured interest on all business assets financed with loan proceeds, as well as a second secured interest in all business assets. Upon maturity, by acceleration or otherwise, Intellinetics shall pay a loan participation fee of $75,000, which is accounted for as a loan premium, accreted monthly utilizing the interest method, over the term of the loan. The interest rate of 1% during the first 12 months of this loan was considered to be below market for that period. The Company further determined that over the life of the loan, the effective interest rate was 5.6% per annum. Accordingly, during the first 12 months of the loan, the Company recorded interest expense at the 5.6% rate per annum. The difference between the interest expense accrual at 5.6% and the stated rate of 1% over the first 12 months is credited to deferred interest. The deferred interest amount that is accumulated over the first 12 months of the loan term will be amortized as a reduction to interest expense over the remaining term of the loan. At June 30, 2013 and December 31, 2012, deferred interest of $62,691 and $41,440, respectively, was reflected within long-term liabilities on the accompanying condensed consolidated balance sheets. Effective December 31, 2012, Intellinetics and the Ohio State Development Authority entered into a Notice and Acknowledgement of Modification to Payment Schedule relating to Authority Loan No. 2 deferring the interest payment for a six month period from December 1, 2012 to May 1, 2013, with the next interest payment due on June 1, 2013. Effective March 12, 2013, Intellinetics and the Ohio State Development Authority entered into another Notice and Acknowledgement of Modification to Payment Schedule, deferring principal and interest payment until December 31, 2013, with the next principal and interest payment due on January 1, 2014. As of June 30, 2013, the principal amount outstanding under Authority Loan No. 2 was $750,000.

The Authority Loans were granted to Intellinetics in connection with the State of Ohio's economic development programs. The proceeds from these loans were used by Intellinetics to support its efforts in developing software solutions for its customers.

These Authority Loans are subject to certain covenants and reporting requirements. The material covenants include:

- providing quarterly financial information and management certifications;
- maintaining our principal office in the state of Ohio;
- maintaining insurance for risk of loss, public liability, and worker's compensation;
- delivering notice in the event of default, any pending or threatened action that would materially impair the company;
- permitting the inspection of books, records, and premises;
- not selling or disposing of substantially all of our assets or equity or merging or consolidating with another entity without consent; and
- not pledging or encumbering our assets.

Additionally, Intellinetics is required to, within three years of the respective loan origination dates of each of the Authority Loans, have created and/or retained an aggregate of 25 full time jobs in the State of Ohio. Should Intellinetics not have attained these employment levels by the respective dates, then the interest rates on the Authority Loans shall increase to 10% per annum. The Authority Loans are the subject of an intercreditor agreement involving the Bank Loan, which provides for cross notifications between the lenders in an event of a default. We have had past instances of non-compliance with certain of the loan covenants. We are currently in compliance with the material loan covenants. There can be no assurance that we will not become non-compliant with one or more of these covenants in the future.

On June 6, 2012, the Company issued a note to an individual for $50,000, bearing interest at 10.0% per annum, with a maturity date of June 1, 2013. On May 31, 2013, the Company paid in full, all principal of the $50,000 note and all interest in the amount of $1,168. For the period ended June 30, 2013, the largest amount of principal outstanding and interest accrued but not paid were $0 and $0, respectively. The Company does not have any on-going relationship with the individual.

On August 7, 2012, (the "Effective Date"), the Company issued a $400,000 Promissory Note (the "$400,000 Note") to a Lender. The Principal Sum due to the Lender shall be prorated based on the consideration actually funded by the Lender, plus an approximate 10% Original Issue Discount ("OID") that is prorated based on the consideration actually funded by the Lender as well as any other interest or fees, such that the Company is only required to repay the amount funded and the Company is not required to repay any unfunded portion of the $400,000 Note. The $400,000 Note has a maturity date of twelve (12) months from the Effective Date and accrues interest at zero percent. If the $400,000 Note remains outstanding after 90 days, a one-time 5% interest rate will be applied. In addition, the Lender has the right, at any time 90 days after the Effective Date, at its election, to convert all or part of the outstanding and unpaid Principal Sum and accrued interest into shares of fully paid and non-assessable shares of common stock of the Company. The Conversion Price is the lesser of $1.50 or 70% of the lowest trade price in the 25 trading days previous to the conversion. The common shares issuable upon conversion of the $400,000 Note have "piggyback" registration rights and must be included in the next registration statement the Company files with the "Securities and Exchange Commission. In the event of default under the $400,000 Note, default interest will accrue at a rate of 18% and the Company will be assessed a significant default penalty. The initial consideration received on August 8, 2012 was $100,000, and the Company has not received any further consideration to date from the Lender. On November 8, 2012, the Company and the Lender entered into an amendment to the $400,000 Note extending the repayment date to 180 days from August 8, 2012 for a fee of 15% added to the $400,000 Note, If the Company repays the $400,000 Note on or before 180 days from August 8, 2012, an additional prepayment fee of 15% shall be added to the outstanding balance of the $400,000 Note such that the total balance due to the Lender would be $154,292. The Company has computed the present value of the amount funded at $109,905 as of December 31, 2012 as a result of its non-interest bearing terms. Additionally, the Company recorded a discount in the amount of $23,252 in connection with the initial valuation of the beneficial conversion feature of the note to be amortized utilizing the interest method of accretion over the expected term of the note. Further, the Company has recognized a derivative liability resulting from the variable change in conversion rate in relation to the change in market price of the Company's common stock. The Company recognized a loss on derivative during 2012 in the amount of $15,470 and amortization of the debt discount in the amount of $20,864 in connection with the initial valuation of the beneficial conversion feature of the note for the year ended December 31, 2012. As of December 31, 2012, the principal balance, net of discounts, totaled $107,518. Accrued interest included in accounts payable and accrued expenses totaled $23,056. On January 30, 2013, the Company paid off in full, all principal plus fees in the total amount of $154,292. The termination of the option to exercise the beneficial conversion feature resulted in a derivative gain of $15,470 on January 30, 2013. For the period ended June 30, 2013, the largest amount of principal outstanding and interest accrued but not paid were $0 and $0, respectively. The Company does not have any on-going relationship with the Lender.

On February 15, 2013, the Company converted aggregate amount of debt (principal and interest) in the amount of $489,211 issued by the Company and its sole operating subsidiary, Intellinetics, Inc., to an advisor (as identified in the table below with principal amounts of $131,500, $300,000, and $38,000), ("Alpharion"), into 1,686,935 restricted shares of the Company at a price of $0.29 per share (based on the closing price of Globalwise shares on February 14, 2013, the immediately preceding business day). Prior to the above referenced conversion, pursuant to an assignment and assumption agreement between Intellinetics and the Company dated February 15, 2013, the aggregate amount of debt in the amount of $489,211 held by Intellinetics (the "$489,211 of Intellinetics Debt") was assigned to Globalwise, with the consent of Alpharion, and Globalwise issued to Alpharion a Globalwise convertible promissory note in the amount of $489,211 (the "489,211 of Globalwise Note") in exchange for Alpharion discharging the $489,211of Intellinetics Debt. Following the issuance of the $489,211Globalwise Note, on February 15, 2013, pursuant to a satisfaction of note agreement between Globalwise and Alpharion, Alpharion converted such $489,211 Globalwise Note into 1,686,935 restricted shares of Globalwise (the "1,686,935 Globalwise Restricted Share Issuance"), (subject to the applicable holding period restrictions under Rule 144) in reliance upon exemptions from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D, as promulgated by the SEC. For the period ended June 30, 2013, the largest amount of principal outstanding and interest accrued but not paid were $0 and $0, respectively.

The table below reflects all notes payable at June 30, 2013 and December 31, 2012, respectively, with the exception of related party notes disclosed in Note 8 - Notes Payable - Related Parties.

	June 30, 2013	December 31, 2012
Bank Loan, due April 30, 2014	$ 35,974	$ 60,986
Authority Loan No. 1, due September 1, 2015	741,788	741,788
Authority Loan No. 2, due August 1, 2018	750,000	750,000
Notes payable to advisor, due March 16, 2013	-	131,500
Note payable to advisor, due July 1, 2013	-	300,000
Note payable due August 6, 2013	-	107,518
Note payable to advisor, due February 8, 2013	-	38,000
Note payable due June 1, 2013	-	50,000
Total notes payable	$ 1,527,762	$ 2,179,792
Less current portion	(221,688)	(670,527)
Long-term portion of notes payable	$ 1,306,074	$ 1,509,265

Future minimum principal payments of these notes payable with the exception of the related party notes in Note 8 - Notes Payable - Related Parties, as described in this Note 7 are as follows:

For the Twelve-Month Period Ended June 30,	Amount
2014	$ 221,688
2015	367,680
2016	530,759
2017	154,573
2018	165,747
Thereafter	87,315
Total	$ 1,527,762

As of June 30, 2013 and December 31, 2012, accrued interest for these notes payable with the exception of the related party notes in Note 8 - Notes Payable - Related Parties, was $115,289 and $133,894, respectively, and reflected within accounts payable and accrued expenses on the condensed consolidated balance sheets. As of June 30, 2013 and December 31, 2012, accrued loan participation fees were $120,523 and $104,277, respectively, and reflected within accounts payable and accrued expenses on the condensed consolidated balance sheets. As of June 30, 2013 and December 31, 2012, deferred financing costs were $22,796 and $26,954, respectively, and reflected within other assets on the condensed consolidated balance sheets.

For the three months and six months ended June 30, 2013 and 2012, interest expense, including the amortization of deferred financing costs, accrued loan participation fees, original issue discounts, deferred interest and related fees and the embedded conversion feature was $36,548 and $100,788, and $51,100 and $99,665, respectively.

8. Notes Payable - Related Parties

On March 29, 2012, the Company issued an unsecured note payable to Ramon Shealy ("Mr. Shealy"), a then director of the Company, who subsequently resigned from the Board of Directors on December 17, 2012, for personal reasons, in the amount of $238,000, bearing interest at a rate of 10% for the term of the note. All principal and interest was due and payable on June 27, 2012, but was later extended to November 24, 2012. On April 16, 2012, the Company issued a note payable to Mr. Shealy, in the amount of $12,000, bearing interest at a rate of 10% per quarter. All principal and interest was due on July 15, 2012, but was later extended to November 24, 2012. On November 24, 2012 the $238,000 Shealy Note and the $12,000 Shealy Note were combined into a $250,000 promissory note, under the same terms, with a maturity date of January 1, 2014. On March 13, 2013, the Company paid $100,000 of the principal amount of the $250,000 promissory note to Mr. Shealy. As of June 30, 2013, the $250,000 promissory note issued to Mr. Shealy had a principal balance of $150,000 and accrued interest of $22,076.

On June 20, 2012, the Company issued an unsecured promissory note payable to Jackie Chretien, a relative of the Company's Founders, in the amount of $14,000, due July 1, 2014 and bearing interest at 5% per annum, with the principal and interest to be paid at maturity (the "$14,000 Jackie Chretien Note"). On March 5, 2013, the Company paid off in full, all principal of the $14,000 Jackie Chretien Note, and all accrued interest in the amount of $493. For the period ended June 30, 2013, the largest amount of principal outstanding and interest accrued but not paid were $0 and $0, respectively.

On March 2, 2009, the Company issued an unsecured promissory note payable to Jackie Chretien, in the amount of $80,000 due January 1, 2014 and bearing interest at 5% per annum, with the principal and interest to be paid at maturity (the "$80,000 Jackie Chretien Note"). During 2011, the Company paid $15,000 in principal to Jackie Chretien. During the six months ended June 30, 2013, the Company paid $17,500 in principal and $9,014 in accrued interest to Jackie Chretien related to this note. As of June 30, 2013 the $80,000 Jackie Chretien Note had a principal balance of $47,500 and accrued interest of $1,559.

On December 29, 2001, the Company issued an unsecured promissory note payable to A. Michael Chretien, a Founder of the Company, in the amount of $55,167, with any unpaid principal and interest due on January 1, 2014 (the "$55,167 A. Michael Chretien Note"). During 2011, the Company made principal payments of $14,752 to A. Michael Chretien. As of June 30, 2013, the $55,167 A. Michael Chretien Note had a principal balance of $40,415 and accrued interest of $13,082.

On July 16, 2012, the Company issued an unsecured note payable to a shareholder, Mr. Haddix (who on December 13, 2012 became a member of the Board of Directors of the Company and subsequently resigned from the Board on April 2, 2013 for health reasons), in the amount of $95,000, due 45 days from the date of issuance and bearing interest at a rate of 10% per annum, with the principal and interest to be paid on maturity (the "$95,000 Haddix Note"). On August 29, 2012 the maturity was extended to November 16, 2012. On November 16, 2012 the maturity was extended to December 16, 2012. On December 14, 2012, the maturity was extended to January 15, 2013 with all other terms remaining unchanged. On January 14, 2013 the Company entered into a satisfaction of note agreement with Mr. Haddix whereby Mr. Haddix surrendered the note to the Company and discharged the principal amount due under the Note in consideration for the Company issuing to Mr. Haddix a convertible promissory note in the amount of $95,000 plus accrued interest of $4,659 (for a total of $99,659) due January 1, 2014. On January 15, 2013 Mr. Haddix exercised his conversion rights under the convertible promissory note and surrendered the convertible promissory note to the Company. The company issued to Mr. Haddix 311,434 restricted common shares, $.001 par value, at $0.32 per share (based on the closing price on the immediately preceding business day subject to the applicable holding period restrictions under Rule 144) in reliance upon exemptions from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D, as promulgated by the SEC. For the period ended June 30, 2013, the largest amount of principal outstanding and interest accrued but not paid were $0 and $0, respectively.

The table below reflects Notes payable due to related parties at June 30, 2013 and December 31, 2012, respectively:

	June 30, 2013	December 31, 2012
The $95,000 Haddix Note	$ -	$ 95,000
The $14,000 Jackie Chretien Note	-	14,000
The $80,000 Jackie Chretien Note	47,500	65.000
The $55,167 A. Michael Chretien Note	40,415	40,415
The $250,000 Shealy Note	150,000	250,000
Total notes payable - related party	$ 237,915	$ 464,415
Less current portion	(237,915)	(95,000)
Long-term portion of notes payable-related party	$ -	$ 369,415

Future minimum principal payments of these notes payable as described in this Note 8 are as follows:

For the Twelve Months Ended June 30,	Amount
2014	$ 237,915
Total	$ 237,915

As of June 30, 2013 and December 31, 2012, accrued interest for these notes payable to related parties amounted to $36,718 and $72,033, respectively.

For the three months and six months ended June 30, 2013 and 2012, interest expense in connection with notes payable – related parties was $4,678 and $9,901, and $21,211 and $26,933, respectively.

9. Deferred Compensation

Deferred compensation consists of accumulated compensation earned by the Company's two founders, President and Chief Executive Officer, and Chief Financial Officer and not paid as of June 30, 2013 and December 31, 2012. Pursuant to the Company's employment agreements with the founders, the Company has agreed to pay deferred compensation totaling $215,012 in cash to these founders on March 31, 2015. All other deferred compensation will be paid during 2013.

10. Commitments and Contingencies

Employment Agreements

The Company has entered into employment agreements with four of its key executives. Under their respective agreements, the executives serve at will and are bound by typical confidentiality, non-solicitation and non-competition provisions.

Operating Leases

On January 1, 2010, the Company entered into an agreement to lease 6,000 rentable square feet of office space in Columbus, Ohio at a monthly rent of $3,375. The lease commenced on January 1, 2010 and, pursuant to a lease extension dated February 21, 2012, the lease expires on December 31, 2014. The Company has no other leases.

Future minimum lease payments under this operating lease are as follows:

For the Twelve Months Ended June 30,	Amount
2014	$ 40,500
2015	20,250
Total	$ 60,750

Rent expense charged to operations for the three months and six months ended June 30, 2013 and 2012 amounted to $10,125 and $20,250, respectively.

11. Stockholders' Equity

Description of Authorized Capital

The Company is authorized to issue up to 50,000,000 shares of common stock with $0.001 par value. The holders of the Company's common stock are entitled to one vote per share. The holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of legally available funds. However, the current policy of the Board of Directors is to retain earnings, if any, for the operation and expansion of the business. Upon liquidation, dissolution or winding-up of the Company, the holders of common stock are entitled to share ratably in all assets of the Company that are legally available for distribution.

Sales of Unregistered Securities

On February 28, 2013 and March 6, 2013, the Company, entered into a securities purchase agreement (the "Purchase Agreement") with certain accredited investors, pursuant to which it sold an aggregate of 15,000,000 shares of the Company's common stock, par value, $0.001 per share ("Common Stock") at a purchase price of $0.20 per share, for aggregate cash proceeds of $2,650,000 and the exchange of $350,000 in previously issued convertible promissory notes issued between January 28, 2013 and February 7, 2013 to certain investors associated with the Placement Agent (the "Offering"). The Company intends to use the net proceeds of the Offering for working capital and general corporate purposes, including without limitation, debt reduction purposes. The Company retained Taglich Brothers, Inc. (the "Placement Agent") as the exclusive placement agent for the Offering. In connection with the Offering, the Company paid the Placement Agent a cash payment of $268,979, which represented an 8% commission of the gross proceeds and approximately $28,979 for reimbursement for reasonable out of pocket expenses, FINRA filing fees and related legal fees. In addition, the Placement Agent earned warrants to purchase 1,500,000 shares of Common Stock, which represented 10% of the shares of Common Stock sold in the Offering (the "Placement Agent Warrants"), which have an exercise price of $0.24 per share of Common Stock, will be exercisable for a period of four years, contain customary cashless exercise and anti-dilution protection and are entitled to registration rights. Pursuant to the Purchase Agreement, the Company agreed to (a) file a registration statement (the "Registration Statement") with the SEC no later than May 29, 2013 covering the re-sale of the Common Stock shares sold in the Offering and the Common Stock shares issuable upon exercise of the Placement Agent Warrants. The Company also agreed to use commercially reasonable efforts to have the Registration Statement become effective as soon as possible after filing (and in any event within 90 days of the filing of such Registration Statement). The shares of Common Stock sold in the Offering were not registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state, and were offered and sold in reliance on the exemption from registration afforded by Section 4(2) and Regulation D (Rule 506) under the Securities Act and corresponding provisions of state securities laws, which exempt transactions by an issuer not involving any public offering. The investors are "accredited investors" as such term is defined in Regulation D promulgated under the Securities Act.

Shares Issued and Outstanding and Shares Reserved for Exercise of Warrants

Since the issuance of the shares of Common Stock in the Offering described above, the Company has 47,362,047 shares of Common Stock issued and outstanding; and 1,848,214 shares reserved for issuance upon the exercise of outstanding warrants.

Assignment and Assumption of Notes, Conversion of Notes to Convertible Promissory Notes, and Conversion of Convertible Promissory Notes to Restricted Common Stock

On February 15, 2013, the Company converted aggregate amount of debt (principal and interest) in the amount of $489,211 issued by the Company and its sole operating subsidiary, Intellinetics, Inc., to Alpharion Capital Partners, Inc. ("Alpharion") into 1,686,935 restricted shares of the Company at a price of $0.29 per share (based on the closing price of Globalwise shares on February 14, 2013, the immediately preceding business day). Prior to the above referenced conversion, pursuant to an assignment and assumption agreement between Intellinetics and the Company dated February 15, 2013, the aggregate amount of debt in the amount of $489,211 held by Intellinetics (the "$489,211 of Intellinetics Debt") was assigned to Globalwise, with the consent of Alpharion, and Globalwise issued to Alpharion a Globalwise convertible promissory note in the amount of $489,211 (the "$489,211 of Globalwise Note") in exchange for Alpharion discharging the $489,211 of Intellinetics Debt. Following the issuance of the $489,211 Globalwise Note, on February 15, 2013, pursuant to a satisfaction of note agreement between Globalwise and Alpharion, Alpharion converted such $489,211 Globalwise Note into 1,686,935 restricted shares of Globalwise (the "1,686,935 Globalwise Restricted Share Issuance"), (subject to the applicable holding period restrictions under Rule 144) in reliance upon exemptions from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D, as promulgated by the SEC. For the period ended June 30, 2013, the largest amount of principal outstanding and interest accrued but not paid were $0 and $0, respectively.

On July 16, 2012, the Company issued an unsecured note payable to a shareholder, Mr. Haddix (who on December 13, 2012 became a member of the Board of Directors of the Company, and subsequently resigned from the Board on April 2, 2013 for health reasons), in the amount of $95,000, due 45 days from the date of issuance and bearing interest at a rate of 10% per annum, with the principal and interest to be paid on maturity (the "$95,000 Haddix Note"). On August 29, 2012, the maturity was extended to November 16, 2012. On November 16, 2012, the maturity was extended to December 16, 2012. On December 14, 2012 the maturity was extended to January 15, 2013. All other provisions of the promissory note were unchanged. On January 14, 2013, Globalwise entered into a satisfaction of note agreement with Mr. Haddix whereby Mr. Haddix surrendered the $95,000 Haddix Note and accrued interest in the amount of $4,659 (for a total of $99,659) to Globalwise and discharged the principal and accrued interest in the amount of $99,659 in consideration for Globalwise issuing to Mr. Haddix a convertible promissory note in the amount of $99,659 due February 15, 2013 at an interest rate of 10%. On January 14, 2013, Mr. Haddix exercised his conversion rights under the convertible promissory note and surrendered the convertible promissory note to Globalwise and Globalwise issued to Mr. Haddix 311,434 restricted common shares, $0.001 par value, at $0.32 per share (based on the closing price on the immediately preceding business day) (subject to the applicable holding period restrictions under Rule 144) in reliance upon exemptions from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D, as promulgated by the SEC. For the period ended June 30, 2013, the largest amount of principal outstanding and interest accrued but not paid were $0 and $0, respectively.

Return to Treasury of Shares and Issuance of Contingent Warrants

On February 15, 2013, the Company and A. Michael Chretien, a member of the Board of Directors of the Company, entered into a return to treasury agreement dated February 15, 2013, whereby A. Michael Chretien returned 3,500,000 shares of common stock of the Company, par value $0.001 per share to the Company. As consideration for A. Michael Chretien returning to treasury 3,500,000 shares of Common Stock he owns, the Company issued a four-year warrant to A. Michael Chretien with a right to purchase 3,500,000 shares of Common Stock at $0.001 per share within four-years of the shareholders of the Company increasing the number of authorized shares of Common Stock of the Company (the "A. Michael Chretien Warrant"), with piggyback registration rights. The A. Michael Chretien Warrant has a right of first refusal for A. Michael Chretien to exercise up to 3,500,000 shares prior to the Company issuing shares of Common Stock in any transaction. The Company issued the A. Michael Chretien Warrant in reliance on an exemption from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D, as promulgated by the SEC. Based on the closing price of company shares on February 15, 2013, of $0.28 per share, the approximate value of 3,500,000 shares is equal to $980,000.

On February 15, 2013, the Company and Matthew Chretien, a member of the Board of Directors of the Company, entered into a return to treasury agreement dated February 15, 2013, whereby Matthew Chretien returned 3,500,000 shares of common stock of the Company, par value $0.001 per share to the Company. As consideration for Matthew Chretien returning to treasury 3,500,000 shares of Common Stock he owns, the Company issued a four-year warrant to Matthew Chretien with a right to purchase 3,500,000 shares of Common Stock at $0.001 per share within four-years of the shareholders of the Company increasing the number of authorized shares of Common Stock of the Company (the "Matthew Chretien Warrant"), with piggyback registration rights. The Matthew Chretien Warrant has a right of first refusal to exercise up to 3,500,000 shares prior to the Company issuing shares of Common Stock in any transaction, other than pursuant to the A. Michael Chretien Warrant. The Company issued the Matthew Chretien Warrant in reliance on an exemption from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D, as promulgated by the SEC. Based on the closing price of company shares on February 15, 2013, of $0.28 per share, the approximate value of 3,500,000 shares is equal to $980,000.

Settlement Agreement Between the Company and a Service Provider

On February 8, 2013, Globalwise and a service provider reached an agreement to settle outstanding accounts payable in the amount of $262,000 for the issuance of 873,333 restricted shares of common stock of the Company to the service provider (the "873,333 Restricted Shares") (with piggyback registration rights), a lump sum payment of $50,000, and mutual release and generally for the discharge of all past, present and future claims against each other (the "Settlement Agreement"). The Company issued the 873,333 Restricted Shares in reliance on an exemption from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D, as promulgated by the SEC.

Issuance and Conversion of Convertible Notes

Between January 28, 2013 and February 7, 2013, the Company issued six convertible promissory notes in an aggregate amount of $350,000 (the "Notes in an Aggregate Amount of $350,000") to six accredited investors who are associated with each other (the six accredited investors collectively referred to as the "$350,000 Investors"). The Company received proceeds in an aggregate amount of $350,000, with the final payment being received by the Company on February 7, 2013. The terms of the Notes in an Aggregate Amount of $350,000 provide for maturity on July 31, 2013 (the "Maturity Date") and provide for zero percent interest until maturity. The $350,000 Investors received warrants to purchase an aggregate amount of 262,500 common shares (par value $0.001 per share) at $0.28 per share (the "Investor Warrants"). The $350,000 Investors have a right, at their sole discretion, to convert the notes into equity under certain circumstances. Under its terms, if the Notes in the Amount of $350,000 are not paid off by the Company by the Maturity Date or converted in to equity at the election of the $350,000 Investors prior to the Maturity Date, the notes accrue interest in the amount of 15% from the Maturity Date until the notes are paid in full. The Company used the proceeds to pay off the $400,000 Note (as described in Note 7), to settle other accounts, for working capital and for general corporate purposes. On February 28, 2013, the $350,000 Investors converted the notes into equity in the Offering disclosed above.

12. Concentrations

Revenues from the Company's services to a limited number of customers have accounted for a substantial percentage of the Company's total revenues. For the three months ended June 30, 2013, the Company's two largest customers, Dicarz Corp. ("Dicarz"), a reseller, and Ohio Auditor of State, a direct client, accounted for 15% and 9%, respectively, of the Company's revenue for that period. For the three months ended June 30, 2012, the Company's two largest customers, Tiburon, Inc. ("Tiburon") and Lexmark International, Inc. ("Lexmark"), which are both Resellers, accounted for approximately 39% and 11%, respectively, of the Company's revenue for that period. For the six months ended June 30, 2013, the Company's two largest customers, Dicarz and Tiburon, accounted for approximately 10% and 8%, respectively, of the Company's revenues for that period. For the six months ended June 30, 2012, the Company's two largest customers, Tiburon and Lexmark, accounted for approximately 33% and 12%, respectively, of the Company's revenues for that period.

For the three months ended June 30, 2013 and 2012, government contracts represented approximately 44% and 32% of the Company's total revenues, respectively. A significant portion of the Company's sales to Tiburon and Lexmark represent ultimate sales to government agencies. For the six months ended June 30, 2013 and 2012 government contracts represented approximately 47% and 35%, respectively, of the Company's net revenue.

As of June 30, 2013, accounts receivable concentrations from the Company's two largest customers were 15% and 12% of gross accounts receivable, respectively, and as of June 30, 2012, accounts receivable concentrations from the Company's two largest customers were 28% and 5% of gross accounts receivable, respectively. Accounts receivable balances from the Company's two largest customers at June 30, 2013 have since been partially collected.

13. Fair Value Measurements

The Company applies ASC Topic 820, Fair Value Measurements and Disclosures, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis. ASC Topic 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC Topic 820 establishes three levels of inputs that may be used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Except for the conversion feature related to the $400,000 note, which was paid in full on January 30, 2013, which was measured at fair value on a recurring basis, the Company does not have any financial assets and liabilities or nonfinancial assets and liabilities that are measured and recognized at fair value on a recurring or nonrecurring basis.

Management used the following methods and assumptions to estimate the fair values of financial instruments at the balance sheet dates:

- For short-term financial instruments, including cash, accounts receivable, accounts payable and accrued expenses, accrued expenses-related parties, and current notes payable the carrying amounts approximate fair values because of the short maturity of these instruments.
- The carrying value of long term notes payable approximates fair value as the interest rates are at market value.
- The fair value of the conversion feature related to the $400,000 note was determined using a monte-carlo model (Level 2 Inputs) which considers the following significant inputs: the Company's stock price, risk-free interest rate and expected volatility of the Company's stock price over the expected term of the conversion option.

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

The following discussion and analysis of the results of operations and financial condition of the Company for the three and six months ended June 30, 2013 and 2012 should be read in conjunction with our financial statements and the notes to those financial statements that are included elsewhere in this Quarterly Report on Form 10-Q for fiscal quarter ended June 30, 2013 (the "Form 10-Q"), with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for fiscal year ended December 31, 2012 (the "2012 Form 10-K"), and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Amendment No. 1 to our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2012 filed with the Securities and Exchange Commission on April 30, 2013. References in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" to the "Company," "us," "we," "our," and similar terms refer to Globalwise Investments, Inc., a Nevada corporation ("Globalwise"), and our wholly-owned subsidiary, Intellinetics, Inc., an Ohio corporation ("Intellinetics"), unless otherwise noted. Portions of this Form 10-Q (including information incorporated by reference) include "forward-looking statements." The matters discussed in these forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. The most significant of these risks, uncertainties and other factors are described in "Item 1A-Risk Factors" of our 2012 Form 10-K. Except to the extent required by applicable law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Recent Development

On July 31, 2013, our Board of Directors appointed Matthew L. Chretien, as our interim President and Chief Executive Officer.

Mr. Chretien, age 45, replaces William J. Santiago who resigned as President and Chief Executive Officer and as a Board member of the Company and its sole-operating subsidiary, Intellinetics, Inc., effective as of the same date in order to pursue other interests.

During the interim period, there will be no changes to Mr. Chretien's employment agreement other than the change in title to interim President and Chief Executive Officer. Mr. Chretien will also continue in his role as a Director of the Board, Chief Technology Officer and Treasurer. Mr. Chretien is the son of A. Michael Chretien, a co-founder of Intellinetics and the Chairman of the Board of the Company.

The Share Exchange

Globalwise is a Nevada holding company incorporated in 1997, with a single operating subsidiary, Intellinetics. On February 10, 2012 (the "Closing Date"), Globalwise entered into a Securities Exchange Agreement (the "Exchange Agreement") by and between itself and Intellinetics. Pursuant to the terms of the Exchange Agreement, all of the former shareholders of Intellinetics transferred to Globalwise all of their shares of Intellinetics in exchange for shares of common stock ("Share Exchange") of Globalwise. Prior to the Share Exchange, Globalwise was a non-operating public shell company. As a result of the Share Exchange, Intellinetics became a wholly-owned subsidiary of Globalwise. The Share Exchange was accounted for as a reverse merger and recapitalization of Intellinetics (See Note 4 – Share Exchange).

Overview

We are an enterprise content management ("ECM") software development, sales and marketing company serving both public and private sector clients. In the public sector, our products, services and process models serve the critical needs of law enforcement and compliance agencies within the state and local government establishment. We have been providing ECM solutions for customers since 1996. Through our software platforms and value added solutions, our customers are able to realize improvements in business processes, customer service and operational efficiencies. These solutions make the process of storing, organizing, managing and retrieving documents simple, accessible and cost efficient.

Historically, we have derived revenues primarily from the development and licensing of customer-specific software solutions and fees paid for related consulting and software maintenance services. In an effort to expand our business, we took on certain projects with lower margins because (i) those projects allowed us to enter new geographic markets, (ii) those projects enabled us to demonstrate our capabilities to large national resellers, or (iii) working on those projects allowed us to develop product and service features and enhancements that we were able to integrate into our suite of products, resulting in an overall product portfolio that better aligns with the needs of our target customers.

Our sales cycle has historically been comparatively long (i.e., 18-24 months), and customer margins have varied as we provided customer-focused services and project specific features to satisfy a customers' specific needs.

Our strategy is to migrate our sales efforts toward a much greater percentage of sales through intermediaries, such as software resellers, rather than through direct sales. We have been developing marketing programs with resellers that facilitate their selling and support of our software solutions. We refer to these resellers as our "channel partners."

We believe that these channel partner strategy improvements have increased the competitive strength of our platform of products. In addition, we have established a set of business solutions templates that provide base software configurations which we believe will facilitate our delivery and installation of software to our customers. We believe that these advancements, in the aggregate, will allow us to license and sell our products to a broader customer base, shortening our sales cycle, making margins more consistent, and allowing us to expand our sales through new channel partnerships.

To date, most of our software customers install our software onto computers at their location (premises-based). Our software applications are also available through the internet, as a service generally referred to as the "cloud" or "SaaS" ("software as a service"), allowing customers to avoid the upfront costs of the typical premises-based software installation. We anticipate that software as a service will become a primary source of revenues for us. Our software as a service revenue for the three and six months ended June 30, 2013, represented 6 percent and 7 percent, respectively, of our total revenue for each period. As we continue to develop and expand our software as a service revenue stream through our expanding network of channel partners, we expect to continue to see fluctuations in revenue which reflect the net impact of channel partner-specific sales plans and priorities. While subscriber growth through software as a service delivery is a key strategic goal, channel partners also are able to sell premise-based solutions. Thus, quarter to quarter variations in revenue sources are expected and reflect different channel partner-specific strategies and results. Over the long term, we expect software as a service will continue to increase as a percentage of total revenue. As an indication of the anticipated change in our revenue stream, at December 31, 2011, we had eight customers subscribing to software as a service and at December 31, 2012, we had 231 customers subscribing to software as a service, with an increase to 357 customers subscribing to software as a service by June 30, 2013.

Revenues

Revenues are generated from sale of software license without professional services; sale of software license with professional services; sale of software as a service; sale of software maintenance services; and sale of consulting services. Our revenues, especially our software license revenues, are impacted by the competitive strength of our software products, as well as general economic and industry conditions.

For our sales of software without professional services and sales of software with professional services, our customer base has traditionally been made up of customers with larger projects that can take as much as nine months to two years to complete. For these projects, our policy is to not recognize revenue until the project is complete and delivered to our customer. As such, there are spikes in our revenue when these projects are completed and the associated revenue is recognized. As a result, revenues for sales of software without professional services and sales of software with professional services may vary widely from quarter to quarter.

Cost of Revenues

We maintain a staff of software design engineers, developers, installers and customer support personnel, dedicated to the development and implementation of customer applications, customer support and maintenance of deployed software applications. While the total costs related to these personnel are relatively consistent from period to period, the cost of revenues categories to which these costs are charged may vary depending on the type of work performed by our staff.

Cost of revenues also includes the cost of server hosting and software as a service applications, as well as certain third-party costs and hardware costs incurred. Third-party and hardware costs are recognized when incurred and may vary widely from quarter to quarter.

Sales and Marketing Expenses

Sales expenses consist of compensation and overhead associated with the development and support of our channel sales network, as well as our direct sales efforts. Marketing expenses consist primarily of compensation and overhead associated with the development and production of product marketing materials, as well as promotion of the Company's products through trade and industry marketing initiatives.

General and Administrative Expenses

General and administrative expenses consist of the compensation and overhead of administrative personnel and professional service firms performing administrative functions, including management, accounting, finance and legal services, in addition to expenses associated with infrastructure, including depreciation, information technology, telecommunications, facilities and insurance.

Interest, Net

Interest, net, consists primarily of interest expense associated with our notes payable. See Results of Operations – Interest Expense – Net, for additional information.

Results of Operations

Overview

We reported net losses of $408,907 and $155,250 for the three months ended June 30, 2013 and 2012, respectively, representing an increase in net loss of $253,657 or 163% and a $86,419 net increase in operating and other expenses during this period. The increase in net loss between the three months ended June 30, 2013 and 2012 included a decrease in gross profit of $198,322 or 33% between the three months ended June 30, 2013 and 2012. The increase in operating and other expenses for the three months ended June 30, 2013 principally consisted of legal, consulting and professional fees incurred relating to operating as a public company. We reported net losses of $1,080,704 and $1,303,123 for the six months ended June 30, 2013 and 2012, respectively, representing a decrease in net loss of $222,419, or 17%. A decrease in gross profit of $79,317 for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012 was offset by a $301,736 net decrease in operating and other expenses during this period. Our decrease in operating and other expenses for the six months ended June 30, 2013 was principally related to costs that we incurred in connection with the Share Exchange in the six months ended June 30, 2012.

Revenues

Our total revenues for the three months ended June 30, 2013 were $581,164 as compared to $887,285 for the three months ended June 30, 2012, a decrease of $306,121, or 35%, primarily attributable to decreases in revenues from software licenses with professional services and consulting services. Our total revenues for the six months ended June 30, 2013 were $936,036 as compared to $1,247,613 for the six months ending June 30, 2012, a decrease of $311,577 or 25%. The decrease was primarily attributable to the decrease in revenues from software licenses with professional services and consulting services as described below.

Sale of Software Licenses without Professional Services

Revenues from the sale of software licenses without professional services principally consist of sales of additional or upgraded software licenses and applications to existing customers and sales of software to our resellers. Software in this sales category is sold without professional services. These software license revenues were $130,619 and $34,939, respectively, for the three months ended June 30, 2013 and 2012, representing an increase of $95,680, or 274%. For the six months ended June 30, 2013 and 2012, these revenues were $139,279 and $56,678, respectively, representing an increase of $82,601, or 146%. The increase in sales of software licenses without professional services was due in part to additional sales and upgrades to existing customers.

Sale of Software Licenses with Professional Services

Although we have traditionally provided our software to customers through customized solutions, increasingly, we are providing our resellers and our direct customers with software solutions that require less customization that in turn, allows us to shorten our sales cycle. A new customized software engagement typically begins with a thorough assessment and mapping of the customer's needs capacities and information technology environment. Upon the completion of the needs analysis, we then prepare a specifications document in order to determine the scope and extent of professional services work required. Then, the customization work starts with the foundation of our core software applications upon which we deliver professional services to customize features, enhancements and integration that would meet the outlined specifications. Each application is thoroughly tested by us before being installed at the customer's location. Revenues from the sale of software licenses with professional services were $119,733 and $393,403, respectively, for the three months ended June 30, 2013 and 2012 representing, a decrease of $273,670, 70%. For the six months ended June 30, 2013 and 2012, revenues were $119,733 and $413,395, a decrease of $293,662, or 71%. This was primarily the result of our emphasis on expanding our software as a service sales model and a decrease in focus of our premise base software sales in order to follow current market trends.

Sale of Software as a Service

For those customers that wish to avoid the upfront costs of typical premises-based software installations, we provide access to our software as a service, accessible through the internet. Our customers typically enter into software as a service agreement for periods in excess of one year. Under these agreements, we generally provide access to the applicable software, data storage and related customer assistance and support. Our software as a service revenue was $34,320 and $24,596 for the three months ended June 30, 2013 and 2012, respectively, representing an increase of $9,724 or 40%. For the six months ended June 30, 2013 and 2012, software as a service revenue was $69,111 and $53,637, respectively, an increase of $15,474 or 29%.

Sale of Software Maintenance Services

Software maintenance services revenues consist of fees for post contract customer support services provided to license holders. These agreements allow our customers to receive technical support, enhancements and upgrades to new versions of our software products when and if available. Customer support revenues are generated from customers that have purchased our software. The terms of support and maintenance agreements are typically 12 months. Our software maintenance services revenue was $213,542 for the three months ended June 30, 2013 as compared to $195,857 for the three months ended June 30, 2012, an increase of $17,685, or 9%. Our software maintenance services revenue for the six months ended June 30, 2013 and 2012 were $437,006 and $373,308, respectively, an increase of $63,698, or 17%. The increase was primarily the result of new accounts that we have gained through our expanded sales channel partners and renewals of existing maintenance agreements.

Sale of Consulting Services

Consulting services revenues consist of revenues from consulting, advisory services, training, and projects to assist customers with the uploading of client data into the client's applications. Consulting services revenues for the three months ended June 30, 2013 and 2012 were $82,950 and $238,490, respectively, representing a decrease of $155,540, or 65%. For the six months ended June 30, 2013 and 2012 consulting revenues was $170,907 and $350,595, respectively, a decrease of $179,688 or 51%. This decrease primarily resulted from two large client projects completed in 2012.

Cost of Revenues

The cost of revenues during the three months ended June 30, 2013 and 2012 were $182,363 and $290,162, respectively, representing a decrease of $107,799 or 37%. The cost of revenues during the six months ended June 30, 2013 and 2012 were $361,849 and $594,109, respectively, representing a decrease of $232,260 or 39%. The decrease in total cost of revenues is primarily the result of a decrease in third-party costs in connection with a client document conversion project in 2012.

Gross Margins

Gross margin for the company may vary widely from quarter to quarter because revenues are recognized upon the completion of software and consulting projects, while the related costs are recognized when incurred.

The gross margin for the three months ended June 30, 2013 was 69% as compared to 67% for the three months ended June 30, 2012. Overall gross margin for the six months ended June 30, 2013 was 61%, as compared to 52% for the six months ended June 30, 2012. The increase in gross margin is primarily related to thirty-party costs for the six months ending June 30, 2012 in connection with document conversion services and third-party hardware which have little to no margin.

Cost of License Revenues – without Professional Services

Cost of license revenues without professional services consists primarily of third-party software licenses that are sold in connection with our core software applications. Cost of license revenues without professional services was $6,733 and $14,627 for the three months ended June 30, 2013 and 2012, respectively, representing a decrease of $7,894, or 54%. For the six months ended June 30, 2013, costs of license revenues without professional services were $13,103, as compared to $31,832 for the six months ended June 30, 2012, representing a decrease of $18,729 of 59%.

Gross margins for this product category were 95% and 58% for the three months ended June 30, 2013 and 2012, respectively. Gross margins for this product category were 91% and 44% for the six months ended June 30, 2013 and 2012, respectively. The gross margin increases for the three and six month periods were the result of license costs spread over higher volume software licenses.

Cost of License Revenues – with Professional Services

Cost of license revenues with professional services consists primarily of the compensation of our software engineers and implementation consultants. Costs of license revenues with professional services were $117,015 for the three months ended June 30, 2013, as compared to $109,229 for the three months ended June 30, 2012, representing an increase of $7,786, or 7%. For the six months ended June 30, 2013, costs of license revenues with professional services were $231,951, as compared to $262,855 for the six months ended June 30, 2012, representing a decrease of $30,904 of 12%.

Gross margins for this product category were 2% and 72% for the three months ended June 30, 2013 and 2012, respectively. For the six months ending June 30, 2013 and 2012, the gross margins for this product category were (94%) and 36%, respectively.

This volatility in gross margin is primarily because the Company recognizes revenue based on the complete contract method, while expenses associated with that same revenue are recorded as incurred.

Cost of Software as a Service

Cost of software as a service consists primarily of technical support personnel and related costs. Cost of software as a service was $6,893 for the three months ended June 30, 2013, as compared to $7,364 for the three months ended June 30, 2012, representing a decrease of $471, or 6%. For the six months ended June 30, 2013 cost of software as a service were $13,803, as compared to $13,894 for the six months ended June 30, 2012, representing a decrease of $91, or less than 1%. The decrease in the cost of software as a service was due to the decrease in time associated with technical support personnel.

Gross margins for this product category were 80% and 70% for the three months ended June 30, 2013 and 2012, respectively. For the six months ending June 30, 2013 and 2012, the gross margins were 80% and 74%, respectively.

Cost of Software Maintenance Services

Cost of software maintenance services consists primarily of technical support personnel and related costs. Cost of software maintenance services for the three months ended June 30, 2013 was $32,374 compared to $36,404 for the three months ended June 30, 2012, representing a decrease of $4,030, or 11%. For the six months ended June 30, 2013 cost of software maintenance services were $60,324, as compared to $61,284 for the six months ended June 30, 2012, representing a decrease of $960, or 2%.The decrease in cost of software maintenance services for the three months ending June 30, 2013 were a direct result from an increase in revenues for this product category, as well as our focused efforts to reduce support costs through better utilization of knowledge-based tools and our customer support portal.

Gross margins in this product category were 85% and 81% for the three months ended June 30, 2013 and 2012, respectively. For the six months ending June 30, 2013 and 2012, the gross margins were 86% and 84%, respectively.

Cost of Consulting Services

Cost of consulting services consists primarily of the compensation of our software engineers and implementation consultants and related third-party costs. Cost of consulting services were $19,348 for the three months ended June 30, 2013, as compared to $122,538 for the three months ended June 30, 2012, representing a decrease of $103,190 or 84%. For the six months ended June 30, 2013 costs was $42,668, as compared to $224,244 for the six months ending June 30, 2012, representing a decrease of $181,576, or 81%. This decrease primarily resulted from two large client projects completed in 2012.

Gross margins in this product category were 77% and 49% for the three months ended June 30, 2013 and 2012, respectively. Gross margins in this product category were 75% and 36% for the six months ended June 30, 2013 and 2012 respectively. Gross margins related to consulting services may vary widely, depending upon the nature of the consulting project, and whether third-party conversion projects are utilized.

Operating Expenses

General and Administrative Expenses

General and administrative expenses were $507,469 during the three months ended June 30, 2013 as compared to $348,976 during the three months ended June 30, 2012, representing an increase of $158,493, or 45%. The increase is primarily due to expenses consisting of legal, consulting and professional fees incurred related to operating as a public company. General and administrative expenses were $1,075,617 during the six months ended June 30, 2013 compared to $1,169,198 during the six months ended June 30, 2012, representing a decrease of 8%. The decrease in the six months ended June 30, 2013 is primarily due to not incurring expenses consisting of legal, consulting and professional fees incurred in the Securities Exchange Agreement in the six months ended June 30, 2012.

Sales and Marketing Expenses

Sales and marketing expenses decreased by $71,199 or 22% during the three months ended June 30, 2013 to $252,240 from $323,439 for the three months ended June 30, 2012. The decrease in sales and marketing expenses was primarily related to fewer sales personnel being employed in 2013 compared to 2012 due to our emphasis on utilizing channel partners in 2013. For the six months ended June 30, 2013, sales and marketing expenses decreased by $165,311, or 26% to $480,022 from $645,333 for the six months ended June 30, 2012.

Depreciation

Depreciation was $6,772 for the three months ended June 30, 2013, as compared to $7,647 for the three months ended June 30, 2012, representing a decrease of $875 or approximately 11%. Depreciation was $12,116 for the six months ended June 30, 2013, as compared to $14,437 for the six months ended June 30, 2012, representing a decrease of $2,321, or approximately 16%. The decrease is the result of certain assets becoming fully amortized.

Interest Expense, Net

Interest expense, net, was $41,227 during the three months ended June 30, 2013 as compared to $72,311 during the three months ended June 30, 2012, representing a decrease of $31,084, or 43%. The decrease resulted primarily from repayments of current notes payable during the three months ended June 30, 2013. For the six months ended June 30, 2013, interest expense decreased to $102,606 compared to $127,659 for the six months ended June 30, 2012.

Liquidity and Capital Resources

We measure our liquidity in a variety of ways, including the following:

	June 30, 2013
Cash	$ 576,654
Working Capital Deficiency	$ 253,424

Through June 30, 2013, we have incurred cumulative net losses since inception of $6,749,370.

From our inception, we have generated revenues from the sales and implementation of our internally generated software applications.

Our plan is to increase our sales and market share by developing an expanded network of resellers through which we expect to sell our expanded software product portfolio. We expect that this marketing initiative will require us to hire and develop an expanded sales force and enhance our product marketing efforts, all of which will require additional capital.

On March 24, 2004, the Company’s sole operating subsidiary, Intellinetics, issued a note payable to a bank in the amount of $201,024, bearing a current interest rate of 6.25% per annum (the “Bank Loan”). Monthly principal and interest payments are $3,826 each with the final payment due on April 30, 2014. The note is secured by the personal guarantees of the Company’s founders, as well as a director. The guarantee by the director is secured by the pledge of the directors’ certificate of deposit in the amount of $200,000. In addition, the note is secured by a senior secured interest on all business assets of Intellinetics. The obligation is subject to certain covenants, which require that Intellinetics maintain continuity of operations and which include limitations regarding Intellinetics’ indebtedness. In addition, the bank is a party to an intercreditor agreement involving Authority Loan No. 1 and Authority Loan No. 2 (together, the “Authority Loans”), as discussed and defined below, which provides for cross notifications between the lenders. As of June 30, 2013, the principal amount outstanding under the bank loan is $35,974.

On July 17, 2009, the Company's sole operating subsidiary, Intellinetics, issued a note payable to the Ohio State Development Authority in the amount of $1,012,500, with a maturity date of September 1, 2015, bearing interest at a rate of 6.00% per annum ("Authority Loan No. 1"). Pursuant to the terms of the loan, Intellinetics was required to pay only interest through September 30, 2010 and then monthly principal and interest payments of $23,779 each through September 30, 2015. The note is secured by a senior secured interest on all business assets financed with loan proceeds, as well as a second secured interest in all business assets. Upon maturity, by acceleration or otherwise, Intellinetics shall pay a loan participation fee of $101,250, which is accounted for as a loan premium, accreted monthly, utilizing the interest method, over the term of the loan. Effective December 31, 2012, Intellinetics and the Ohio State Development Authority entered into a Notice and Acknowledgement of Modification to Payment Schedule relating to Authority Loan No. 1, (the "December 31, 2012 Modification #1") deferring principal and interest payments made for a six month period from December 1, 2012 to May 1, 2013, with the next principal and interest payment due on June 1, 2013. Effective March 12, 2013, Intellinetics and the Ohio State Development Authority entered into another Notice and Acknowledgement of Modification to Payment Schedule relating to Authority Loan No. 1, deferring principal and interest payment until December 31, 2013, with the next principal and interest payment due on January 1, 2014. As of June 30, 2013, the principal amount outstanding under Authority Loan No. 1 was $741,788.

On June 3, 2011, the Company's sole operating subsidiary, Intellinetics, issued a note payable to the Ohio State Development Authority in the amount of $750,000, with a maturity date of August 1, 2018, bearing interest at a rate of 1% per annum for the first 12 months, then interest at rate of 7% per annum for the second 12 months ("Authority Loan No. 2"). Pursuant to the terms of the loan, Intellinetics is not obligated to remit payments of principal until the beginning of the third year of the loan, September 1, 2013. The monthly principal and interest payments, beginning on the third anniversary of the loan origination, are $14,850 and are payable on a monthly basis through July 13, 2017. The note is secured by a senior secured interest on all business assets financed with loan proceeds, as well as a second secured interest in all business assets. Upon maturity, by acceleration or otherwise, Intellinetics shall pay a loan participation fee of $75,000, which is accounted for as a loan premium, accreted monthly utilizing the interest method, over the term of the loan. The interest rate of 1% during the first 12 months of this loan was considered to be below market for that period. The Company further determined that over the life of the loan, the effective interest rate was 5.6% per annum. Accordingly, during the first 12 months of the loan, the Company recorded interest expense at the 5.6% rate per annum. The difference between the interest expense accrual at 5.6% and the stated rate of 1% over the first 12 months is credited to deferred interest. The deferred interest amount that is accumulated over the first 12 months of the loan term will be amortized as a reduction to interest expense over the remaining term of the loan. At June 30, 2013 and December 31, 2012, deferred interest of $62,691 and $41,440, respectively, was reflected within long-term liabilities on the accompanying condensed consolidated balance sheets. Effective December 31, 2012, Intellinetics and the Ohio State Development Authority entered into a Notice and Acknowledgement of Modification to Payment Schedule (the "December 31, 2012 Modification #2") relating to Authority Loan No. 2, deferring the interest payment for a six month period from December 1, 2012 to May 1, 2013, with the next interest payment due on June 1, 2013. Effective March 12, 2013, Intellinetics and the Ohio State Development Authority entered into another Notice and Acknowledgement of Modification to Payment Schedule, deferring principal and interest payment until December 31, 2013, with the next principal and interest payment due on January 1, 2014. As of June 30, 2013, the principal amount outstanding under Authority Loan No. 2 was $750,000.

The Authority Loans were granted to Intellinetics in connection with the State of Ohio's economic development programs. The proceeds from these loans were used by Intellinetics to support its efforts in developing software solutions for its customers.

These Authority Loans are subject to certain covenants and reporting requirements. The material covenants include:

- providing quarterly financial information and management certifications;
- maintaining our principal office in the State of Ohio;
- maintaining insurance for risk of loss, public liability, and worker's compensation;
- delivering notice in the event of default, any pending or threatened action that would materially impair the company;
- permitting the inspection of books, records, and premises;
- not selling or disposing of substantially all of our assets or equity or merging or consolidating with another entity without consent; and
- not pledging or encumbering our assets.

Additionally, Intellinetics is required to within three years of the respective loan origination dates of each of the Authority Loans, to have created and/or retained an aggregate of 25 full time jobs in the State of Ohio. Should Intellinetics not have attained these employment levels by the respective dates, then the interest rates on the Authority Loans shall increase to 10% per annum. The Authority Loans are the subject of an intercreditor agreement involving the Bank Loan, which provides for cross notifications between the lenders in an event of a default. We have had past instances of non-compliance with certain of the loan covenants. We are currently in compliance with the material loan covenants. There can be no assurance that we will not become non-compliant with one or more of these covenants in the future.

On June 6, 2012, the Company issued a note to an individual for $50,000, bearing interest at 10.0% per annum, which matured on June 1, 2013. On May 31, 2013, the Company paid in full, all principal of the $50,000 note and all interest in the amount of $1,168. For the period ended June 30, 2013, the largest amount of principal outstanding and interest accrued but not paid were $0 and $0, respectively. The Company does not have any on-going relationship with the individual.

On July 16, 2012, the Company issued an unsecured note payable to a shareholder, Mr. Haddix (who on December 13, 2012 became a member of the Board of Directors of the Company, and subsequently resigned from the Board on April 2, 2013 for health reasons), in the amount of $95,000, due 45 days from the date of issuance and bearing interest at a rate of 10% per annum, with the principal and interest to be paid on maturity (the "$95,000 Haddix Note"). The maturity was extended to January 15, 2013. On January 14, 2013 the Company entered into a satisfaction of note agreement with Mr. Haddix whereby Mr. Haddix surrendered the note to the Company and discharged the principal amount due under the note in consideration for the Company issuing to Mr. Haddix a convertible promissory note in the amount of $95,000 plus accrued interest of $4,659 (for a total of $99,659) due January 1, 2014. On January 15, 2013 Mr. Haddix exercised his conversion rights under the convertible promissory note and surrendered the convertible promissory note to the Company. The company issued to Mr. Haddix 311,434 restricted common shares, $.001 par value, at $0.32 per share (based on the closing price on the immediately preceding business day). (subject to the applicable holding period restrictions under Rule 144) in reliance upon exemptions from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D, as promulgated by the SEC. For the period ended June 30, 2013, the largest amount of principal outstanding and interest accrued but not paid were $0 and $0, respectively.

On August 7, 2012, (the "Effective Date"), the Company issued a $400,000 Promissory Note (the "$400,000 Note") to a Lender. The Principal Sum due to the Lender shall be prorated based on the consideration actually funded by the Lender, plus an approximate 10% Original Issue Discount ("OID") that is prorated based on the consideration actually funded by the Lender as well as any other interest or fees, such that the Company is only required to repay the amount funded and the Company is not required to repay any unfunded portion of the $400,000 Note. The $400,000 Note has a maturity date of twelve (12) months from the Effective Date and accrues interest at zero percent. If the $400,000 Note remains outstanding after 90 days, a one-time 5% interest rate will be applied. In addition, the Lender has the right, at any time 90 days after the Effective Date, at its election, to convert all or part of the outstanding and unpaid Principal Sum and accrued interest into shares of fully paid and non-assessable shares of common stock of the Company. The Conversion Price is the lesser of $1.50 or 70% of the lowest trade price in the 25 trading days previous to the conversion. The common shares issuable upon conversion of the $400,000 Note have "piggyback" registration rights and must be included in the next registration statement the Company files with the "Securities and Exchange Commission. In the event of default under the $400,000 Note, default interest will accrue at a rate of 18% and the Company will be assessed a significant default penalty. The initial consideration received on August 8, 2012 was $100,000, and the Company has not received any further consideration to date from the Lender. On November 8, 2012, the Company and the Lender entered into an amendment to the $400,000 Note extending the repayment date to 180 days from August 8, 2012 for a fee of 15% added to the $400,000 Note. If the Company repays the $400,000 Note on or before 180 days from August 8, 2012, an additional prepayment fee of 15% shall be added to the outstanding balance of the $400,000 Note such that the total balance due to the Lender would be $154,292. The Company has computed the present value of the amount funded at $109,905 as of December 31, 2012 as a result of its non-interest bearing terms. Additionally, the Company recorded a discount in the amount of $23,252 in connection with the initial valuation of the beneficial conversion feature of the note to be amortized utilizing the interest method of accretion over the expected term of the note. Further, the Company has recognized a derivative liability resulting from the variable change in conversion rate in relation to the change in market price of the Company's common stock. The Company recognized a loss on derivative during 2012 in the amount of $15,470 and amortization of the debt discount in the amount of $20,864 in connection with the initial valuation of the beneficial conversion feature of the note for the year ended December 31, 2012. As of December 31, 2012, the principal balance, net of discounts, totaled $107,518. Accrued interest included in accounts payable and accrued expenses totaled $23,056. On January 30, 2013, the Company paid off in full, all principal plus fees in the total amount of $154,292. The termination of the option to exercise the beneficial conversion feature resulted in a derivative gain of $15,470 on January 30, 2013. For the period ended June 30, 2013, the largest amount of principal outstanding and interest accrued but not paid were $0 and $0, respectively. The Company does not have any on-going relationship with the Lender.

On February 8, 2013, Globalwise and a service provider reached an agreement to settle outstanding accounts payable in the amount of $262,000 for the issuance of 873,333 restricted shares of common stock of the Company to the service provider (the "873,333 Restricted Shares") (with piggyback registration rights), a lump sum payment of $50,000, and mutual release and generally for the discharge of all past, present and future claims against each other (the "Settlement Agreement"). The Company issued the 873,333 Restricted Shares in reliance on an exemption from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D, as promulgated by the SEC.

On February 15, 2013, the Company converted aggregate amount of debt (principal and interest) in the amount of $489,211 issued by the Company and its sole operating subsidiary, Intellinetics, Inc., to Alpharion Capital Partners, Inc. ("Alpharion") into 1,686,935 restricted shares of the Company at a price of $0.29 per share (based on the closing price of Globalwise shares on February 14, 2013, the immediately preceding business day). Prior to the above referenced conversion, pursuant to an assignment and assumption agreement between Intellinetics and the Company dated February 15, 2013, the aggregate amount of debt in the amount of $489,211 held by Intellinetics (the "$489,211 of Intellinetics Debt") was assigned to Globalwise, with the consent of Alpharion, and Globalwise issued to Alpharion a Globalwise convertible promissory note in the amount of $489,211 (the "$489,211 of Globalwise Note") in exchange for Alpharion discharging the $489,211of Intellinetics Debt. Following the issuance of the $489,211Globalwise Note, on February 15, 2013, pursuant to a satisfaction of note agreement between Globalwise and Alpharion, Alpharion converted such $489,211 Globalwise Note into 1,686,935 restricted shares of Globalwise (the "1,686,935 Globalwise Restricted Share Issuance"), (subject to the applicable holding period restrictions under Rule 144) in reliance upon exemptions from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D, as promulgated by the SEC. For the period ended June 30, 2013, the largest amount of principal outstanding and interest accrued but not paid were $0 and $0, respectively.

On February 28, 2013 and March 6, 2013, the Company, entered into a securities purchase agreement (the "Purchase Agreement") with certain accredited investors, pursuant to which it sold an aggregate of 15,000,000 shares of the Company's common stock, par value, $0.001 per share at a purchase price of $0.20 per share, for aggregate cash proceeds of $2,650,000 and the exchange of $350,000 in previously issued convertible promissory notes issued between January 28, 2013 and February 7, 2013 to certain investors associated with the Placement Agent (the "Offering"). The Company intends to use the net proceeds of the Offering for working capital and general corporate purposes, including without limitation, debt reduction purposes.

The Company retained Taglich Brothers, Inc. (the "Placement Agent") as the exclusive placement agent for the Offering. In connection with the Offering, the Company paid the Placement Agent a cash payment of $268,979, which represented an 8% commission of the gross proceeds and approximately $28,979 for reimbursement for reasonable out of pocket expenses, FINRA filing fees and related legal fees. In addition, the Placement Agent earned warrants to purchase 1,500,000 shares of Common Stock, which represented 10% of the shares of Common Stock sold in the Offering (the "Placement Agent Warrants"), which have an exercise price of $0.24 per share of Common Stock, will be exercisable for a period of four years, contain customary cashless exercise and anti-dilution protection and are entitled to registration rights.

Pursuant to the Purchase Agreement, the Company agreed to (a) file a registration statement (the "Registration Statement") with the SEC no later than May 29, 2013 covering the re-sale of the Common Stock shares sold in the Offering and the Common Stock shares issuable upon exercise of the Placement Agent Warrants. The Company also agreed to use commercially reasonable efforts to have the Registration Statement become effective as soon as possible after filing (and in any event within 90 days of the filing of such Registration Statement). The shares of Common Stock sold in the Offering were not registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state, and were offered and sold in reliance on the exemption from registration afforded by Section 4(2) and Regulation D (Rule 506) under the Securities Act and corresponding provisions of state securities laws, which exempt transactions by an issuer not involving any public offering. The investors are "accredited investors" as such term is defined in Regulation D promulgated under the Securities Act.

On June 20, 2012, the Company issued an unsecured promissory note payable to Jackie Chretien, a relative of the Company's Founders, in the amount of $14,000, due July 1, 2014 and bearing interest at 5% per annum, with the principal and interest to be paid on maturity (the "$14,000 Jackie Chretien Note"). On March 5, 2013, the Company paid off in full, all principal of the $14,000 Jackie Chretien Note, and all accrued interest in the amount of $493. For the period ended June 30, 2013, the largest amount of principal outstanding and interest accrued but not paid were $0 and $0, respectively.

On March 2, 2009, the Company issued an unsecured promissory note payable to Jackie Chretien, in the amount of $80,000 due January 1, 2014 and bearing interest at 5% per annum, with the principal and interest to be paid on maturity (the "$80,000 Jackie Chretien Note"). During 2011, the Company made principal payments of $15,000 related to this note. During the six months ended June 30, 2013 the Company paid $17,500 in principal and $9,014 in accrued interest to Jackie Chretien related to this note. As of June 30, 2013 the $80,000 Jackie Chretien Note had a principal balance of $47,500 and accrued interest of $1,559.

On December 29, 2001, the Company issued an unsecured promissory note payable to A. Michael Chretien, a Founder of the Company, in the amount of $55,167, and bearing interest at 5% per annum, with any unpaid principal and interest due on January 1, 2014 (the "$55,167 A. Michael Chretien Note"). During 2011, the Company made principal payments of $14,752 to A. Michael Chretien related to this note. As of June 30, 2013, the $55,167 A. Michael Chretien Note had a principal balance of $40,415 and accrued interest of $13,082.

On March 29, 2012, the Company issued an unsecured note payable to Ramon Shealy ("Mr. Shealy"), a then director of the Company, who subsequently resigned from the Board of Directors on December 17, 2012, for personal reasons, in the amount of $238,000, bearing interest at a rate of 10% for the term of the note. All principal and interest was due and payable on June 27, 2012, but was later extended to November 24, 2012. On April 16, 2012, the Company issued a note payable to Mr. Shealy, in the amount of $12,000, bearing interest at a rate of 10% per quarter. All principal and interest was due on July 15, 2012, but was later extended to November 12, 2012. On November 11, 2012 the maturity was extended to November 24, 2012. On November 24, 2012 the $238,000 Shealy Note and the $12,000 Shealy Note were combined into a $250,000 promissory note (the "$250,000 Shealy Note"), under the same terms, with a maturity date of January 1, 2014. On March 13, 2013, the Company paid $100,000 of the principal amount of the $250,000 Shealy Note. As of June 30, 2013, the $250,000 Shealy Note had a principal balance of $150,000 and accrued interest of $22,076.

The Company expects that through the next 10 to 16 months the capital requirements to fund the Company's growth and to cover the operating costs as a public company will consume substantially all of the cash flows that it intends to generate from its operations, as well as the funds raised in the private placement discussed elsewhere in this Form 10-Q, in addition to the proceeds of any issuances of debt and equity securities, if consummated. The Company further believes that during this period, while the Company is focusing on the growth and expansion of its business, the gross profit that it expects to generate from operations will not generate sufficient funds to cover these anticipated operating costs. Our cash requirements are insufficient by approximately $120,000 per month. Accordingly, the Company expects to use proceeds from the private placement to sustain operations and to follow through on the execution of its business plan. Assuming over the next 10 to 16 months, we do not increase our cash flow generated from operations, we will need an additional $1,200,000 to $1,920,000 to fund planned operations. There is no assurance that the Company's plans as discussed above will materialize and/or that the Company will have sufficient funds to fund the Company's operations . Given these conditions, the Company's ability to continue as a going concern is contingent upon successfully managing its cash requirements. In addition, the Company's ability to continue as a going concern must be considered in light of the problems, expenses and complications frequently encountered by entrants into established markets, the competitive environment in which the Company operates and its cash requirements. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

Since inception, our operations have primarily been funded through a combination of operating margins, state business development loans, bank loans, loans from friends and family, and sale of securities. Although management believes that we may have access to capital resources, there are currently no commitments in place for new financing, and there is no assurance that we will be able to obtain funds on commercially acceptable terms, if at all.

Assuming that we are successful in our growth plans and development efforts, we believe that we will be able to raise additional funds through sales of our common stock, issuance of debt or some other financing source, if needed. There is no guarantee that we will be able to raise these additional funds or do so on acceptable terms.

Our financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

The Company’s outstanding indebtedness at June 30, 2013 is as follows:

- The $80,000 Jackie Chretien Note with a principal balance of $47,500 and accrued interest of $1,559;
- The $55,167 A. Michael Chretien Note with a principal balance of $40,415 and accrued interest of $13,082;
- The Authority Loan No. 1 with the Ohio State Development Authority with a principal balance of $741.788;
- The Authority Loan No. 2 with the Ohio State Development Authority with a principal balance of $750,000;
- The Bank Loan with a principal balance of $35,974;
- The $250,000 Shealy Note with a principal balance of $150,000 and accrued interest of $22,076.

There were no material commitments for capital expenditures at June 30, 2013.

Cash Flows

Operating Activities

Net cash used in operating activities for the six months ended June 30, 2013 and 2012 was $1,875,426 and $914,267, respectively. During the six months ended June 30, 2013, the net cash used in operating activities was primarily attributable to the net loss of $1,080,704 adjusted for (a) non- cash expenses of $19,154 and (b) a decrease in net operating assets of $813,876. During the six months ended June 30, 2012, the net cash used in operating activities was primarily attributable to the net loss of $1,303,123 adjusted for (a) non-cash expenses of $19,441, and (b) an increase in net operating assets of $369,415.

Investing Activities

Net cash provided by (used) in investing activities for the six months ended June 30, 2013 and 2012 amounted to ($16,555) and ($48,178), respectively, and was related to the purchase of property and equipment.

Financing Activities

The net cash provided by financing activities for the six months ended June 30, 2013 resulted from the sale of common stock of $2,731,021. The proceeds from the financing activities were partially offset by $317,622 of notes payable repayments, of which $131,500 was repaid to related parties and $186,122 was repaid to non-related parties.

The net cash provided by financing activities for the six months ended June 30, 2012 resulted primarily from new borrowings of $975,056, of which $314,000 was borrowed from related parties. The proceeds from the financing activities were partially offset by $135,516 of notes payable repayments, of which $0 was repaid to related parties.

Critical Accounting Policies and Estimates

There have been no significant changes during the six months ended June 30, 2013 to the items that we disclosed as our critical accounting policies and use of estimates in our “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2012 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

We carry out a variety of on-going procedures under the supervision and with the participation of our management, including our interim Chief Executive Officer and Chief Financial Officer, to evaluate the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our interim Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2013.

Changes in Internal Control Over Financial Reporting

Other than as disclosed below, there were no changes in our internal control over financial reporting during the quarter ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On February 10, 2012, Globalwise and Intellinetics consummated the Share Exchange pursuant to which Intellinetics became a wholly- owned subsidiary of Globalwise, a former shell company. As a result of the Share Exchange, the Company became an operating entity and implemented the following changes to its overall internal control over financial reporting:

Addition of internal accounting personnel;

The Company had previously engaged a third party consultant with more than 30 years of accounting experience to assist the Company with the application of applicable accounting principles and analysis of complex accounting matters. During the quarter ended September 30, 2012, the Company hired the third party consultant as the Chief Financial Officer of the Company.

Engagement of a third-party consulting firm to assist the Company with its internal accounting functions and external financial reporting;

Application of formalized processes for revenue recognition;

Application of formalized processes for reporting sales and new contracts; and

Enhanced its processes to timely evaluate potential material events that could trigger Form 8-K filing requirements.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings.

None.

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

None.

Item 3. Default Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

(a) None.

(b) We are a smaller reporting company with a small number of directors and officers who have active roles in our operations. As a result, we currently have an audit committee comprised of one member and we do not have an audit committee financial expert serving on the audit committee. It is anticipated that, in the future, the board of directors will appoint one or more additional members to the audit committee, including an audit committee financial expert.

Item 6. Exhibits.

The following is a list of exhibits filed as part of this Quarterly Report on Form 10-Q.

Exhibit No.	Description of Exhibit
2.1	Securities Exchange Agreement by and among Globalwise Investments, Inc. and Intellinetics, Inc., dated as of February 10, 2012 (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed with the Commission on February13, 2012).
3.1.1	Articles of Incorporation of Globalwise Investments, Inc., as amended (incorporated by reference to Exhibit 3.1 to the Company's Form 10-QSB filed with the Commission on October 11, 2001).
3.1.2	Certificate of Correction, effective May 22, 2007 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on June 15, 2007).
3.2.1	Bylaws of Globalwise Investments, Inc. (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form 10-SB filed with the Commission on October 2, 2000).
3.2.2	Amendment No. 1 to the Bylaws of Globalwise Investments, Inc. (incorporated by reference to Exhibit 3.4 to the Company's Current Report on Form 8-K filed with the Commission on March 1, 2012).
4.1	Form of Convertible Promissory Note of Intellinetics, Inc. (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on February 13, 2012).
4.2	Form of First Amendment to Convertible Promissory Note to that certain Convertible Promissory Note referenced in Exhibit 4.1 of the Exhibit Index to this Form 10-Q.
4.3	Form of Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 filed with the Commission on May 29, 2013).
31.1	Certification of Principal Executive Officer pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.
101. INS	XBRL Instance Document.
101. SCH	XBRL Taxonomy Schema.
101. CAL	XBRL Taxonomy Extension Calculation Linkbase.
101. DEF	XBRL Taxonomy Extension Definition Linkbase.
101. LAB	XBRL Taxonomy Extension Label Linkbase.
101. PRE	XBRL Taxonomy Extension Presentation Linkbase.

SIGNATURES

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

GLOBALWISE INVESTMENTS, INC.

Dated: August 14, 2013

By: /s/ Matthew L. Chretien
Matthew L. Chretien
Interim President and Chief Executive Officer (Principal Executive Officer)

Dated: August 14, 2013

By: /s/ Kendall D. Gill
Kendall D. Gill
Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Matthew L. Chretien, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Globalwise Investments, Inc. for the quarter ended June 30, 2013;

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(s) 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 15d-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 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 (or persons performing the equivalent functions):

(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.

August 14, 2013

/s/ Matthew L. Chretien
Name: Matthew L. Chretien
Title: Interim President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kendall D. Gill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Globalwise Investments, Inc. for the quarter ended June 30, 2013;

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(s) 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 15d-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 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 (or persons performing the equivalent functions):

(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.

August 14, 2013

/s/ Kendall D. Gill
Name: Kendall D. Gill
Title: Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Globalwise Investments, Inc., (the "Company") on Form 10-Q for the quarter ended June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew L. Chretien, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 14, 2013

/s/ Matthew L. Chretien
Name: Matthew L. Chretien
Title: Interim President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Globalwise Investments, Inc., (the "Company") on Form 10-Q for the quarter ended June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kendall D. Gill, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 14, 2013

/s/ Kendall D. Gill

Name: Kendall D. Gill

Title: Chief Financial Officer