

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2014

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: 000-31671

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

\_\_\_\_\_  
(State or Other Jurisdiction of Incorporation or Organization) Nevada 87-0613716  
(I.R.S. Employer Identification No.)

\_\_\_\_\_  
(Address of Principal Executive Offices) 2190 Dividend Drive Columbus, Ohio 43228  
(Zip Code)

\_\_\_\_\_  
(Registrant's telephone number, including area code) (614) 388-8909

\_\_\_\_\_  
(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

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

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 May 9, 2014, there were 47,362,047 shares of the issuer's common stock outstanding.

GLOBALWISE INVESTMENTS, INC.  
Form 10-Q  
March 31, 2014  
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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and the documents incorporated into this report by reference contain, and we may from time to time make, forward-looking statements. From time to time in the future, we may make additional forward-looking statements in presentations, at conferences, in press releases, in other reports and filings and otherwise. Forward-looking statements are all statements other than statements of historical fact, including statements that refer to plans, intentions, objectives, goals, targets, strategies, hopes, beliefs, projections, prospects, expectations or other characterizations of future events or performance, and assumptions underlying the foregoing. The words “may”, “could”, “should”, “would”, “will”, “project”, “intend”, “continue”, “believe”, “anticipate”, “estimate”, “forecast”, “expect”, “plan”, “potential”, “opportunity”, “scheduled”, “goal”, “target” and “future”, variations of such words, and other comparable terminology and similar expressions and references to future periods are often, but not always, used to identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements about the following:

- our prospects, including our future business, revenues, expenses, net income, earnings per share, margins, profitability, cash flow, cash position, liquidity, financial condition and results of operations, backlog of orders and revenue, our targeted growth rate, our goals for future revenues and earnings, and our expectations about realizing the revenues in our backlog and in our sales pipeline;
- the effects on our business, financial condition and results of operations of current and future economic, business, market and regulatory conditions, including the current economic and market conditions and their effects on our customers and their capital spending and ability to finance purchases of our products, services, technologies and systems;
- the effects of fluctuations in sales on our business, revenues, expenses, net income, earnings per share, margins, profitability, cash flow, capital expenditures, liquidity, financial condition and results of operations;
- our products, services, technologies and systems, including their quality and performance in absolute terms and as compared to competitive alternatives, their benefits to our customers and their ability to meet our customers’ requirements, and our ability to successfully develop and market new products, services, technologies and systems;
- our markets, including our market position and our market share;
- our ability to successfully develop, operate, grow and diversify our operations and businesses;
- our business plans, strategies, goals and objectives, and our ability to successfully achieve them;
- the sufficiency of our capital resources, including our cash and cash equivalents, funds generated from operations, availability of borrowings under our credit and financing arrangements and other capital resources, to meet our future working capital, capital expenditure, lease and debt service and business growth needs;
- the value of our assets and businesses, including the revenues, profits and cash flow they are capable of delivering in the future;
- industry trends and customer preferences and the demand for our products, services, technologies and systems;
- the nature and intensity of our competition, and our ability to successfully compete in our markets;

- business acquisitions, combinations, sales, alliances, ventures and other similar business transactions and relationships; and
- the effects on our business, financial condition and results of operations of litigation, warranty claims and other claims and proceedings that arise from time to time.

Any forward-looking statements we make are based on our current plans, intentions, objectives, goals, targets, strategies, hopes, beliefs, projections and expectations, as well as assumptions made by and information currently available to management. Forward-looking statements are not guarantees of future performance or events, but are subject to and qualified by substantial risks, uncertainties and other factors, which are difficult to predict and are often beyond our control. Forward-looking statements will be affected by assumptions and expectations we might make that do not materialize or that prove to be incorrect and by known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed, anticipated or implied by such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, those described in “Item 1A. Risk Factors” as well as other risks, uncertainties and factors discussed elsewhere in this report, in documents that we include as exhibits to or incorporate by reference in this report, and in other reports and documents we from time to time file with or furnish to the Securities and Exchange Commission. In light of these risks and uncertainties, you are cautioned not to place undue reliance on any forward-looking statements that we make.

Any forward-looking statements contained in this report speak only as of the date of this report, and any other forward-looking statements we make from time to time in the future speak only as of the date they are made. We undertake no duty or obligation to update or revise any forward-looking statement or to publicly disclose any update or revision for any reason, whether as a result of changes in our expectations or the underlying assumptions, the receipt of new information, the occurrence of future or unanticipated events, circumstances or conditions or otherwise.

GLOBALWISE INVESTMENTS, INC. and SUBSIDIARY  
Condensed Consolidated Balance Sheets

	(Unaudited) March 31, 2014	December 31, 2013
<b>ASSETS</b>		
Current assets:		
Cash	\$ 19,332	\$ 260,560
Accounts receivable, net	183,586	144,071
Prepaid expenses and other current assets	53,443	39,242
Total current assets	256,361	443,873
Property and equipment, net	48,380	53,226
Other assets	26,846	28,925
Total assets	<u>\$ 331,587</u>	<u>\$ 526,024</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 579,809	\$ 502,646
Deferred compensation	215,012	-
Deferred revenues	477,548	482,428
Notes payable - current	949,765	711,266
Accrued interest - related party	38,971	-
Notes payable - related party - current	217,915	-
Total current liabilities	2,479,020	1,696,340
Long-term liabilities:		
Deferred compensation	-	215,012
Notes payable - net of current portion	1,016,254	1,114,394
Notes payable - related party - net of current portion	-	222,915
Deferred interest expense	81,328	83,942
Other long-term liabilities - related parties	-	34,614
Total long-term liabilities	1,097,582	1,670,877
Total liabilities	3,576,602	3,367,217
Stockholders' deficit:		
Common stock, \$0.001 par value, 50,000,000 shares authorized; 47,362,047 shares issued and outstanding at March 31, 2014 and December 31, 2013	54,363	54,363
Additional paid-in capital	4,912,814	4,912,814
Accumulated deficit	(8,212,192)	(7,808,370)
Total stockholders' deficit	(3,245,015)	(2,841,193)
Total liabilities and stockholders' deficit	<u>\$ 331,587</u>	<u>\$ 526,024</u>

See notes to these condensed consolidated financial statements

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

	<b>For the Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Revenues:</b>		
Sale of software	\$ 8,000	\$ 8,660
Software as a service	39,442	34,790
Software maintenance services	210,522	223,464
Professional services	29,424	72,772
Third party services	11,795	15,185
Total revenues	<u>299,183</u>	<u>354,871</u>
<b>Cost of revenues:</b>		
Sale of software	6,444	121,305
Software as a service	6,930	6,909
Software maintenance services	31,747	27,950
Professional services	9,710	1,318
Third party services	8,597	22,002
Total cost of revenues	<u>63,428</u>	<u>179,484</u>
Gross profit	<u>235,755</u>	<u>175,387</u>
<b>Operating expenses:</b>		
General and administrative	468,469	568,148
Sales and marketing	116,174	227,783
Depreciation	6,930	5,344
Total operating expenses	<u>591,573</u>	<u>801,275</u>
Loss from operations	(355,818)	(625,888)
<b>Other income (expenses)</b>		
Derivative gain	-	15,470
Interest expense, net	(48,004)	(61,379)
Total operating expenses	<u>(48,004)</u>	<u>(45,909)</u>
Net loss	<u>\$ (403,822)</u>	<u>\$ (671,797)</u>
Basic and diluted net loss per share	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding - basic and diluted	<u>47,362,047</u>	<u>39,620,613</u>

See notes to these condensed consolidated financial statements

GLOBALWISE INVESTMENTS, INC. and SUBSIDIARY  
Condensed Consolidated Statement of Stockholders' Deficit  
For the Three Months Ended March 31, 2014  
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, December 31, 2013	47,362,047	\$ 54,363	\$ 4,912,814	\$ (7,808,370)	\$ (2,841,193)
Net loss	-	-	-	(403,822)	(403,822)
Balance, March 31, 2014	47,362,047	\$ 54,363	\$ 4,912,814	\$ (8,212,192)	\$ (3,245,015)

See notes to these **condensed** consolidated financial statements

**GLOBALWISE INVESTMENTS, INC. and SUBSIDIARY**  
**Condensed Consolidated Statements of Cash Flows**  
(Unaudited)

	<b>For the Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (403,822)	\$ (671,797)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation and amortization	6,930	5,344
Bad debt expense	-	6,575
Amortization of deferred financing costs	2,079	2,079
Amortization of beneficial conversion option	-	2,387
Amortization of original issue discount	-	1,206
Gain on derivative	-	(15,470)
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(39,515)	(102,317)
Prepaid expenses and other current assets	(14,201)	(15,423)
Accounts payable and accrued expenses	77,163	(359,691)
Other liabilities - related parties	4,357	(12,447)
Deferred interest expense	(2,614)	10,625
Deferred revenues	(4,880)	(31,705)
Deferred compensation	-	9,423
Total adjustments	29,319	(499,414)
Net cash used in operating activities	<u>(374,503)</u>	<u>(1,171,211)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(2,084)	(3,608)
Net cash used in investing activities	<u>(2,084)</u>	<u>(3,608)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from notes payable	240,000	-
Repayment of notes payable	(99,641)	(124,886)
Repayment of notes payable - related parties	(5,000)	(114,000)
Sale of Common Stock	-	2,731,021
Net cash provided by financing activities	<u>135,359</u>	<u>2,492,135</u>
Net increase (decrease) in cash	(241,228)	1,317,316
Cash - beginning of period	260,560	46,236
Cash - end of period	<u>\$ 19,332</u>	<u>\$ 1,363,552</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the period for interest	<u>\$ 30,508</u>	<u>\$ 73,370</u>
<b>Supplemental disclosure of non-cash financing activities:</b>		
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	<u>\$ -</u>	<u>\$ 850,870</u>

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”), together 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) providing the applications 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 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 March 31, 2014 and the consolidated results of its operations and cash flows for the three months ended March 31, 2014 and March 31, 2013, have been included. The Company has evaluated subsequent events through the issuance of this Form 10-Q. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014 or any other interim or future period. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended December 31, 2013 included in the Company’s Form 10-K filed with the Securities and Exchange Commission on March 31, 2014.

## **3. Liquidity and Management’s Plans**

Through March 31, 2014, the Company has incurred an accumulated deficit since inception of \$8,212,192. At March 31, 2014, the Company had a cash balance of \$19,332.

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 will 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 on that date, its shares began trading on the Over-the-Counter Quote Board under the symbol “GWIV”. The Company intends to deploy any additional capital it may raise 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 12 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 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 generated by operations is insufficient by approximately \$120,000 per month. Assuming over the next 12 months, we do not increase our cash flow generated from operations, we will need an additional \$1,400,000 to \$1,800,000 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 and loans from friends and family. 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 three months ended March 31, 2014, the Company raised \$240,000 in net new funds through the issuance of two convertible promissory notes in a maximum aggregate principal amount of \$350,000 to two accredited investors who are associated with each other. On April 4, 2014 the Company received the remaining \$10,000. The proceeds from these notes were used to fund the Company's working capital needs and debt repayment.

The Company expects to use the remaining funds raised to fund the Company's operations, including the compliance costs 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 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 February 10, 2012, 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 were 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 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from estimated amounts.

Significant estimates and assumptions include valuation allowance 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 March 31, 2014 and December 31, 2013, the Company allowance for doubtful accounts was \$22,205 and \$27,635, 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 ended March 31, 2014 and 2013, there was no share-based compensation.

#### ***Software Development Costs***

Software development costs for software to be sold or otherwise marketed incurred 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***

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 product has been installed, 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 records the revenues for the sales of software with professional services 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" ("ASC 605-35"), 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 Company accounts for these contracts under the completed contract method, as the Company believes that this method is most appropriate. The contract is considered to be complete when persuasive evidence of an arrangement exists, the software has been installed on the customer's site, there are no significant uncertainties surrounding acceptance by the customer, the fees are fixed and determinable, and collection is considered probable.

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.

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 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.

***c) Sale of Software Maintenance Services***

Software maintenance support 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.

***d) Sales of Professional Services***

Professional 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.

***e) Sale of Third Party Services***

Sale of third party services consist principally of third party software and/or equipment as a pass through of software and equipment purchased from third parties at the request of customers.

**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 in the reporting period, 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 ended March 31, 2014 and 2013 amounted to approximately \$,889 and \$3,374, respectively.

**Earnings (Loss) Per Share**

Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. The company has outstanding stock options which have not been included in the calculation of diluted net loss per share because to do so would be anti-dilutive. As such, the numerator and the denominator used in computing both basic and diluted net loss per share for each period are the same.

**6. Property and Equipment**

Property and equipment are comprised of the following:

	March 31, 2014	December 31, 2013
Computer hardware and purchased software	\$ 303,992	\$ 301,908
Leasehold improvements	221,666	221,666
Furniture and fixtures	88,322	88,322
	613,980	611,896
Less: accumulated depreciation and amortization	(565,600)	(558,670)
Property and equipment, net	\$ 48,380	\$ 53,226

Total depreciation expense on the Company's property and equipment for the three months ended March 31, 2014 and 2013 amounted to \$,930 and \$5,344 respectively.

## 7. Notes Payable

On March 24, 2004, the Company issued a note payable to a bank for \$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 the Company. The obligation is subject to certain covenants, which require that the Company maintain continuity of operations and which include limitations regarding the Company's 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 March 31, 2014, the principal amount outstanding under this bank loan was \$6,354.

On July 17, 2009, the Company issued a note payable to the Ohio State Development Authority in the amount of \$1,012,500, bearing interest at a rate of 6.00% per annum ("Authority Loan No. 1"). Pursuant to the terms of the loan, the Company was required to pay only interest through September 30, 2010 and then monthly principal and interest payments of \$ 23,779 each through September 1, 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, the Company 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. 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 payment until December 31, 2013. As of March 31, 2014, the principal amount outstanding under Authority Loan No. 1 was \$681,276.

On June 3, 2011, the Company issued a note payable to the Ohio State Development Authority in the amount of \$750,000 , 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"). The Company was not obligated to remit payments of principal until 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, the Company 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 March 31, 2014 and December 31, 2013 deferred interest of \$81,328 and \$ 83,942 , respectively, was reflected within long-term liabilities on the accompanying condensed consolidated balance sheets. Intellinetics and the Ohio State Development Authority entered into a Notice and Acknowledgement of Modification to Payment Schedule, deferring principal and interest payment until December 31, 2013. As of March 31, 2014, the principal amount outstanding under Authority Loan No. 2 was \$718,389.

The Authority Loans were granted to the Company in connection with the State of Ohio's economic development programs. The proceeds from these loans were used by the Company 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 subject to 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 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 August 7, 2012, the Company issued a \$400,000 Promissory Note to a lender. The principal sum due to the lender was prorated based on the consideration actually funded by the lender, plus an approximate 10 % Original Issue Discount (“OID”) that was prorated based on the consideration actually funded by the lender as well as any other interest or fees, such that the Company was only required to repay the amount funded. The initial proceeds received on August 8, 2012 were \$100,000, and the Company did not receive any further proceeds from the lender. 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 a beneficial conversion feature resulted in a derivative gain of \$15,470 on January 30, 2013. The Company does not have any on-going relationship with the lender.

On November 12, 2013, the Company issued two convertible promissory notes in an aggregate amount of \$160,000 to two accredited investors who are associated with each other. The Company received proceeds in the amount of \$160,000. The notes provide for maturity on July 31, 2014 and provide for 10% interest until maturity. The note holders have a right, at their sole discretion, to convert the notes into equity under certain circumstances at \$0.10 per share. If the notes are not paid off by the Company, with the consent of the investors, by the maturity date or converted in to equity at the election of the investors prior to the maturity date, the note will accrue interest in the amount of 15 % from the maturity date until the note is paid in full. Under the terms of the notes, the Company agreed to seek shareholder approval to increase the number of authorized shares by at least 10,000,000 shares on or before July 30, 2014. The Company used the proceeds for working capital and for general corporate purposes.

On December 27, 2013, the Company issued two convertible promissory notes in an aggregate amount of \$160,000 to two accredited investors who are associated with each other. The Company received proceeds in the amount of \$160,000. The notes provide for maturity on July 31, 2014 and provide for 10% interest until maturity. The note holders have a right, at their sole discretion, to convert the notes into equity under certain circumstances at \$0.08 per share. If the notes are not paid off by the Company, with the consent of the investors, by the maturity date or converted in to equity at the election of the investors prior to the maturity date, the note will accrue interest in the amount of 15 % from the maturity date until the note is paid in full. Under the terms of the notes, the Company agreed to seek shareholder approval to increase the number of authorized shares by at least 10,000,000 shares on or before July 30, 2014. The Company used the proceeds for working capital and for general corporate purposes.

On February 4, 2014, the Company issued two convertible promissory notes in a maximum aggregate principal amount of \$350,000 to two accredited investors who are associated with each other. By March 31, 2014, the Company received a portion of the proceeds from the issuance of the notes in the amount of \$240,000, and the Company received the remaining \$110,000 after March 31, 2014. The notes mature on September 30, 2014, and bear interest at an annual rate of interest of 10 % until maturity. Each note holder has a right, in their sole discretion, to convert the notes into shares of common stock, par value \$ 0.001 per share, of the Company under certain circumstances at a conversion rate of \$ 0.08 per share. If either note has not been fully repaid by the Company by the maturity date or converted into shares at the election of the note holders prior to the maturity date, then such note will accrue interest at the annual rate of 15 % from the maturity date until the date the convertible note is repaid in full. Under the terms of the convertible notes, the Company agreed to seek shareholder approval to increase the number of authorized shares of the Company by at least 20,000,000 shares on or before September 30, 2014. The Company intends to use the proceeds of the convertible notes for working capital and general corporate purposes.



The table below reflects all notes payable at March 31, 2014 and December 31, 2013, respectively, with the exception of related party notes disclosed in Note 8 - Notes Payable - Related Parties.

	March 31, 2014	December 31, 2013
Bank Loan, due April 30, 2014	\$ 6,354	\$ 13,872
Authority Loan No. 1, due September 1, 2015	681,276	741,788
Authority Loan No. 2, due August 1, 2018	718,389	750,000
Note payable due July 31, 2014	160,000	160,000
Note payable due July 31, 2014	160,000	160,000
Note payable due September 30, 2014	120,000	-
Note payable due September 30, 2014	120,000	-
Total notes payable	\$ 1,966,019	\$ 1,825,660
Less current portion	(949,765)	(711,266)
Long-term portion of notes payable	<u>\$ 1,016,254</u>	<u>\$ 1,114,394</u>

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 March 31,	Amount
2015	\$ 949,765
2016	571,632
2017	151,899
2018	162,880
2019	129,843
Total	<u>\$ 1,966,019</u>

As of March 31, 2014 and December 31, 2013, accrued interest for these notes payable with the exception of the related party notes in Note 8 - Notes Payable - Related Parties, was \$160,184 and \$155,199, respectively, and was reflected within accounts payable and accrued expenses on the condensed consolidated balance sheets. As of March 31, 2014 and December 31, 2013, accrued loan participation fees were \$140,649 and \$134,576, respectively, and reflected within accounts payable and accrued expenses on the condensed consolidated balance sheets. As of March 31, 2014 and December 31, 2013, deferred financing costs were \$16,561 and \$18,640, respectively, and were reflected within other assets on the condensed consolidated balance sheets.

For the three months ended March 31, 2014 and 2013, 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 \$42,139 and \$56,156, respectively.

#### 8. Notes Payable - Related Parties

On March 29, 2012, the Company issued an unsecured note payable to Ramon 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 September 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 two notes were combined into a \$250,000 promissory note, under the same terms, with a maturity date of January 1, 2014 and was later extended to January 1, 2015. On March 13, 2013, the Company paid \$100,000 of the principal amount of the \$250,000 promissory note to Mr. Shealy. As of March 31, 2014, the \$250,000 promissory note issued to Mr. Shealy had a principal balance of \$150,000 and accrued interest of \$ 32,747.

On March 2, 2009, the Company issued an unsecured promissory note payable to Ms. 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. On December 27, 2013 the \$80,000 promissory note was extended under the same terms, with a maturity date of January 1, 2015. During the three months ended March 31, 2014, the Company paid \$5,000 in principal to Ms. Chretien related to this note. As of March 31, 2014 the note had a principal balance of \$27,500 and accrued interest of \$2,882.

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. During 2013, the Company paid \$11,250 in accrued interest to A. Michael Chretien. On December 27, 2013, the note was extended, under the same terms, with a maturity of January 12, 2015. As of March 31, 2014, the note had a principal balance of \$40,415 and accrued interest of \$3,344.

Notes payable due to related parties consist of the following:

	March 31, 2014	December 31, 2013
The \$80,000 Jackie Chretien Note	\$ 27,500	\$ 32,500
The \$55,167 A. Michael Chretien Note	40,415	40,415
The \$250,000 Shealy Note	150,000	150,000
Total notes payable - related party	217,915	222,915
Less current portion	(217,915)	-
Long-term portion of notes payable-related party	<u>\$ -</u>	<u>\$ 222,915</u>

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

For the Twelve Months Ended March 31,	Amount
2015	\$ 217,915
Total	<u>\$ 217,915</u>

As of March 31, 2014 and December 31, 2013, accrued interest for these notes payable-related parties amounted to \$8,971 and \$34,614, respectively.

For the three months ended March 31, 2014 and 2013, interest expense in connection with notes payable – related parties was \$,865 and \$5,223, respectively.

#### 9. Deferred Compensation

Deferred compensation consists of accumulated compensation earned by the Company's two founders and not paid as of March 31, 2014 and December 31, 2013.

Pursuant to the Company's employment agreements with the founders, the Company has agreed to pay deferred compensation totaling \$15,012 in cash to these founders on March 31, 2015.

## 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.

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

	For the Twelve Months Ending March 31,	Amount
2014		\$ 30,375
Total		\$ 30,375

Rent expense charged to operations for the three months ended March 31, 2014 and 2013 amounted to \$10,125 and \$10,125, 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.

## 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 March 31, 2014, the Company's two largest customers, Tiburon, Inc. ("Tiburon") a reseller, and CareWorks ("CareWorks") a direct end user, accounted for 15% and 7%, respectively, of the Company's revenue for that period. For the three months ended March 31, 2013, the Company's two largest customers, Tiburon, Inc. ("Tiburon") and Muratec America, Inc. ("Muratec"), which are both Resellers, accounted for 11% and 10%, respectively, of the Company's revenue for that period.

For the three months ended March 31, 2014 and 2013, government contracts represented approximately 44% and 45% of the Company's net revenues, respectively. A significant portion of the Company's sales to Tiburon and Lexmark represent ultimate sales to government agencies.

As of March 31, 2014, accounts receivable concentrations from the Company's four largest customers were 20%, 18%, 15% and 13% of gross accounts receivable, respectively. As of December 31, 2013, accounts receivable concentrations from the Company's four largest customers were 24%, 21%, 17% and 12% of gross accounts receivable, respectively. Accounts receivable balances from the Company's four largest customers at March 31, 2014 have since been partially collected.

## ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of financial conditions and results of operations of the Company for the three months ended March 31, 2014, and 2013 should be read in conjunction with our financial statements and the notes to those financial statements that are included elsewhere in this Form 10-Q. 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 its sole operating subsidiary, Intellinetics, Inc., an Ohio corporation ("Intellinetics"), unless we state otherwise or the context indicates otherwise.

This discussion includes forward-looking statements, as that term is defined in the federal securities laws, based upon current expectations that involve risks and uncertainties, such as plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors. Words such as "anticipate," "estimate," "plan," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions are used to identify forward-looking statements.

We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Factors that may affect our results include, but are not limited to, the risk factors that are included in Part I, Item IA of our 2013 Form 10-K. Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition accrued expenses, financing operations, contingencies and litigation. We base our estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carry value of certain assets and liabilities which are not readily apparent from other sources. These accounting policies are described at relevant sections in this discussion and analysis and in the notes to the financial statements included in this report for the three months ended March 31, 2014.

### Company Overview

The Company is an Enterprise Content Management ("ECM") software development, sales and marketing company serving both the public and private sectors. The Company provides its software solutions principally through (i) the direct licensing of its software installed on customer computer platforms and (ii) providing the applications as a service, accessible through the internet. The latter delivery model is what is referred to as a "cloud-based" or "software as a service" ("SaaS") model.

The Company's software products allow customers to manage "enterprise content" (unstructured data such as hard-copy scanned documents, Word documents, Excel spreadsheets, JPEG files, images, pictures, faxes, audio/video files, emails, and PowerPoint presentations) through the complete document life cycle for that organization. The Company's platform, Intellivue™, improves and enhances business operations for clients by making document and content management simple, accessible and affordable. Our approach to deploying templates for specific business processes is designed to empower clients to affordably manage their documents entirely within the Intellivue™ platform.

To date, most of our software customers install our software onto computers at their location (premises-based). In time, the Company anticipates that the provision of “cloud” application services, or software as a service, will become a more significant part of its software sales business. We anticipate that cloud-based services will become the principal part of our software sales business and a primary source of revenues for us, because this model allows customers to avoid significant upfront costs for hardware and installation services required for a premises-based delivery. That said, we are just beginning to see our customers migrate to such cloud-based services. Our revenues from cloud-based delivery of our software, as a percentage of total revenue for the period ended March 31, 2014 and March 31, 2013, were 13% and 9% respectively.

Our current sales strategy is to focus our sales efforts toward a much greater percentage of sales through intermediaries, such as software resellers and multi-function device resellers, rather than through direct sales. We have developed 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 our 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. In 2013, we devoted significant efforts, in both development and marketing, in bringing about this change in core strategic focus for the Company.

On December 31, 2013, we announced the MarketCommand™ reseller program for dealers in the print and imaging channel. The program is designed to generate additional revenues by packaging the GlobalWise cloud-based IntelliCloud™ platform as a feature of the multi-function devices (e.g., copiers, scanners, etc.) sold by dealers on the program. MarketCommand™ is desirable for the dealers because it can increase their revenue by increasing device sales and related IntelliCloud™ activation fees while increasing recurring revenue from customers that utilize more than the initial electronic storage capacity.

The Company gathered in-depth feedback from initial resellers when developing the MarketCommand™ program, to determine what business, technical, market positioning and service changes were needed to make it easier for resellers to sell document management software. MarketCommand™ delivers the simplicity and power of delivering document-centric business solutions as a feature of the multi-function devices they already sell.

The first two MarketCommand™ resellers were on-boarded during the period ended March 31, 2014. Combined, the two resellers serve over 40,000 active customers with 180 sales people generating over \$230,000,000 in revenue for those resellers. These initial partners have provided an opportunity to test the program’s tools and processes for effectiveness. Both partners have started generating new business under MarketCommand™ with strong positive feedback on program value to their business. The phased roll-out will be completed by the end of April 2014. Three additional resellers under our MarketCommand™ program are scheduled to complete on-boarding by the end of June 30, 2014.

#### ***Recent Developments***

Revenues are generated from the licensing, subscription and maintenance of our enterprise software products and from professional services fees in connection with the implementation and integration of software applications. Our revenues, especially our 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, 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 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.

Costs of revenues also include the costs 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 may vary widely from quarter to quarter.

In addition, while revenues are recognized upon the completion of software and consulting projects, the related costs are recognized when incurred, resulting in gross margins which may vary widely from period to period for these revenue categories.

### ***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 the trade and industry.

### ***General and Administrative Expenses***

General and administrative expenses consist of the compensation and overhead of administrative personnel and professional services firms performing administrative functions, including management, accounting, finance and legal services, plus 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.

## **How We Evaluate our Business Performance and Opportunities**

### ***Major Quantitative and Qualitative Factors we Consider in the Evaluation of our Business***

The major qualitative and quantitative factors we consider in the evaluation of our operating results include the following:

Our current strategy is to focus upon cloud-based delivery of our software products through channel partners. Historically, our revenues have mostly resulted from premise-based software licensing revenue and professional services revenue. Our observation of industry trends leads us to anticipate that cloud-based delivery will become our principal software business and a primary source of revenues for us, but we are just beginning to see our customers migrate to cloud-based services. Accordingly, when we evaluate our results, we assess whether our cloud-based software revenues are increasing, relative to prior periods and relative to other sources of revenue. Additionally, we assess whether our sales resulting from relationships with channel partners are increasing, relative to prior periods and relative to direct sales to customers. Finally, we consider the number of channel partners with which we have a contract or other relationship to be an indicator of our performance and future results.

- Our customer engagements often involve the development and licensing of customer-specific software solutions and related consulting and software maintenance services. When analyzing whether to undertake a particular customer engagement, we often consider all of the following factors as part of our overall strategy to grow the business: (i) the profit margins the project may yield, (ii) whether the project will allow us to enter a new geographic market, (iii) whether the project would enable us to demonstrate our capabilities to large national resellers, or (iv) whether the project would help to develop new product and service features that we could integrate into our suite of products, resulting in an overall product portfolio that better aligns with the needs of our target customers. As a result of this pipeline analysis, we may take on projects with a lower project margin if we determine that the project is valuable to our business for the other reasons discussed.
- Our sales cycle is long, sometimes lasting 18-24 months. Even when a project begins, we often perform pre-installation assessment, project scoping, and implementation consulting. Our revenue and profit in any particular period is significantly influenced by sales efforts and preliminary project work conducted in prior periods but not completed and recognized until the current period. Therefore, when we plan our business and evaluate our results, we consider the revenue we expect to recognize from projects in our late-stage pipeline.
- Our research and development efforts and expenses to create new software products are critical to our success. When developing new products or product enhancements, our developers collaborate with our own employees across a wide variety of job functions. We also gather in-depth feedback from our customers and channel partners. We evaluate new products and services to determine their likelihood of market success and their potential profitability.
- We monitor our costs and capital needs to ensure efficiency as well as an adequate level of support for our business plan.

***Uncertainties, Trends, and Risks that can cause Fluctuations in our Operating Results***

Our operating results have fluctuated significantly in the past and are expected to continue to fluctuate in the future due to a variety of factors. Factors that affect our operating results include the following:

- our capital needs, and the costs at which we are able to obtain capital;
- general economic conditions that affect the amount our customers are spending on their software needs, the cost at which we can provide software products and services, and the costs at which we can obtain capital;
- the development of new products, requiring development expenses, product rollout, and market acceptance;
- the length of our sales cycle;
- the fact that many of our customers are governmental organizations, exposing us to the risk of early termination, audits, investigations, sanctions, and other penalties not typically associated with private customers;
- our relationships with our channel partners, for purposes of product delivery, introduction to new markets and customers, and for feedback on product development;
- our need to increase expenses at the beginning of a customer project, while associated revenue is recognized over the life of the project;
- the potential effect of security breaches, data center infrastructure capacity, our use of open-source software, and governmental regulation and litigation over data privacy and security;
- whether our clients renew their agreements and timely remit our accounts receivable;
- whether we can license third-party software on reasonable terms;
- our ability to protect and utilize our intellectual property; and
- the effects of litigation, warranty claims, and other claims and proceedings.

Due to all these factors and the other risks discussed in “Part I, Item IA of our 2013 Form 10-K”, our results of operations should not be relied upon as an indication of our future performance. Comparisons of our operating results with prior periods is not necessarily meaningful or indicative of future performance.

## Results of Operations

### Overview

We reported net losses of \$403,822 and \$671,797 for the three months ended March 31, 2014 and 2013, respectively, representing a decrease in net loss of \$267,975 or 40%. We reported gross profit of \$235,755 and \$175,387 for the three months ended March 31, 2014 and 2013, respectively, representing an increase in gross profit of \$60,368, or 34%. We reported operating expenses of \$591,573 and \$801,275 for the three months ended March 31, 2014 and 2013, respectively, representing a decrease in operating expenses of \$209,702. The decrease in operating expenses was principally related to the reduction in sales and marketing personnel, and the decrease in general and administrative personnel.

### Revenues

We reported total revenues of \$299,183 and \$354,871 for the three months ended March 31, 2014 and 2013, respectively, representing a decrease of \$55,688 or 16%. The decrease in total revenues is attributable to several factors as described below.

#### *Sale of Software*

Revenues from the sale of software principally consist of sales of additional or upgraded software licenses and applications to existing customers and sales of software to our resellers. These software revenues were \$8,000 and \$8,660, for the three months ended March 31, 2014 and 2013, respectively, representing a decrease of \$660, or 8%. The decrease was due to concentrating our efforts to develop and expand our channel partner reseller organization in MarketCommand™ program.

#### *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 our 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 revenues were \$39,442 and \$34,790, for the three months ended March 31, 2014 and 2013, respectively, representing an increase of \$4,652, or 13%. The increase in revenue year-over-year was primarily the result of new customers and relationships with channel partners.

#### *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. A substantial portion of these revenues were generated from customers to whom we sold software in prior years who have continued to renew their maintenance agreements. The support and maintenance agreements typically have a term of 12 months. Our software maintenance support revenue was \$210,522 and \$223,464, for the three months ended March 31, 2014 and 2013, respectively, representing a decrease of \$12,942, or 6%. The decrease in revenue was primarily the result of previous accounts for which maintenance agreements have been cancelled.

#### *Sale of Professional Services*

Professional services revenues consist of revenues from consulting, discovery, training, and advisory services to assist customers with document management needs. These revenues include those arrangements where we do not sell software license as an element of the overall arrangement. Professional services revenues were \$29,424 and \$72,772 for the three months ended March 31, 2014 and 2013, respectively, a decrease of \$43,348, or 60%. The decrease in revenue primarily resulted from one large client project completed in 2013.



### *Sale of Third Party Services*

Third party services consist of third party vendor software, hardware and/or services purchases as requested by our customers in as need in conjunction with Intellinetics core software or services. Beginning this quarter, we separated these revenues from our other revenues, because we do not charge a mark-up on the procurement of these third-party products and services for our customers. By classifying these revenues under a separate revenue category, we are attempting to reduce the extent to which fluctuations in this revenue category impact the other categories of revenue.

### **Cost of Revenues**

The cost of revenues during the three months ended March 31, 2014 and 2013 were \$63,428 and \$179,484, respectively, representing a decrease of \$116,056, or 65%. The decrease in cost of revenue for the period ended March 31, 2014 is primarily due to the mix in revenues and lower total revenues.

### **Gross Margins**

Overall gross margin for the three months ended March 31, 2014 and 2013 were 79% and 49%, respectively, representing an increase of 30%. The increase in gross margin year-over-year is primarily as result of the mix in revenues, primarily professional services.

### **Operating Expenses**

#### *General and Administrative Expenses*

General and administrative expenses were \$468,469 during the three months ended March 31, 2014 as compared to \$568,148 during the three months ended March 31, 2013, representing a decrease of \$99,679, or 18%. The decrease was primarily due to the decrease in administrative personnel in 2014.

#### *Sales and Marketing Expenses*

Sales and marketing expenses decreased to \$116,174 during the three months ended March 31, 2014 as compared to \$227,783 during the three months ended March 31, 2013, representing a decrease of \$111,609 or 49%. The decrease was primarily related to our increased emphasis on utilizing our channel partners in selling activities, which decreased our sales and marketing team and decreased our travel expenses.

#### *Depreciation and Amortization*

Depreciation and amortization was \$6,930 for the three months ended March 31, 2014, as compared to \$5,344 for the three months ended March 31, 2013, representing an increase of \$1,586 or approximately 30%. The increase was the result of certain assets acquired having a shorter life span.

#### *Interest Expense, Net*

Interest expense, net, was \$48,004 during the three months ended March 31, 2014 as compared to \$61,379 during the three months ended March 31, 2013, representing a decrease of \$13,375 or 22%. The decrease resulted primarily from a decrease in the average debt balance outstanding during the three months ended March 31, 2014.

### **Liquidity and Capital Resources**

We have financed our operations primarily through a combination of cash on hand, cash generated from operations, borrowings from third parties and related parties, and proceeds from private sales of equity. As of March 31, 2014, our major liquidity indicators are:

- Cash \$ 19,332,
- Working Capital Deficiency \$ (2,222,659),
- Through March 31, 2014 we have incurred cumulative net losses since inception of \$8,212,192.

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 develop an expanded sales force and enhance our product marketing efforts, all of which will require additional capital.

As of March 31, 2014, we expected that through the next 12 months, the capital requirements to fund our growth and to cover the operating costs of a public company will consume substantially all of the cash flows that we intend to generate from our operations, as well as from the proceeds of intended issuances of debt and equity securities. We further believe that during this period, while we are focusing on the growth and expansion of our business, the gross profit that we expect to generate from operations will not generate sufficient funds to cover these anticipated operating costs. Accordingly, we require external funding to sustain operations and to follow through on the execution of our business plan. However, there can be no assurance that our plans as discussed above will materialize and/or that we will be successful in funding estimated cash shortfalls through additional debt or equity capital and through the cash generated by our operations. Given these conditions, our ability to continue as a going concern is contingent upon us being able to secure an adequate amount of debt or equity capital to enable us to meet our cash requirements. In addition, our 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 we operate and the current capital raising environment. These factors, among others, raise substantial doubt that we will be able 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 and loans from friends and family. 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.

During the three months ended March 31, 2014, we raised \$240,000 in net new funds through the issuance of contingently convertible notes. The proceeds from these notes were used to fund our working capital needs and debt repayment.

The Company expects that through the next 9 to 12 months the capital requirements to fund the Company's growth and to cover the operating costs as a public company will consume substantially all the cash flows that it intends to generate from its operations, as well as the funds raised in the private placement discussed elsewhere in the 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 generated by operations is insufficient by approximately \$120,000 per month. Assuming over the next 9 to 12 months we do not increase our cash flow generated from operations, we will need an additional \$1,440,000 to \$1,800,000 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.

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. 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.

#### ***Liquidity and Capital Resource - Equity Capital Resources***

##### **Shares Issued and Outstanding and Shares Reserved for Exercise of Warrants**

As of March 31, 2014, 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.

On February 10, 2012, we consummated the Share Exchange and on that date, our shares became available for quotation on the Over-the-Counter Bulletin Board under the symbol "GWIV". We believe that this was a first step to raising capital to finance our growth plan. We intend to deploy any additional capital we may raise to expand our sales and marketing capabilities, develop ancillary software products, enhance our internal infrastructure, support the accounting, auditing and legal costs of operating as a public company, and provide working capital.

On February 28, 2013 and March 6, 2013, the Company entered into a securities purchase agreement with certain accredited investors, pursuant to which it sold an aggregate of 15,000,000 shares of the Company's common stock, for aggregate gross 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 used the net proceeds of the Offering for working capital and general corporate purposes, including without limitation, debt reduction purposes. For more information, see Note 11 to the Consolidated Financial Statements, titled "Stockholders' Equity" in Part II, Item 8, Financial Statements and Supplementary Data.

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 Intellinetics to Alpharion Capital Partners, Inc. 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). The restricted shares were issued subject to the applicable holding period restrictions under Rule 144 and 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.

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 one 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, with piggyback registration rights. The 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 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.

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 one 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, with piggyback registration rights. The 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 warrant issued to A. Michael Chretien (described above). The Company issued the 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.

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 (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 Company issued the 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 to six accredited investors who are associated with each other. 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 provided for maturity on July 31, 2013, with zero percent interest until maturity. The note holders also received warrants to purchase an aggregate amount of 262,500 common shares (par value \$0.001 per share) at \$0.28 per share. The Company used the proceeds to pay off a note held by MJJ Financial, dated August 7, 2012, to settle other accounts, for working capital and for general corporate purposes. On February 28, 2013, the note holders converted the entire principal balance of the notes into equity in the Offering disclosed above.

### Settlement of Promissory Notes

On January 30, 2013, the Company paid off in full, all principal plus fees in the amount of \$154,292 under a \$400,000 promissory note the Company had issued to MJJ Financial on August 7, 2012, and subsequently renewed on November 8, 2012. The Company does not have any on-going relationship with MJJ Financial.

On March 5, 2013, the Company paid off in full, all principal of a promissory note issued to Jackie Chretien, with an original principal balance of \$14,000, plus all accrued interest through March 5, 2013 in the amount of \$493.00. Additionally, on March 5, 2013, the Company paid \$9,014 of the accrued interest to Ms. Chretien relating to a promissory note issued by the Company to Jackie Chretien with an original principal balance of \$80,000, on March 2, 2009.

### ***Liquidity and Capital Resource - Debt Capital Resources***

#### Deferral of Principal and Interest Payment Relating to Notes Payable Issued by Intellinetics to the Ohio State Development Authority

Effective December 31, 2012, the Company's sole operating subsidiary, Intellinetics, and the Ohio State Development Authority entered into a Notice and Acknowledgement of Modification to Payment Schedule relating to the June 17, 2009 note payable issued by Intellinetics to the Ohio State Development Authority in the amount of \$1,012,500, bearing interest at a rate of 6.00% per annum. Pursuant to the loan modification, the Ohio State Development Authority deferred principal and interest payment 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 a 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.

Effective December 31, 2012, the Company's sole operating subsidiary, Intellinetics, and the Ohio State Development Authority entered into a Notice and Acknowledgement of Modification to Payment Schedule relating to the June 3, 2011 note payable issued by Intellinetics to the Ohio State Development Authority in the amount of \$750,000, 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. Pursuant to the loan modification, the Ohio State Development Authority deferred 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. Under the terms of the June 3, 2011 note, Intellinetics is not obligated to remit payments of principal until September 1, 2013. Effective March 12, 2013, Intellinetics and the Ohio State Development Authority entered into a 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.

Both of these notes are subject to certain covenants and reporting requirements, with which the Company is currently in compliance. Beginning in August, 2014, the Company will have a material covenant to provide employment to a total of 25 people. Default could lead to increased interest rates and accelerated payment obligations. The current 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.

***Summary of Current Outstanding Indebtedness***

The Company's outstanding indebtedness at March 31, 2014 is as follows:

- Promissory note held by Jackie Chretien, dated March 2, 2009, with an original principal balance of \$80,000, current principal balance of \$27,500, and accrued interest of \$2,882.
- Promissory note held by A. Michael Chretien, dated December 29, 2001, with an original principal balance of \$55,167, current principal balance of \$40,415, and accrued interest of \$3,344.
- Promissory note held by Ramon Shealy, dated November 24, 2012, with an original principal balance of \$250,000, current principal balance of \$150,000, and accrued interest of \$32,745.
- Promissory note held by Ohio State Development Authority, dated July 17, 2009, with an original principal balance of \$1,012,500, and current principal balance of \$681,276.
- Promissory note held by Ohio State Development Authority, dated July 3, 2011, with an original principal balance of \$750,000 and current principal balance of \$718,389.
- A Bank Loan with a principal balance of \$6,354.
- Convertible notes held by two accredited investors, dated November 12, 2012, with an aggregate original principal balance of \$160,000, current principal balance of \$160,000, and accrued interest of \$6,094.
- Convertible notes held by two accredited investors, dated December 27, 2012, with an aggregate original principal balance of \$160,000, current principal balance of \$160,000 and accrued interest of \$4,120.
- Convertible notes held by two accredited investors, dated February 4, 2014, with an aggregate original principal balance of \$350,000, current principal balance of \$240,000 and accrued interest of \$2,620

There were no material commitments for capital expenditures at March 31, 2014.

***Cash Flows***

Operating Activities

Net cash used in operating activities for the three months ended March 31, 2014 and 2013 was \$374,503 and \$1,171,211, respectively. During the three months ended March 31, 2014, the net cash used in operating activities was primarily attributable to the net loss adjusted for non-cash expenses of \$9,009 and an increase in net operating liabilities of \$20,310. During the three months ended March 31, 2013, the net cash used in operating activities was \$1,171,211, primarily attributable to the net loss adjusted for non-cash expenses of \$2,121 and a decrease in net operating liabilities of \$501,535.

### Investing Activities

Net cash used in investing activities for the three months ended March 31, 2014 and 2013 amounted to \$2,084 and \$3,608, respectively, and was related to the purchase of property and equipment.

### Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2014 amounted to \$135,359. The net cash provided by financing activities resulted from new borrowings. New borrowings of \$240,000 were partially offset by \$104,641 of notes payable repayments, of which \$5,000 was repaid to related parties.

Net cash provided by financing activities for the three months ended March 31, 2013 amounted to \$2,492,135. The net cash provided by financing activities resulted from the sale of common stock resulting in \$2,731,021 cash in 2013, offset by \$238,886 of notes payable repayments, of which \$114,000 was repaid to related parties.

### **Critical Accounting Policies and Estimates**

There have been no significant changes during the three months ended March 31, 2014 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 2013 Form 10-K.

### ***Liquidity, Going Concern and Management's Plans***

We have incurred substantial recurring losses since our inception. The accompanying financial statements have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. During the years 2012, 2013 and the three months ended March 31, 2014, we raised a total of \$4,644,077 through issuance of debt and equity securities. We are also in the process of exploring strategies to increase our existing revenues. We believe we will be successful in these efforts; however, there can be no assurance we will be successful in raising additional debt or equity financing or finding any other financing source to fund our operations on terms agreeable to us. These matters raise substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if we were unable to continue as a going concern.

On February 4, 2014, the Company issued two convertible promissory notes in a maximum aggregate principal amount of \$350,000 to two accredited investors who are associated with each other. The Company received a portion of the proceeds from the issuance of the notes in the amount of \$240,000. The notes mature on September 30, 2014 and bear interest at an annual rate of interest of 10 percent until maturity. For more information, see Note 7 to the unaudited consolidated financial statements. Subsequent to March 31, 2014, the Company received an additional \$110,000 of proceeds relating to these notes.

### ***Use of Estimates***

The preparation of our consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to exercise its judgment. We exercise considerable judgment with respect to establishing sound accounting policies and in making estimates and assumptions that affect the reported amounts of our assets and liabilities, our recognition of revenues and expenses, and other financial information.

On an ongoing basis, we evaluate our estimates and judgments. Areas in which we exercise significant judgment include, but are not necessarily limited to, our valuation of accounts receivable and income taxes.

We base our estimates and judgments on a variety of factors, including our historical experience, knowledge of our business and industry, current and expected economic conditions, and the attributes of our products and services. We periodically re-evaluate our estimates and assumptions with respect to these judgments and modify our approach when circumstances indicate that modifications are necessary.

While we believe that the factors we evaluate provide us with a meaningful basis for establishing and applying sound accounting policies, we cannot guarantee that the results will always be accurate. Since the determination of these estimates requires the exercise of judgment, actual results could differ from such estimates.

A description of significant accounting policies that require us to make significant estimates and assumptions in the preparation of our consolidated financial statements is the allowance for doubtful accounts and valuation allowance for deferred tax assets.

We establish allowances for doubtful accounts based on certain percentages of accounts sixty days or more past due and when available information causes us to believe that credit loss is probable. Due to historical losses, a full valuation allowance is recognized on deferred tax assets.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable to smaller reporting companies.

### **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 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, 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 recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined under Exchange Act Rule 13a-15(e)), as of March 31, 2014. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2014.

#### *Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS.**

None.

### **ITEM 1A. RISK FACTORS.**

Our business and operating results are subject to many risks, uncertainties and other factors. If any of these risks were to occur, our business, affairs, assets, financial condition, results of operations, cash flows and prospects could be materially and adversely affected. These risks, uncertainties and other factors include the information discussed elsewhere in this report as well as the risk factors set forth in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which have not materially changed as of the date of this report.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

There have been no securities sold by the registrant during the period covered by this Quarterly Report on Form 10-Q that have not previously been included on a Form 8-K.

**ITEM 3. DEFAULT UPON SENIOR SECURITIES.**

None.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not Applicable.

**ITEM 5. OTHER INFORMATION.**

None.



**ITEM 6. EXHIBITS.**

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

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
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.	

\* filed herewith

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: May 15, 2014

By: /s/ Matthew L. Chretien

Matthew L. Chretien

President and Chief Executive Officer (Principal Executive Officer)

Dated: May 15, 2014

By: /s/ Kendall D. Gill

Kendall D. Gill

Chief Financial Officer

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Matthew L. Chretien, certify that:

1. I have reviewed this report on Form 10-Q of Globalwise Investments, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 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 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 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.

Date: May 15, 2014

By: /s/ Matthew L. Chretien

President and Chief Executive Officer

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## Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kendall D. Gill, certify that:

1. I have reviewed this report on Form 10-Q of Globalwise Investments, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 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 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 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.

Date: May 15, 2014

By: /s/ Kendall D. Gill

Chief Financial Officer

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CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED 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 March 31, 2014, as filed with the Securities and Exchange Commission (the "Report"), I, Matthew L. Chretien, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 15, 2014

/s/ Matthew L. Chretien

President and Chief Executive Officer

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CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED 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 year ended March 31, 2014, as filed with the Securities and Exchange Commission (the "Report"), I, Kendall D. Gill, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 15, 2014

/s/ Kendall D. Gill

Chief Financial Officer

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