UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2008

OR

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

Commission file number 333-124460

INTELLIGENTIAS, INC.

(Exact name of registrant as specified in its charter)

Nevada	**20-1703887**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

303 Twin Dolphin Drive, 6th Floor,
Redwood City, California 94065
(Address and zip code of principal executive offices)

(650) 632-4526
(Registrant's telephone number, including area code)

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 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. (Check one):

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

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

Number of shares outstanding of common stock, as of the latest practicable date: 100,772,858 as of August 19, 2008

INTELLIGENTIAS, INC.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

INTELLIGENTIAS, INC.
CONSOLIDATED BALANCE SHEETS

		June 30, 2008 (unaudited)		December 31, 2007
ASSETS				
Cash and cash equivalents	$	37,971	$	4,820,189
Accounts receivable		1,390,241		1,844,182
Prepaid expenses and other current assets		44,425		295,755
Other receivables		-		2,000,000
Inventory		166,273		81,316
Total current assets		1,638,910		9,041,442
Intangible assets, net		4,767,130		4,036,429
Fixed assets, net		1,107,475		1,263,583
Deposits		-		112,130
Other assets		-		19,119
TOTAL ASSETS	$	7,513,515	$	14,472,703
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY (DEFICIT)				
LIABILITIES				
Accounts payable	$	1,828,750	$	2,822,367
Accrued expenses		1,112,560		9,759,888
Deferred revenue		-		1,224,835
Short-term borrowings, net of discount		3,300,000		2,127,368
Derivative warrant liability		63,300		127,800
Total current liabilities		6,304,610		16,062,258
STOCKHOLDERS' EQUITY (DEFICIT)				
Series A preferred stock, $0.0001 par value; 200,000,000 shares authorized; 12,500,000 shares issued and outstanding; liquidation preference $10,000,000		5,528,384		5,528,384
Common stock, $0.0001 par value; 300,000,000 shares authorized; 100,772,858 and 100,555,468 shares issued and outstanding		10,077		10,055
Additional paid-in capital		36,590,879		36,490,900
Accumulated other comprehensive loss		(26,752)		(354,348)
Accumulated deficit		(40,893,683)		(43,264,546)
Total stockholders' equity (deficit)		1,208,905		(1,589,555)
TOTAL LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY (DEFICIT)	$	7,513,515	$	14,472,703

See accompanying notes to the unaudited financial statements.

INTELLIGENTIAS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(unaudited)	(adjusted)	(unaudited)	(adjusted)
REVENUES	$ 734,997	$ 1,500,534	$ 1,156,789	$ 1,500,534
OPERATING EXPENSES				
Direct cost of revenues	444,965	136,164	708,713	136,164
Selling, general and administrative	1,587,385	1,605,282	3,240,327	2,369,618
Amortization and depreciation	956,634	695,845	1,581,039	1,217,001
Total costs and expenses	2,988,984	2,437,291	5,530,079	3,722,783
OPERATING (LOSS)	(2,253,988)	(936,757)	(4,373,290)	(2,222,249)
OTHER INCOME (EXPENSE)				
Gain (loss) on derivative warrant liability	(18,700)	2,047,650	64,500	(4,481,550)
Interest income (expense)	(829,557)	(335,070)	(1,761,279)	(11,507,061)
Gain on rescission of Systeam acquisition	-	-	8,444,469	-
Other income (expense)	(3,536)	-	(3,536)	-
Total other income (expenses)	(851,793)	1,712,580	6,744,154	(15,988,611)
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(3,105,781)	775,823	2,370,864	(18,210,860)
Provision for income taxes	-	-	-	-
Minority interest	-	-	-	-
NET INCOME (LOSS)	(3,105,781)	775,823	2,370,864	(18,210,860)
NET INCOME (LOSS) APPLICABLE TO COMMON SHARES	(3,105,781)	775,823	2,370,864	(18,210,860)
Foreign currency translation adjustments	1,811	(24,691)	(25,499)	(24,691)
COMPREHENSIVE INCOME (LOSS)	$ (3,103,970)	$ 751,132	$ 2,345,365	$ (18,235,551)
NET INCOME (LOSS) PER COMMON SHARE - BASIC & DILUTED	$ (0.03)	$ 0.01	$ 0.02	$ (0.20)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING -BASIC & DILUTED	100,772,858	100,523,643	100,723,886	90,944,945

See accompanying notes to the unaudited financial statements.

INTELLIGENTIAS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (loss)	$ 2,370,863	$ (18,210,859)
Adjustments to reconcile net (loss) to net cash used in operating activities:		
Amortization and depreciation	1,581,039	1,217,001
Amortization of discount on notes payable	1,433,333	285,982
Stock based compensation	-	435,103
Expense associated with issuance of common stock to induce conversion of convertible long-term debt	-	3,263,801
Non-cash expense associated with issuance of common stock to consultants	-	370,000
Gain on rescission of Retentia acquisition	(8,444,469)	-
Amortization of debt issuance costs	19,119	7,948,148
Non-cash (gain) loss on derivative warrant liability	(64,500)	4,481,550
Non-cash foreign currency revaluation	(47,237)	-
Changes in assets and liabilities:		
Interest receivable from related party	-	(46,276)
Accounts receivable	(1,041,562)	-
Other receivable	2,000,000	-
Inventory	(69,288)	-
Other assets	-	(42,466)
Prepaid expenses and other current assets	41,946	(525,000)
Accounts payable	456,546	16,734
Deferred revenue	-	(180,534)
Accrued expenses	386,110	620,901
Total adjustments	(3,748,963)	17,844,944
Net cash (used in) operating activities	(1,378,099)	(365,915)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of intangible assets	(2,150,000)	-
Short-term loans to related party	-	(935,000)
Acquisition of fixed assets	(5,450)	(1,136,439)
Cash acquired in Systeam acquisition	-	18,437
Systeam cash associated with purchase rescission	(83,439)	-
Loans to Systeam	(1,162,584)	-
Cash paid related to unwound acquisition	-	(2,070,940)
Net cash (used in) investing activities	(3,401,473)	(4,123,942)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	4,425,000
Proceeds from related party short-term borrowings	-	245,000
Exercise of warrants	-	30,000
Net cash provided by financing activities	-	4,700,000
Effect of exchange rate changes on cash and cash equivalents	(2,646)	74
NET DECREASE	(4,782,218)	210,217
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	4,820,189	270,527
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 37,971	$ 480,744

See accompanying notes to the unaudited financial statements.

INTELLIGENTIAS, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

Description	Common Stock Shares	Common Stock Amount	Series A Preferred Stock Shares	Series A Preferred Stock Amount	Additional Paid - in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity (Deficit)
Balance, December 31, 2007	100,555,468	$10,055	12,500,000	$ 5,528,384	$ 36,490,900	$ (43,264,546)	$ (354,348)	$ (1,589,555)
Issuance of common stock for services received	217,390	22	-	-	99,979			100,001
Reclassification of foreign currency translation adjustments related to the rescission of the Retentia acquisition							353,095	353,095
Foreign currency translation adjustments							(27,310)	(27,310)
Net income for quarter ended March 31, 2008						5,476,644		5,476,644
Net loss for quarter ended June 30, 2008						(3,105,781)		(3,105,781)
Foreign currency translation adjustments							1,811	1,811
Balance, June 30, 2008 (unaudited)	100,772,858	$10,077	$12,500,000	$ 5,528,384	$ 36,590,879	$ (40,893,683)	$ (26,752)	$ 1,208,905

See accompanying notes to the unaudited financial statements.

INTELLIGENTIAS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1 -- BACKGROUND AND BASIS OF PRESENTATION

Intelligentias, Inc. (the "Company") is an early stage company that was originally incorporated in the State of Nevada on October 1, 2004, as Merchandise Creations, Inc. as a promotional and marketing company specializing in delivering, promoting, and selling custom designed merchandise for bands and artists in the music industry (the "Merchandise Distribution Business").

On December 7, 2006, the Company entered into a Limited Assets Purchase Agreement by and between the Company, SysteamUS, Inc. and Systeam Italy, SpA, whereby the Company acquired certain intellectual property associated with SysteamUS' security software for $5,850,000. Concurrently with the purchase, the Company discontinued its Merchandise Distribution Business and changed its focus to providing homeland security, data retention and tracking software and services to law enforcement agencies, telecommunications companies and Internet service providers. On December 15, 2006, the Company amended its articles of incorporation to change its name from Merchandise Creations, Inc. to Intelligentias, Inc.

In June 2007, we acquired all of the outstanding stock of Datakom, a transaction into which we entered to provide entry into the lawful interception market, initially in the European Union. We operated the Datakom business as a wholly-owned subsidiary beginning in June 2007. In February 2008, we entered into an agreement with the Datakom sellers to terminate and annul the June 2007 agreement, effective December 15, 2007 and, in connection therewith, entered into an ancillary agreement under which we acquired exclusive license to sell Datakom's GTen software in Italy and ten South American countries for a period of 18 months, and under which we have agreed to consider future additional cooperative business endeavors. As a consequence, the accompanying 2007 consolidated financial statements have been adjusted to remove the Datakom financial data previously reported during 2007.

In April 2007, the Company entered into a stock purchase agreement to acquire Systeam Italy, SpA ("Systeam") from SysteamUS, which became effective in June 2007. The Company expected that substantial revenues would be forthcoming in the near term, and that the cost structure of Systeam could be quickly improved so as to enable a reasonable rate of return ("ROI") and rapid market entry. During the first quarter of 2008, the Company determined that the Systeam acquisition was not yielding the revenues management had expected, and its cost structure could not be improved as had been anticipated. It appeared that Systeam would continue to require substantial capital infusion to meet its obligations. Consequently, by agreement dated April 13, 2008, the Company and SysteamUS agreed to rescind the acquisition of Systeam, effective March 15, 2008. The Company is exploring alternative means to handle all sales, operations and research and development activities for those markets and customers previously serviced by Systeam. To this end, in March 2008 we established Intellilab, S.R.L., as

NOTE 1 -- BACKGROUND AND BASIS OF PRESENTATION (continued)

a wholly-owned subsidiary in Italy. As of December 31, 2007, the Company determined that the carrying amount of Systeam Italy long-lived assets was not recoverable. An impairment charge of $9,491,950 was recorded in the fourth quarter of 2007, which represented the net carrying value of intangible and fixed assets acquired as a result of the Systeam Italy acquisition.

Upon the effective date of the rescission of the acquisition of Systeam Italy, the Company eliminated the remaining assets and liabilities relating to Systeam Italy, resulting in a gain on the rescission transaction of $8,444,469, comprised of the following:

Net liabilities of Systeam Italy	$10,704,978
Less:	
Write-off of receivables from Systeam Italy	(1,761,601)
Write-off of interest receivable from Systeam Italy	(145,812)
Recognition of deferred foreign currency translation gains	(353,096)
Net gain	$ 8,444,469

The accompanying condensed unaudited financial statements as of June 30, 2008, and for the three and six months ended June 30, 2008 and June 30, 2007, respectively, have been prepared in accordance with generally accepted accounting principles in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of the Company's management, the interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods. The footnote disclosures related to the interim financial information included herein are also unaudited. Such financial information should be read in conjunction with the financial statements and related notes thereto as of December 31, 2007 and for the year then ended included in the Company's annual report on Form 10-K for the year ended December 31, 2007.

NOTE 2 -- GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company is in its early stage and has incurred losses from continuing operations and operational cash outflows since inception.

The Company's ability to service its debt, and to fund working capital, capital expenditures and business development efforts will depend on its ability to generate cash from operating activities which is subject to, among other things, its future operating performance, as well as to general economic, financial, competitive, legislative, regulatory and other conditions, some of which

NOTE 2—GOING CONCERN (continued)

may be beyond its control. If the Company fails to generate sufficient cash from operations, it will need to raise additional equity or borrow additional funds to achieve its objectives. There can be no assurance that the Company will generate sufficient revenues or that equity or borrowings will be available or, if available, will be at rates or prices acceptable to the Company. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

INTELLIGENTIAS, INC.

NOTES TO UNAUDITED FINANCIAL STATEMENTS (continued)

NOTE 3 – CONSOLIDATED BALANCE SHEET INFORMATION

Consolidated balance sheet information is as follows:

Long-Lived Assets	June 30, 2008 (unaudited)	December 31, 2007
Intellectual property	$ 5,850,000	$ 5,850,000
Website	400,000	400,000
Exclusive sales agreement	2,150,000	-
Total	8,400,000	6,250,000
Less: Accumulated amortization	(3,632,870)	(2,213,571)
Intangibles, net	$ 4,767,130	$ 4,036,429
Office equipment	11,792	14,632
Digital equipment	1,386,664	1,386,664
Total	1,398,456	1,401,296
Less: accumulated depreciation	(290,981)	(137,713)
Fixed assets, net	$ 1,107,475	$ 1,263,583

Accrued Liabilities	June 30, 2008 (unaudited)	December 31, 2007
Withholding taxes payable	$ 65,368	$ 2,363,810
Accrued interest payable	735,962	382,258
Termination indemnity	5,063	698,782
Tax Penalties and Interest	-	1,155,160
Social security taxes payable	7,217	2,715,821
Income taxes payable	29,002	644,592
Accrued wages & benefits	56,585	1,088,024
Other taxes payable	-	170,272
Value added tax (VAT)	-	215,945
Regal dispute	150,000	150,000
Other	63,363	175,224
	$ 1,112,560	$ 9,759,888

NOTE 4 -- COMMON STOCK, SHORT-TERM DEBT, CONVERTIBLE LONG-TERM DEBT AND WARRANTS

On December 7, 2006, the Company completed an $8,000,000 private offering of convertible long-term debt (the "Note") with Vision Opportunity Master Fund Ltd. ("Vision"). On March 16, 2007, the Company issued the Note holder 1,750,000 shares of common stock as an inducement to convert the entire Note into common stock. The Note was fully converted by the holder on March 19, 2007 into 18,181,818 shares of common stock. The Company recognized $3,263,801 in interest expense related to the fair value of the common stock issued to the Note holder to induce conversion. The Company also recognized the unamortized debt discount on the Note of $7,948,148 as interest expense in the accompanying unaudited condensed statements of operations for the six months ended June 30, 2007.

In connection with the issuance of the Note, the Company issued the Note holder warrants (the "Warrants") to purchase up to 9,000,000 shares of the Company's common stock with an exercise price of $0.01. The Note holder exercised 3,000,000 warrants for $30,000 during the six months ended June 30, 2007.

On March 16, 2007, the Company issued 200,000 shares of common stock to two consultants for services performed during the three months ended March 31, 2007. The Company valued these grants at $370,000 based on the fair market value of the Company's common stock on the date of issuance and recognized the amount as selling, general and administrative expense in the accompanying unaudited financial statements.

On June 13, 2007, the Company issued to Vision a $3,000,000 Senior Secured Promissory Note (the "Note") due on the earlier of June 13, 2008 or upon receipt of $6,000,000 in net proceeds from the next debt or equity financing. The Note bears interest at 12% per annum plus an additional $300,000 when repaid. The Note is secured by the Company's accounts receivable and fixed assets and may be prepaid at any time. The note due date has been extended to September 5, 2008. The Company and Vision are currently in discussions regarding a restructuring of the debt.

In connection with the issuance of the Note, the Company issued Vision warrants to purchase up to 5,500,000 shares of the Company's common stock with an exercise price of $2.05 per share expiring in June 2014 (the "June 2007 Warrants"). The aggregate fair value of the warrants equals $3,861,000 based on the Black-Scholes option pricing model using the following assumptions: 5% risk-free rate, 100% volatility and expected life of the warrants of 3.5 years. The June 2007 Warrants also contain "full-ratchet" anti-dilution protection to Vision during the warrant term, but excludes certain events such as issuances of stock in connection with mergers and acquisitions, strategic license agreements, stock option plans and a subsequent financing transaction. On the date of issuance until the agreement was amended on August 15, 2007, the

June 2007 Warrants did not meet the requisite conditions for equity classification because cash settlement could be required at the option of Vision in the event of a change in control.

Accordingly, that fair value of the June 2007 Warrants was initially recorded as a discount on the Note of $3,000,000 with the excess of the fair value of the warrants over the proceeds from the Note of $861,000 recorded as a loss on Derivative Warrant Liabilities in the June 30, 2007 consolidated statement of operations and comprehensive income (loss). The Company also incurred $42,466 in debt issuance costs that have been included in other assets in the June 30, 2007 consolidated balance sheet.

Warrant-related discount and the debt issuance costs were being amortized over a period of 12 months. As of December 31, 2007, a total of $ 2,766,573 has been amortized and recorded as interest expense. On August 15, 2007, the Company and Vision amended the agreements related to the December 2006 Warrants and the June 2007 Warrants (collectively, the "Warrants") to remove the cash settlement provision that could be triggered by a change in control.

Accordingly, as of the date of the amendment (August 15, 2007), the Warrants met the requisite conditions for equity classification and were reclassified from liabilities to stockholders' equity and no further value adjustments will be made.

On September 18, 2007, the Company amended its Note with Vision to issue an additional $300,000 senior secured promissory note to Vision (the "September 2007 Note") due on the earlier of June 13, 2008 or upon receipt of $6,000,000 in net proceeds from the next debt or equity financing. The September 2007 Note bears interest at 12% per annum plus an additional $30,000 when repaid, is secured by the Company's accounts receivable and fixed assets and may be prepaid at any time. As additional consideration, the Company issued an immediately exercisable warrant to Vision to purchase 238,095 shares of the Company's common stock, with an exercise price of $1.26 per share, expiring in September 2014. The Company allocated the $300,000 proceeds to the debt and related warrants based on their relative fair values. The allocated value of these warrants was $119,413 based on the Black-Scholes option pricing model using the following assumptions: 4.06% risk-free rate, 100% volatility and expected life of the warrants of 3.5 years. The relative fair value of the warrants has been recorded as a discount on the note with an offset to additional paid-in capital in the accompanying consolidated balance sheet. The note due date has been extended to September 5, 2008. The Company and Vision are currently in discussions regarding a restructuring of the debt.

Other than the stated terms above, the September 2007 Note is subject to the same provisions as the original Note. The warrants cannot be settled for cash and qualify for equity classification.

As of June 30, 2008, short term debt was comprised of the 12% debt, $3,300,000 principal amount Vision Notes; collateralized by accounts receivable and fixed assets, including general

intangibles. As of June 30, 2008, all warrant-related discount and the debt issuance costs associated with the Vision financings have been fully expensed.

On February 5, 2008, the Company issued 217,390 shares of common stock to a consultant to satisfy a liability for services expensed in November 2007. The Company valued this grant at $100,000 based on the fair market value of the Company's common stock on January 29, 2008, the date the parties agreed to settle the obligation with stock.

NOTE 5 - RELATED PARTY TRANSACTIONS

In the first and second quarter of 2007, the Company obtained debt financing from various related parties totaling $245,000, which carried interest at 10% per annum. These loans and $14,730 interest were paid in October 2007. No related party debt remains outstanding at June 30, 2008.

NOTE 6- INCOME TAXES

The Company did not recognize an income tax benefit for the losses incurred to date since management has determined that the realization of the net deferred tax asset is not assured and has created a valuation allowance for the entire amount. The Company's net operating loss carry-forward was approximately $18.9 million at June 30, 2008

The calculation of tax liabilities involves dealing with uncertainties in the application of complex global tax regulations. To the extent necessary, the Company recognizes potential liabilities for anticipated tax audit issues in the United States and other tax jurisdictions based on its estimate of whether, and the extent to which, additional taxes will be due. As of June 30, 2008, the Company has not identified any potential tax audit issues and does not have any related reserves.

The Company has not filed tax returns for 2006 or 2007.

Item 2. Management's Discussion and Analysis or Plan of Operation

Forward-Looking Statements

Certain statements in Management's Discussion and Analysis ("MD&A"), other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which may cause actual results to differ materially from the forward-looking statements. Risks, uncertainties and assumptions include macroeconomic and geopolitical trends and events; the execution and performance of contracts by our company and our customers, suppliers and partners; the challenge of managing asset levels, including inventory; the difficulty of aligning expense levels with revenue changes; the outcome of pended legislation and accounting pronouncements; the resolution of pended claims and disputes; and other risks that are described herein, as well as the items discussed in "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007, and that are otherwise described or updated from time to time in our Securities and Exchange Commission reports. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

Our MD&A includes the following sections:

- Executive Overview that discusses at a high level our operating results and some of the trends that affect our business.
- Recent Developments since our most recent Annual Report on Form 10-K that we believe will have an impact on our financial results.
- Significant changes since our most recent Annual Report on Form 10-K in the Critical Accounting Policies and Estimates that we believe are important to understanding the assumptions and judgments underlying our financial statements.
- Results of Operations, which includes a more detailed discussion of our revenue and expenses.
- Liquidity and Capital Resources, which discusses key aspects of our statements of cash flows, changes in our balance sheets and our financial commitments.

You should read this MD&A in conjunction with the consolidated financial statements and related notes in Item 1 and our Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

Executive Overview

We are positioning ourselves to be a leading provider of forensic data retention software for telecommunications companies, Internet service providers and law enforcement agencies. Currently, our principal product is our Data Retention Suite, or DRS. DRS software provides for data capture, storage and subsequent forensics examination of multiple data sets, including telephone and web-surfing records. Currently, telecom-service providers use our software to keep track of the telephone calls made by their customers, ISPs use it to keep track of the Internet activities of their subscribers (such as websites visited), and law enforcement agencies use it to detect criminal activities and to aid in the prosecution of perpetrators. In addition, through our 51% owned subsidiary, Spectia Srl, we provide a total video surveillance solution to customers, including hardware (which is installed by third parties), data retention software and related maintenance.

The principal factor driving our business model in 2008 is the requirement that certain types of businesses and law enforcement agencies be prepared to comply with the Directive 2006/24/EC (the “E.U. Data Retention Directive”) that was enacted in May 2006 and other similar legislative mandates that are anticipated to be enacted in the United States, Latin America, the Middle East and elsewhere to promote national security interests and aid in the seizure and arrest of terrorists. The E.U. Data Retention Directive has not been fully implemented by the 27 member countries, and it will not be mandatory until 2009. Legislative efforts in the United States have not yet resulted in a similar comprehensive law in this country, although the Internet Stopping Adults Facilitating the Exploitation of Today’s Youth Act of 2007 (the “SAFETY Act”), introduced in the House of Representatives in 2007, is still in committee. It is anticipated that given the current national security environment in the United States and throughout much of the world, it is likely, although we cannot give any assurances, that, in the foreseeable future, legislative bodies will enact stringent laws requiring various kinds of businesses to store and have the capability to rapidly retrieve data relating to telephone calls made and received, e-mails sent and received, websites visited and other similar data transactions. It is this new terrorism-prevention environment that has provided the business opportunities on which our company is based.

We were a development stage company through March 31, 2007, when we commenced sales of our DRS. Spectia, our consolidated subsidiary, began generating revenues in the fourth quarter of 2007.

Our current focus is to expand the global sales, marketing and servicing of our DRS. Currently, we market our DRS in Italy, Europe, the Middle East and Latin America. We intend to expand our sales globally and move into the United States and Southeast Asia at such time as the regulatory climate in those regions presents the business opportunity we expect to develop. We also plan to leverage our data retention expertise to expand into complementary markets,

including behavioral tracking and data investigation, video surveillance by law enforcement authorities and intelligence services, e-discovery and e-recovery solutions for the small and medium-sized business markets and identification and prosecution of sexual offenders in the social networking market. However, we expect that a substantial portion, if not virtually all, of our revenues in 2008 will be derived from our forensic data retention products and services.

In April 2007, we entered into a stock purchase agreement to acquire Systeam Italy, SpA ("Systeam") from its parent, SysteamUS, Inc., which became effective in June 2007. Through this acquisition, we also acquired Systeam's controlling interest in Spectia, which we own directly as of October 2007. We expected that substantial Systeam-related revenues would be forthcoming in the near term, and that the cost structure of Systeam could be quickly improved so as to enable a reasonable rate of return and rapid market entry. Our financial results in the last two quarters of 2007 (and minimally in the second quarter of 2007) reflected the acquisition of Systeam. Between December 2006 and March 31, 2008, we loaned Systeam a total of approximately $5,000,000. In March 2008, we determined that the Systeam acquisition had not yielded the revenues we had expected, and its cost structure could not be improved as we had anticipated. It appeared that Systeam would continue to require substantial capital infusion to meet its obligations. Consequently, we and SysteamUS agreed to rescind the acquisition of Systeam, effective March 15, 2008. As of the date of this Report, we are exploring alternative means to handle all sales, operations and research and development activities for those markets and customers previously serviced by Systeam. To this end, in March 2008 we established Intellilab, S.R.L. as a wholly owned subsidiary in Italy. However, this subsidiary has not yet commenced operations.

As a result of the foregoing, we do not believe that comparisons between the 2007 and 2008 periods will be illustrative of current or future trends in our business. As such, our 2008 financial results should not be viewed as a reliable indicator of future results with respect to revenues, expenses, income/loss from operations, net income/net loss or net income/net loss per share, because of our very limited history of revenue-generating operations, as well as the significant changes to our subsidiary operations between 2007 and the first quarter of 2008.

Results of Operations –
Three and Six Months Ended June 30, 2008

Revenues and Direct Cost of Revenues

Revenues for the three and six months ended June 30, 2008 were $734,997 and $1,156,789, respectively, while we generated $1,500,534 revenues during the three and six months ended June 30, 2007. The 2008 revenues consisted exclusively of sales of Spectia related to the delivery of video surveillance hardware and related DRS software, while the 2007 revenues were derived from the $1,320,000 sale by Intelligentias of a software license and $180,534 software and support by Systeam.

Revenues in the 2008 Period still reflect the early stage of development of the market for DRS. As of June 30, 2008, we have engaged the services of over 25 international sales representatives, while we had no such sales activity in the 2007 Period.

Direct cost of revenues of $444,965 and $708,713 reflect the cost of labor and materials associated with revenues generated from Spectia for the three and six months ended June 30, 2008 , respectively. The corresponding expense for the three and six months ended June 30, 2007 was $136,164 related to the Systeam revenues.

We expect that data retention will be our primary revenue generating source throughout the remainder of 2008. Data retention revenues are derived primarily from upfront licensing fees, installation and customization fees and maintenance fees. In 2008 and in the short-term thereafter, we expect the majority of our revenues to come from the fees we earn from selling and maintaining the DRS.

Selling, General and Administrative

For the three months ended June 30,2008, selling, general and administrative expenses ("SG&A") were $1,587,385 and consisted primarily of accounting, legal and professional fees of $356,007, marketing expense of $417,137, payroll and benefits expense of $233,040, Spectia SG&A of $118,880, and Intellilab expenses of $50,000. Other costs of $412,321 were incurred for insurance, travel, rent and other general expenses. This represented a decrease of $17,897 from the SG&A expense for the 2007 Period of $1,605,282. The decrease is attributable primarily to a reduction during the 2008 period of payroll and related expenses, elimination of Systeam related activity, offset by an increase of marketing and professional fees, representing an expansion of sales, marketing and business development activities, and other costs.

For the six months ended June 30, 2008, selling, general and administrative expenses ("SG&A") were $3,240,327 and consisted primarily of accounting, legal and professional fees of $816,417, marketing expense of $817,450, payroll and benefits expense of $468,793, Spectia SG&A of $493,150, and Intellilab expenses of $50,000. Other costs of $594,517 were incurred for insurance, travel, rent and other general expenses. This represented an increase of $870,709 from the SG&A expense for the 2007 Period of $2,369,618. The increase is attributable primarily to an increase of marketing and professional fees representing an expansion of sales, marketing and business development activities., and other costs, offset by an reduction during the 2008 period of payroll and related expenses, and elimination of Systeam related activity,

We anticipate that during 2008, selling expenses will increase further, both in dollar amount and as a percentage of revenues, as we incur commission expenses on new revenues and expand our marketing activities (both in terms of the nature and extent of such activities, as well as in geographic expansion) in support of our efforts to expand our presence in the market place.

Amortization and Depreciation

Depreciation and amortization expense for the three and six months ended June 30, 2008 was $956,634 and $1,581,039, respectively, compared to $695,845 and $1,217,001 for the three and six months ended June 30, 2007.

The increase for both the three and six month periods ended June 30, 2008 over the 2007 Period is attributable primarily to the additional Amortization expense recognized as a result of

the addition to intangible assets of $2,150,000 for the acquisition of an 18-month exclusive sales license agreement and the acquisition of $256,525 of digital equipment subsequent to the 2007 Period.

Gain (Loss) on Derivative Warrant Liability

In December 2006, June 2007 and September 2007, we entered into separate warrant agreements in connection with various financing transactions. For the six months ended June 30, 2008, we recognized a gain of $64,500 on the derivative warrant liability mark-to-market relating to the warrants issued as part of the September 2007 bridge financing, reflecting the decrease in the market price of our common stock during this period. For the three months ended June 30, 2008, we recognized a loss of $18,700 on the derivative warrant liability mark-to-market, reflecting the increase in the market price of our common stock during this period.

For the three months ended June 30, 2007, gain on the derivative warrant liability mark-to-market was $2,047,650 reflecting the decrease in the market price of our common stock at the end of the second quarter compared to March 31, 2007.

For the six months ended June 30, 2007, loss on the derivative warrant liability mark-to-market was $4,481,550 reflecting the increase in the market price of our common stock at the end of the second quarter compared to December 31, 2006. On August 15, 2007, the December 2006 and June 2007 warrant agreements were amended, which resulted in the warrants meeting the requisite conditions for equity classification. Due to the amendments, subsequent to August 15, 2007, we are no longer required to mark the December 2006 and June 2007 warrants to market through the income statements. We will continue to mark to market the September 2007 warrants until they are exercised or expire in September 2012, and because we cannot predict the movements of our stock price, we are unable to predict the impact this accounting requirement will have on our future results of operations while the warrants remain outstanding.

Interest Expense

Interest expense for the three and six months ended June 30, 2008 was $829,557 and $1,761,279, comprised of $172,701and $353,704 accrued interest, $8,532 and $19,120 amortization of debt issue costs, and recognition of unamortized discount of $655,617 and $1,433,334 respectively, all attributable to the Vision Notes, plus $1,070 and $1,841 miscellaneous interest charges for the three and six months, respectively, offset by miscellaneous interest income of $8,364 and $46,360, respectively. For the three months ended June 30, 2007, interest expense was $335,070 related to the amortization of the discount on outstanding debt obligations of $285,982 with the remaining expense related to accrued interest payable.

For the six months ended June 30, 2007, interest expense was $11,507,061 related primarily to the recognition of the remaining unamortized debt discount of $7,948,149 as interest expense due to the conversion of the convertible long-term debt, recognition of $3,237,500 in interest expense as a result of the issuance of 1,750,000 shares of common stock as an inducement for the conversion of the convertible long-term debt and $285,982 of amortization of

the discount on outstanding debt obligations, with the remaining expense related to other interest expense.

Operating Loss and Net Income (Loss)

For the three and six months ended June 30, 2008, we had operating losses of ($2,253,988) and ($4,373,290) respectively. By comparison, we incurred operating losses of ($936,757) and ($2,222,249), respectively, for three and six months ended June 30, 2007.

Our net loss for the three months ended June 30, 2008 was ($3,105,781.) Our net income during the three months ended June 30, 2007 was $775,823, attributable primarily to a gain of $2,047,650 on derivative warrant liability. Our net loss for the six month period ended June 30, 2007 was ($18,210,860), attributable primarily to a loss of $4,481,550 on derivative warrant liability and $11,511,824 of interest expense. Our net income of $2,370,864 for the six months ended June 30, 2008, resulted primarily from a one-time gain of $8,444,469 recognized upon the rescission of Systeam Italy in March 2008. This gain is attributable to the elimination of the negative investment balance we carried in Systeam, offset by the write off of loans and accrued interest due to us from Systeam and elimination of the positive currency translation adjustment balance related to Systeam. We expect to continue to incur operating losses for the foreseeable future.

Liquidity and Capital Resources

Since inception, we have generated significant operating losses and as a result have not generated sufficient cash flow to fund our operations. Accordingly, we have funded operations primarily through sales of debt, convertible debt and equity securities. In the six months ended June 30, 2007, we raised $30,000 through the issuance of equity upon exercise of warrants and $4,670,000 through the issuance of debt, of which $245,000 was from a related party. We raised no additional capital during the six months ended June 30, 2008. Since inception through June 30, 2008, we have generated an accumulated deficit of $40,893,683 and at June 30, 2008, we had negative working capital of ($4,665,700). As of June 30, 2008, our principal sources of liquidity are cash and cash equivalents of $37,971, which are available as a result of our debt and equity financings. As of June 30, 2008, we owe $3,300,000 in principal amount of indebtedness, which is due September 5, 2008. As part of our efforts to obtain needed working capital, we are currently in discussions with Vision to restructure this obligation. If the Vision debt cannot be restructured, we may be unable to raise the additional funds necessary for the continued operations of the company. While we are in discussions with prospective investors to secure financing for operating requirements, as of this date we have no definitive financing agreements that will enable us to pay our obligation to Vision under the current terms of the debt. Vision has been flexible in extending the due date and discussing potential restructuring, but retains the right to foreclose at any time.

Summary of Cash Flows

The following table shows a summary of our cash flows for the three and six months ended June 30, 2008 and 2007:

	Six Months Ended June 30	
	2008	2007
Cash flows provided by (used in) operating activities	(1,378,099)	(365,915)
Cash flows used in investing activities	(3,401,473)	(4,123,942)
Cash flows provided by financing activities	-	4,700,000

Operating Activities

Cash used in operating activities for the six months ended June 30, 2008 reflected our net income of $2,370,863, offset by adjustments of ($3,750,562), consisting primarily of $8,444,469 non-cash income from the rescission of the Systeam Italy purchase, amortization of the discount on notes payable of $1,433,333, depreciation and amortization of fixed assets of $1,579,440 collection of a $2,000,000 receivable relating to the unwinding of an acquisition in 2007 and $1,041,562 increase in accounts receivable.

In contrast, for the six months ended June 30, 2007, cash used in operating activities reflected a net loss of ($18,210,859), offset by adjustments for non-cash expenses consisting primarily of a loss on derivative warrant liability of $4,481,550 amortization of the discount on notes payable of $7,948,148, the expense associated with the issuance of common stock to induce conversion of convertible long-term debt of $3,263,801 and amortization and depreciation of fixed assets of $1,217,001.

Investing Activities

Cash used in investing activities during the six months ended June 30, 2008 included $2,150,000 for an exclusive sales license agreement, approximately $1,163,000 of loans to Systeam Italy which were written off as part of the rescission of the Systeam purchase agreement, and approximately $83,000, representing the Systeam cash balance as of December 31, 2007 which remained with Systeam upon rescission of the purchase agreement and $5,450 in capital expenditures by Spectia. In the six months ended June 30, 2007, our capital expenditures were $1,136,439 for the purchase of fixed assets, $935,000 for loans advanced to Systeam, and $2,070,940 of cash paid related to an acquisition that was unwound during 2007.

Financing Activities

The Company did not have any financing activities during the 2008 Period. In the six months ended June 30, 2007, we raised $30,000 through the issuance of equity upon exercise of warrants and $4,670,000 through the issuance of debt, of which $245,000 was from a related party.

Capital Requirements

Our future liquidity and capital requirements will be influenced by numerous factors, including:

- the extent and duration of future operating losses;
- the level and timing of future sales and expenditures;
- the results and scope of ongoing research and development programs;
- working capital required to support our growth;
- our sales and marketing programs;
- the acceptance of our data retention services in the marketplace;
- competing technologies; and
- market developments.

Our funding needs are significant in order to repay short-term debt as it comes due and fund working capital requirements. In order to support our ongoing operations for the next 12 months, we must raise additional funds through debt or equity financings, or we must generate substantial revenue and operating cash flow, which, historically, we have not been able to do. If we do not obtain additional debt or equity financing, we may not have funds sufficient to service our short-term debt obligations and our working capital requirements. There is no assurance that any financing can be obtained or, if obtained, that it will be on reasonable terms. If we raise additional funds through the incurrence of additional indebtedness, our lenders could demand rights that are senior to holders of our common and preferred stock and could require covenants that restrict our operations. Any additional equity financing may be dilutive to our stockholders. In addition, if we raise additional funds through the sale of equity securities, new investors could have rights superior to our existing stockholders. The terms of future financings may also restrict our ability to raise additional capital. If we are unable to raise additional funds, and are not able to generate sufficient operating cash flow, we will be required to modify our growth and development plans or could be forced to cease operations. Our independent registered public accounting firm has expressed substantial doubt about our ability to continue as a going concern because of our continuing losses from operations and operational cash outflows since inception.

Off-balance Sheet Arrangements and Other Contractual Obligations

There are no off-balance sheet arrangements between us and any other entity that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, "*Fair Value Option for Financial Assets and Financial Liabilities*," which permits entities to voluntarily choose to measure many financial instruments and other items at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are currently assessing the impact of the adoption of SFAS No. 159, but do not expect that it will have a significant impact on our financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "*Business Combinations*" ("SFAS 141R"), which replaces FASB Statement No. 141. SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired, and establishes that acquisition costs will be generally expensed as incurred. This statement also establishes disclosure requirements that will enable users to evaluate the nature and financial effects of the business combination. SFAS 141R is effective as of the beginning of an entity's fiscal year that begins after December 15, 2008, which will be the Company's year beginning January 1, 2009. We believe that SFAS 141(R) is applicable to us, but cannot yet reasonably estimate the impact of the statement.

(SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the U.S. and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. On January 1, 2008 the Company only partially adopted the provisions of SFAS No. 157 because of the issuance of Staff Position (the FSP) FAS 157-2, "Effective Date of FASB Statement No. 157" which allows companies to delay the effective date of SFAS No. 157 for non-financial assets and liabilities. The partial adoption had no impact on the Company's consolidated financial position and results of operations. Management does not believe that the remaining provisions will have a material effect on the Company's consolidated financial position and results of operations when they become effective on January 1, 2009.

In December 2007, the FASB issued FAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51*". SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary for the deconsolidation of a subsidiary. SFAS No. 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim statements within those fiscal years. We are currently assessing the impact of the adoption of SFAS No. 160, but do not expect that it will have a significant impact on our financial position or results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

Item 4T. Controls and Procedures

During the preparation of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008, we evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Report, under the supervision and with the participation of our management, pursuant to Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, because of the material weaknesses in internal control over financial reporting described below, our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act were not effective in ensuring that information required to be included in its periodic SEC filings is recorded, processed, summarized and reported within the time periods specified.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless how remote. Management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Management identified the following material weaknesses in its internal control over financial reporting as of June 30, 2008:

Material weakness related to the control environment. We did not maintain a control environment that fully emphasized the establishment of, adherence to, or adequate communication regarding appropriate internal control for all aspects of our operations. Specifically, we have inadequate staffing and supervision that could lead to the untimely identification and resolution of accounting and disclosure matters and failure to perform timely and effective reviews. However, our size prevents us from being able to employ sufficient resources to enable us to have adequate segregation of duties within our internal control system. Additionally, the Spectia management and staff do not speak English, and third party resources must be relied upon to obtain US GAAP financial statements.

There were no changes made in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act, during the period covered by this Report that have materially affected, or are reasonably likely to materially affect, these controls subsequent to the date of the last evaluation.

Notwithstanding the material weakness described above, management believes the condensed consolidated financial statements presented in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for all periods presented herein, in conformity with generally accepted accounting principles.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not involved in any pended or threatened legal proceedings, except as noted below.

On or about November 20, 2007, Regal Securities, Inc. and J.P. Turner & Company, L.L.C. commenced an arbitration proceeding against us before the Financial Industry Regulatory Authority in Chicago. In their statement of claim, Regal and J.P. Turner allege that we breached a Placement Agency Agreement in or about August 2007 among Regal, J.P. Turner and us by failing to compensate Regal and J.P. Turner in connection with the private placement of preferred stock we completed in October 2007. Regal and J.P. Turner are seeking monetary damages, warrants to purchase our common stock and punitive damages. We believe these claims are without merit, and we intend vigorously to oppose this action. We accrued $150,000 of expenses for the year ended December 31, 2007 related to this matter.

Item 1A. Risk Factors

The Annual Report on Form 10-K for the year ended December 31, 2007 includes a detailed discussion of risk factors. Except as noted in our Capital and Liquidity discussion regarding our severely limited cash position and the risk related to resolution of the Vision debt obligation and the need for additional financing, there are no material changes to those risk factors applicable as of the date of this Quarterly Report on Form 10-Q.

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

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information.

None

Item 6. Exhibits.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	SEC File Number	Exhibit	Filing Date	
31.1	Rule 13a-14(a)/15d-14(a) Certification by the Chief Executive Officer					X
31.2	Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer					X
32.1	Certification by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: August 19, 2008

INTELLIGENTIAS, INC.

By: /s/ Ian W. Rice
Ian W. Rice
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

Dated: August 19, 2008

By: /s/ Thomas A. Spanier
Thomas A. Spanier
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)