Notice of 2015
Annual Meeting
of Stockholders

Proxy Statement
And
Form 10-K

For the year ended December 31, 2014

4500 Lockhill-Selma, Suite 150 San Antonio, TX 78249

To Our Stockholders,

I am extremely proud of the accomplishments of the GlobalSCAPE team in 2014. Due to the efforts of everyone in the Company, we achieved record revenues in each of the last three quarters of the year as well as for 2014 as a whole. Even more impressive is that the previous record quarterly revenue that we exceeded for three quarters in 2014 had stood for seven years. A very important distinction from that previous record is that the current results are a reflection of ongoing run rate business compared to a single, very large transaction in 2007. These accomplishments are a direct result of our people meeting a number of goals that included:

James Bindseil
(President and CEO)

- New product introductions including High Availability for EFT and updated releases for all of our major product lines.

- Enhanced sales and marketing efforts focused on demand generation and the introduction of a North America channel program.

- Continued premier customer support and satisfaction that produces a maintenance and support renewal rate in excess of 90%.

As we move into 2015, I look forward to expanding upon the innovation and sales momentum that began in 2014. We have new and exciting research and development programs in place to bring new products to market that you can see in our recently published product roadmap. We will continue to broaden our sales activities through both direct means, as well as our greatly expanded domestic and international channel programs. We will continue to enhance our marketing efforts in order to attract new clients to the GlobalSCAPE brand. These three pillars will be at the core of all we do while remaining steadfast in our commitment to delivering our goods and services with the ease of doing business and quality support that have become the hallmark of working with GlobalSCAPE.

In light of the financial results our strategy has produced, we are very pleased to once again express our appreciation to our stockholders through the paying of a special dividend in 2014 and the announcement of a regular quarterly dividend program beginning in February of this year.

I am proud to serve as the President and CEO of GlobalSCAPE. The people who make up the GlobalSCAPE team are the most talented and best people to work with in the industry. I look forward to working to make our award-winning solutions even better and to leading GlobalSCAPE to continued positive financial results.

As always, thank you for the support you continue to show GlobalSCAPE. I look forward to meeting you at the Annual Meeting of Stockholders on May 14, 2015.

Sincerely,

James L. Bindseil
President and Chief Executive Officer

GlobalSCAPE, Inc.
4500 Lockhill-Selma Rd, Suite 150
San Antonio, Texas 78249
(210) 308-8267

April 2, 2015

Dear Stockholders:

You are cordially invited to attend the 2015 Annual Meeting of Stockholders of GlobalSCAPE, Inc. to be held at GlobalSCAPE's headquarters, 4500 Lockhill-Selma Road, Suite 150, San Antonio, TX 78249, on Wednesday, May 14, 2015, at 9:00 a.m. If you cannot attend the annual meeting, you may vote over the Internet. If you received a paper copy of the proxy materials, you may follow the instructions on the proxy card.

The agenda for this year's annual meeting includes:

- The election of a director who will serve for a term of three years.
- Approval of a new long-term equity incentive plan for our non-employee directors.
- Ratification of the selection of Padgett, Stratemann & Co., L.L.P. as our independent registered public accounting firm for the year ending December 31, 2015.

Please refer to the Proxy Statement for detailed information about each of the proposals and the annual meeting.

Every stockholder vote is important. Even if you do not plan to attend the annual meeting, we hope you will vote as soon as possible. You may vote by signing your Proxy Card and mailing it in accordance with the instructions on the card. If you prefer, you may vote over the Internet or by telephone following the instructions on your Proxy Card. You may revoke your proxy at any time before it is voted. You may also vote in person at the stockholders meeting if you are the stockholder of record.

Sincerely,

James L. Bindseil
President and Chief Executive Officer

GlobalSCAPE, Inc.
4500 Lockhill-Selma Rd, Suite 150
San Antonio, Texas 78249
(210) 308-8267

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 14, 2015

To the Stockholders of GlobalSCAPE, Inc.:

The 2015 Annual Meeting of Stockholders of GlobalSCAPE, Inc. (the "Company") will be held at the Company's office located at 4500 Lockhill-Selma Road, Suite 150, San Antonio, Texas 78249, on May 14, 2015, at 9:00 a.m., local time, for the following purposes:

1. To elect the following director to serve for a term of three years:

   Thomas W. Brown

2. To approve the GlobalSCAPE, Inc. 2015 Non-Employee Directors Long-Term Equity Incentive Plan.

3. To ratify the appointment of Padgett, Stratemann & Co., L.L.P. as the Company's independent registered public accounting firm for the year ending December 31, 2015.

4. To transact any other business that may properly come before the meeting or any adjournment thereof, including a motion to adjourn or postpone the meeting.

The foregoing items of business are described more fully in the Proxy Statement accompanying this notice.

The Company's Board of Directors has fixed the close of business on March 26, 2015, as the record date for determining the stockholders entitled to receive notice of, and to vote at, the Annual Meeting and any adjournment thereof.

STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON.

April 2, 2015
San Antonio, Texas

By Order of the Board of Directors,

James L. Bindseil
President and Chief Executive Officer

Important Notice Regarding Availability of
Proxy Materials For Our Annual Meeting of Stockholders to be Held On May 14, 2015

This Proxy Statement, the form of proxy card and our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, including financial statements, are available on the Internet at http://proxydocs.com/gsb.

GlobalSCAPE, Inc.

Proxy Statement
For
Annual Meeting of Stockholders
To Be Held Wednesday, May 14, 2015

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PROXY STATEMENT

General

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of GlobalSCAPE, Inc. ("GlobalSCAPE" or the "Company") of proxies from the stockholders of GlobalSCAPE to be used at GlobalSCAPE's 2015 Annual Meeting of Stockholders. In accordance with Securities and Exchange Commission rules, instead of mailing a printed copy of our Proxy Statement, annual report and other materials relating to the Annual Meeting to stockholders, we intend to mail a Notice of Internet Availability of Proxy Materials, which advises that the proxy materials are available on the Internet to stockholders. We intend to commence distribution of the Notice of Internet Availability on or about April 2, 2015. Stockholders receiving a Notice of Internet Availability by mail will not receive a printed copy of proxy materials unless they so request. Instead, the Notice of Internet Availability will instruct stockholders as to how they may access and review proxy materials on the Internet. Stockholders who receive a Notice of Internet Availability by mail who prefer to receive a printed copy of our proxy materials, including a proxy card or voting instruction card, should follow the instructions for requesting these materials included in the Notice of Internet Availability.

This process is designed to expedite stockholders' receipt of proxy materials, lower the cost of the annual meeting, and help conserve natural resources. If you previously elected to receive our proxy materials electronically, you will continue to receive these materials in that manner unless you elect otherwise. However, if you prefer to receive printed proxy materials, please follow the instructions included in the Notice of Internet Availability.

Date, Time, Place of Annual Meeting

GlobalSCAPE's 2015 Annual Meeting of Stockholders will be held at 9:00 a.m., Central Daylight Time, on May 14, 2015, at GlobalSCAPE's office at 4500 Lockhill-Selma Road, Suite 150, San Antonio, Texas 78249. Please call us at (210) 308-8267, ext. 5134, if you need assistance with directions to our office.

Record Date, Shares Entitled to Vote, Quorum

GlobalSCAPE's Board of Directors has fixed the close of business on March **26**, 2015, as the record date for GlobalSCAPE stockholders entitled to notice of and to vote at the annual meeting. As of the record date, there were 20,756,886 shares of GlobalSCAPE common stock outstanding, which were held by approximately 1,870 holders of record. Stockholders are entitled to one vote for each share of GlobalSCAPE common stock held as of the record date.

The holders of a majority of the outstanding shares of GlobalSCAPE common stock issued and entitled to vote at the annual meeting must be present in person or by proxy to establish a quorum for business to be conducted at the annual meeting. Whether you attend the meeting in person, sign and return the proxy card or vote via the Internet or telephone, your shares will be counted as present at the meeting. Abstentions and broker non-votes are included for purposes of determining whether a quorum is present at the annual meeting. If you own shares through a bank or broker in street name, you may instruct your bank or broker how to vote your shares. A "broker non-vote" occurs when you fail to provide your bank or broker with voting instructions and the bank or broker does not have the discretionary authority to vote your shares on a particular proposal because the proposal is not a routine matter under the New York Stock Exchange rules. Please consider the following voting matters specific to each proposal on the ballot:

- Proposal 1 (election of directors) is not considered a routine matter under New York Stock Exchange rules. Your bank or broker will not have discretionary authority to vote your shares held in street name on this item. A broker non-vote may also occur if your broker fails to vote your shares for any reason.

- Proposal 2 (approval of the GlobalSCAPE, Inc. 2015 Non-Employee Directors Stock Option Plan) is not considered a routine matter under New York Stock Exchange rules. Your bank or broker will not have discretionary authority to vote your shares held in street name on this item. A broker non-vote may also occur if your broker fails to vote your shares for any reason

- Proposal 3 (ratification of the appointment of our independent registered public accounting firm) is considered a routine matter under New York Stock Exchange rules. Your bank or broker will have discretionary authority to vote your shares held in street name on that Proposal.

If sufficient votes for approval of the matters to be considered at the annual meeting have not been received prior to the meeting date, GlobalSCAPE may postpone or adjourn the annual meeting in order to solicit additional votes. The form of proxy being solicited by this Proxy Statement provides the authority for the proxy holders, in their discretion, to vote the stockholders' shares with respect to a postponement or adjournment of the annual meeting. At any postponed or adjourned meeting, proxies received pursuant to this Proxy Statement will be voted in the same manner described in this Proxy Statement with respect to the original meeting.

Stockholders of Record and Beneficial Owners

Many of our stockholders hold their shares through a stockbroker, bank, or other agent rather than directly in their own names. Following are some distinctions between shares held of record and those owned beneficially:

- **Stockholder of Record.** If your shares are registered directly in your name with our transfer agent, American Stock Transfer and Trust Company, LLC, you are considered the stockholder of record with respect to those shares. Access to our proxy materials is being provided directly to you by us. As a stockholder of record, you have the right to grant your voting proxy directly to us or to vote in person at the meeting.

- **Beneficial Owner.** If your shares are held in a stock brokerage account or by a bank, you are considered the beneficial owner of the shares held in "street name." Access to these proxy materials is being provided by your broker who is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker on how to vote. You are also invited to attend the meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the meeting. Your broker or nominee has enclosed a voting instruction card for your use.

Attendance and Voting by Proxy

If you are a stockholder whose shares are registered in your name, you may vote your shares by one of the following four methods:

- **Vote in person,** by attending the Annual Meeting. We can give you a proxy card or a ballot when you arrive, if requested.

- **Vote by Internet**, by going to the web address, http://www.proxypush.com/gsb, and following the instructions for Internet voting.

- **Vote by telephone,** by calling 866-390-5419

- **Vote by mail**, by completing, signing, dating, and mailing the proxy card mailed to you in the envelope provided. If you vote by Internet, please do not mail your proxy card.

The deadline for voting electronically on the Internet is 11:59 p.m., Eastern Time, on May 13, 2015. If you vote by mail, your signed proxy card must be received before the annual meeting to be counted at the annual meeting.

If your shares are held in "street name" (through a broker, bank, or other agent), you should have received a separate voting instruction form or you may vote by telephone or on the Internet as instructed by your broker or bank.

PLEASE NOTE THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER AGENT AND YOU WANT TO VOTE AT THE MEETING, YOU MUST FIRST OBTAIN A LEGAL PROXY ISSUED IN YOUR NAME FROM THE RECORD HOLDER. YOU WILL NOT BE PERMITTED TO VOTE IN PERSON AT THE MEETING WITHOUT THE LEGAL PROXY.

The proxies identified on the back of the proxy card will vote the shares of which you are stockholder of record in accordance with your instructions. If you sign and return your proxy card without giving specific voting instructions, the proxies will vote your shares as follows:

- "FOR" the nominated director.
- "FOR" the approval of the GlobalSCAPE, Inc. 2015 Non-Employee Directors Long-Term Equity Incentive Plan.
- "FOR" the ratification of the selection of Padgett, Stratemann & Co., L.L.P. as GlobalSCAPE's independent registered public accounting firm for the fiscal year ending December 31, 2015.

The giving of a proxy will not affect your right to vote in person if you decide to attend the meeting.

If any matters other than those addressed on the proxy card are properly presented for action at the Annual Meeting, the persons named in the proxy card will have the discretion to vote on those matters in their best judgment unless authorization is withheld.

Revocation of Proxy

Whether you vote by Internet, by telephone, or by mail, you may change or revoke your proxy before it is voted at the meeting by:

- Submitting a new proxy card bearing a later date.
- Voting again by the Internet at a later time.
- Giving written notice before the meeting to our Secretary at the address set forth on the cover of this Proxy Statement stating that you are revoking your proxy.
- Attending the meeting and voting your shares in person.

Please note that your attendance at the meeting will not alone serve to revoke your proxy.

Quorum; Vote Requirements

Election of Directors

Directors are elected by a plurality of the votes of the holders of shares of common stock present in person or by proxy and entitled to vote on the election of directors. Under Delaware law, votes that are withheld from a director's election will be counted toward a quorum but will not affect the outcome of the vote on the election of a director. Abstentions and broker non-votes will not be taken into account in determining the outcome of the election. Unless otherwise instructed or unless authority to vote is withheld, the proxy card accompanying these materials will be voted FOR election of each of the director nominees.

Approval of the GlobalSCAPE, Inc. 2015 Non-Employee Directors Long-Term Equity Incentive Plan.

The proposal to approve the GlobalSCAPE, Inc. 2015 Non-Employee Directors Long-Term Equity Incentive Plan, which we refer to as the 2015 Directors Plan, must receive the affirmative vote of the holders of a majority of the shares of GlobalSCAPE common stock represented and voting at the meeting. If you do not instruct your broker on how to vote on this proposal, your broker will not be able to vote for you, but this will have no effect on the proposal because shares for which brokers are not able to vote will not be considered as voting at the annual meeting for purposes of approving the 2015 Directors Plan.

Ratification of Appointment of Independent Registered Public Accounting Firm

With respect to Proposal Three, the ratification of the appointment of the Company's independent registered public accounting firm, an abstention is treated as entitled to vote and, therefore, has the same effect as voting "against" the proposal. Since this proposal is considered a "routine" matter, brokers will be permitted to vote on behalf of their clients if no voting instructions are furnished. Unless otherwise instructed or unless authority to vote is withheld, the proxy card accompanying these materials will be voted FOR the ratification of Padgett, Stratemann & Co., L.L.P. as the Company's independent registered public accounting firm for fiscal year 2015.

Other Matters

The required vote to approve any matter other than the election of directors is the affirmative vote by the holders of a majority of the total number of shares of common stock present in person or by proxy and entitled to vote on the matter.

Important Note Regarding NYSE Rules

If a broker does not receive instructions from the beneficial owner of shares held in street name for certain types of proposals, the broker must indicate on the proxy that it does not have authority to vote such shares (a "broker non-vote") as to such proposals. Under the rules of the New York Stock Exchange, if your broker does not receive instructions from you, your broker will **not** be able to vote your shares in the election of directors or the approval of the 2015 Directors Plan. **Therefore, it is important that you provide voting instructions to your broker.**

Solicitation of Proxies

Proxies will be solicited by mail and the Internet. Proxies may also be solicited personally, or by telephone, fax, or other means by the directors, officers, and employees of GlobalSCAPE. Directors, officers, and employees soliciting proxies will receive no extra compensation but may be reimbursed for related out-of-pocket expenses. GlobalSCAPE will make arrangements with brokerage houses and other custodians, nominees, and fiduciaries to send the proxy materials to beneficial owners. GlobalSCAPE will, upon request, reimburse these brokerage houses, custodians, and other persons for their reasonable out-of-pocket expenses in doing so. GlobalSCAPE will pay the cost of solicitation of proxies.

PROPOSAL ONE
ELECTION OF DIRECTORS

GlobalSCAPE's Articles of Incorporation divide the Board of Directors into three classes of directors serving staggered three-year terms, with one class to be elected at each annual meeting of stockholders. At this year's meeting, one Class I director is to be elected for a term of three years, to hold office until the expiration of their term in 2018, or until a successor shall have been elected and shall have qualified. The nominee is Thomas W. Brown. Mr. Brown is currently a Class I director. Mr. Brown is not an officer of GlobalSCAPE.

Assuming the presence of a quorum, the nominee for director who receives the most votes will be elected. The enclosed form of proxy provides a means for stockholders to vote for or to withhold authority to vote for the nominee for director. If a stockholder executes and returns a proxy but does not specify how the shares represented by such stockholder's proxy are to be voted, such shares will be voted FOR the election of the nominee for director. In determining whether this item has received the requisite number of affirmative votes, abstentions, and broker non-votes will not be counted and will have no effect.

The Board of Directors recommends a vote "FOR" the election of the nominee to the Board of Directors.

The following table sets forth the name and age of the nominee as of the mailing date of this Proxy Statement, the principal occupation of the nominee during at least the past five years, and the year he began serving as a director of GlobalSCAPE:

Name	**Age**	
Thomas W. Brown	71	Mr. Brown has been an independent stockbroker and investment advisor in San Antonio since 1995. He entered the securities brokerage business in 1967 after receiving an M.B.A. from Southern Methodist University. In recent years, he has been involved in the real estate development business in San Antonio in addition to managing stock and bond investments. Mr. Brown currently serves as a member and Chairman of the Board of Directors of the Company and has served in such capacity since June 2002. Mr. Brown is an experienced investor and our largest stockholder who beneficially owns approximately 27.0% of our shares. Mr. Brown's term as a director of GlobalSCAPE expires in 2015.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE INDIVIDUAL NOMINATED ABOVE AS A DIRECTOR.

Directors with Terms Expiring in 2016 and 2017

The following table sets forth the name and age of each director as of the mailing date of this Proxy Statement, the principal occupation of each director during at least the past five years and the year each began serving as a director of GlobalSCAPE.

David L. Mann	65	Mr. Mann has been in the real estate development and home building business since his graduation from Southern Methodist University in 1975 where he earned a B.B.A. For the past twenty years, he has worked exclusively in the San Antonio, Texas market. Mr. Mann currently serves as a member of the Board of Directors of GlobalSCAPE and has served in such capacity since June 2002. Mr. Mann has broad business and finance experience and beneficially owns approximately 8.4% of our shares. Mr. Mann's term as a director of GlobalSCAPE expires in 2017.
Phillip M. Renfro	69	Mr. Renfro is a retired partner of the law firm of Fulbright and Jaworski, L.L.P., where from 1983 to 2005, he was division head of the Corporate, Business, and Banking Section in that firm's San Antonio, Texas office. Prior to his career in corporate law, from 1980 to 1983, he was President and CEO of Resco International, Inc., an oil field service company. From 2004 to 2009, Mr. Renfro served on the board of Enzon Pharmaceuticals, Inc., a publicly-traded biotech company, where he was also a member of the Audit Committee and the Governance and Nominating Committee. The Company believes that Mr. Renfro's legal, financial and business experience, including a diversified background of managing and directing companies, give him the qualifications and skills to serve as a director. In addition, as a former member of Enzon's audit committee and as a corporate and securities attorney, Mr. Renfro has extensive financial reporting and corporate governance experience. Mr. Renfro's term as director of GlobalSCAPE expires in 2016.
Frank M. Morgan	66	Mr. Morgan is currently Executive Director, Cyber Security, for ManTech International's MCTS Group. Prior to joining ManTech in 2010, from 2005 to 2010, Mr. Morgan served as the Vice President and General Manager of the Information Systems Business Unit and Intelligence Solutions Division, of L-3 Communications Services Group, managing offices in Reston, Virginia, Colorado Springs, Colorado, and San Antonio, Texas. He held a similar position with Titan Corporation from 2001 to 2005 before its acquisition by L-3. From 1996 to 2001, Mr. Morgan worked for BTG, Inc. (acquired by Titan Corp.), a publicly-traded, software development company and computer security product value-added reseller. As Vice President of Federal Sales, Mr. Morgan was responsible for marketing security products across the federal government. Mr. Morgan spent 30 years in the Air Force, retiring in 1996 as a Colonel. His assignments included three tours at the Pentagon in both operations and acquisitions. He holds a B.S. in Aeronautical Engineering from the Air Force Academy, a M.S. in Human Resources Management from the University of Utah, and a M.A. in National Security and Strategic Studies from the Naval War College. Mr. Morgan's business experience, particularly his experience in the software industry and in government sales, provides valuable insight to our board. Mr. Morgan's term as director of GlobalSCAPE expires in 2016.
James L. Bindseil	50	Mr. Bindseil is GlobalSCAPE's President and Chief Executive Officer. For more information, see below under "Executive Officers". Mr. Bindseil's term as a director of GlobalSCAPE expires in 2017.

Executive Officers

The following table sets forth the name, age, and position of each of our executive officers as of the mailing date of this Proxy Statement and the principal occupation of each executive officer during the past five years. Throughout this Proxy Statement, we refer to these persons collectively as our named executive officers, or NEOs.

Name	Age	Position	
James L. Bindseil	50	President and Chief Executive Officer	Mr. Bindseil is GlobalSCAPE's President and Chief Executive Officer. He has held that position since December 2013. He became Interim President in September 2013 and was appointed to his current position in December 2013. From July 2010 to September 2013, Mr. Bindseil held various positions with GlobalSCAPE, the primary responsibilities of which were leading our client support and sales and marketing functions. He is responsible for overseeing and leading all aspects of GlobalSCAPE's business. Mr. Bindseil has more than 20 years of experience leading and delivering information technologies products, professional services and support for a broad range of domestic and international businesses. Prior to joining GlobalSCAPE, from January 2009 to July 2010, Mr. Bindseil served as Vice President of Solutions Engineering and Marketing for Enterprise Business Services at Fujitsu America. From July 1999 to December 2008, he was Senior Global Technical Director for the Security Services line of business at Symantec. He also served honorably in the United States Marine Corps. Mr. Bindseil graduated with honors from the University of Phoenix with a Bachelor of Arts degree in Management and has an Associate of Arts degree in Mathematics. He has obtained professional certifications from Hewlett Packard, Cisco Systems, Microsoft, and as a Certified Information Systems Security Professional (CISSP).
James W. Albrecht, Jr.	60	Chief Financial Officer	Mr. Albrecht has served as GlobalSCAPE's Chief Financial Officer since July 2012. He is responsible for GlobalSCAPE's finance, accounting and treasury activities and has over 39 years of experience in these fields. Before joining GlobalSCAPE, from 2008 to 2012, Mr. Albrecht was Chief Executive Officer and Chief Financial Officer of Photoreflect.com, an Internet-based company that provides an online display and selling portal for professional photographers. He began his career at Arthur Andersen LLP where he served clients for eleven years. Mr. Albrecht regularly lectures as a faculty member at The University of Texas at Austin where he received a B.B.A. in Accounting.

Name	Age	Position	
Matthew C. Goulet	42	Senior Vice President of Sales and Marketing	Mr. Goulet has served as GlobalSCAPE's Senior Vice President of Sales and Marketing since January 2015. From October 2013 to December 2014, he was GlobalSCAPE's Vice President of Sales. He has more than 17 years of experience in the security, networking, and storage industries. From 2008 to September 2013, he was at Kaspersky Labs, an information technologies security company, most recently as the Vice President of SME sales and operations, where he helped build Kaspersky's reseller channel. Mr. Goulet received a BS in Marketing from the Boston College Carroll School of Management.

Board Meetings and Attendance

During the fiscal year ended December 31, 2014, the Board of Directors held six meetings. Separate from the full Board of Directors' meetings, there were six Audit Committee meetings and three Compensation Committee meetings. During 2014, each director attended at least 75% of all Board and applicable Committee meetings. During 2014, our directors received compensation for service to GlobalSCAPE as a director. See "Executive Compensation – Compensation of Directors." GlobalSCAPE encourages, but does not require, directors to attend the annual meeting of stockholders. At GlobalSCAPE's 2014 Annual Meeting, all members of the Board were present.

Board Leadership Structure

The Board believes it is in the best interests of the Company to separate the roles of Chief Executive Officer and Chairman of the Board. This structure ensures a greater role for the directors in the oversight of management and the Company and promotes active participation of the directors in setting meeting agendas and establishing Board priorities and procedures. Further, this structure permits the chief executive officer to focus on the management of the Company's day-to-day operations.

Board Independence

A majority of the Board has determined that Messrs. Mann, Morgan and Renfro are independent as determined in accordance with the listing standards of the NYSE MKT LLC and the Exchange Act. All members of the Audit and Compensation Committees are "independent," as defined by the Securities and Exchange Commission and the listing standards of the NYSE MKT LLC.

Committees of the Board of Directors

GlobalSCAPE has standing Audit and Compensation Committees.

The Audit Committee is a separately-designated audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee consisted of Messrs. Mann and Morgan in 2014. Mr. Mann began service as Audit Committee Chairman in January 2014. This committee met six times during 2014. The Board has determined that Mr. Mann is an audit committee financial expert as defined by SEC rules. The Audit Committee aids management in the establishment and supervision of our financial controls, evaluates the scope of the annual audit, reviews audit results, makes recommendations to our Board regarding the selection of our independent registered public accounting firm, consults with management and our independent registered public accounting firm prior to the production of financial statements to stockholders and, as appropriate, initiates inquiries into aspects of our financial affairs. The Audit Committee Report, which appears in a subsequent section of this document, more fully describes the activities and responsibilities of the Audit Committee.

The Compensation Committee consisted of Messrs. Mann and Morgan in 2014. Mr. Morgan began service as Compensation Committee Chairman in January 2014. This committee met three times and acted by unanimous written consent one time during 2014. The Compensation Committee's role is to establish and oversee GlobalSCAPE's compensation and benefit plans and policies, administer its stock option plans, and review and approve annually all compensation decisions relating to GlobalSCAPE's executive officers. At least annually, our President and Chief Executive Officer submits to the Compensation Committee his recommendations as to base salary, bonus and equity incentives awards for each executive officer, except himself, for the following fiscal year based upon his subjective evaluation of their individual performance. The Compensation Committee reviews and discusses the recommendations and has the sole authority to determine the base salary, bonus, and equity incentives for the President and Chief Executive Officer.

The agenda for meetings of the Compensation Committee is determined by its Chairman. At each meeting, the Compensation Committee meets in executive session. The Compensation Committee's Chairman reports the Committee's recommendations on executive compensation to the Board. The Company's personnel support the Compensation Committee in its duties and, along with the President and Chief Executive Officer, may be delegated authority to fulfill certain administrative duties regarding the compensation programs. The Compensation Committee has authority under its charter to retain, approve fees for and terminate advisors, consultants, and agents as it deems necessary to assist in the fulfillment of its responsibilities.

Each of the Board's committees has a written charter. Copies of the charters are available for review on the Company's website at www.globalscape.com on the Investor Relations page.

Risk Management

The Company has a risk management program overseen by its president and chief executive officer and the chief financial officer. Material risks are identified and prioritized by management. Each prioritized risk is referred to a Board committee or the full Board for oversight.

The Board reviews information regarding the Company's credit, liquidity, and operations, as well as the risks associated with each. The Board also reviews and approves the annual operating budget of the Company. Because we rely on cash on hand and cash flows from operations to fund our operations, the Board as a whole devotes significant time to reviewing and approving our levels of indebtedness, contractual obligations and spending supporting our business activities. While each committee is responsible for specific risks and overseeing the management of such risks, the entire Board of Directors is regularly informed through committee reports about such risks. In addition, the Compensation Committee periodically reviews the most important risks to the Company to ensure that compensation programs do not encourage excessive risk taking.

Compensation Committee Interlocks and Insider Participation

Messrs. Morgan and Mann served on the Compensation Committee during 2014. No member of the Compensation Committee was at any time during 2014, or any other time, an officer or employee of GlobalSCAPE or had any relationship with GlobalSCAPE requiring disclosure as a related-party transaction in the section "Certain Relationships and Related Transactions" of this proxy statement. No executive officer of GlobalSCAPE has served on the board of directors or compensation committee of any other entity that has or has had one or more executive officers who served as a member of the Board of Directors or the Compensation Committee during 2014.

Code of Ethics

GlobalSCAPE has adopted a Code of Ethics that applies to all of its employees, including the president and chief executive officer and its chief financial officer. This Code is a statement of GlobalSCAPE's high standards for ethical behavior, legal compliance, and financial disclosure. It is applicable to all directors, officers, and employees. A copy of the Code of Ethics can be found in its entirety on GlobalSCAPE's website at www.globalscape.com. Should there be any changes to, or waivers from, GlobalSCAPE's Code of Ethics, those changes or waivers will be posted immediately on our website at the address noted above.

Stockholder Communications with Board

The Board of Directors has a process by which stockholders may communicate with the Board of Directors. Any stockholder desiring to communicate with the Board of Directors may do so in writing by sending a letter addressed to The Board of Directors, c/o Corporate Secretary. The Corporate Secretary has been instructed by the Board to promptly forward communications so received to the members of the Board of Directors.

Nominations

The Board of Directors is responsible for determining the slate of director nominees for election by stockholders. All director nominees are approved by the Board prior to annual proxy material preparation and are required to stand for election by stockholders at the next annual meeting. For positions on the Board created by a director's leaving the Board prior to the expiration of his current term, whether due to death, resignation, or other inability to serve, Article III of the Company's Amended and Restated Bylaws provides that a director elected by the Board to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

The Board of Directors does not currently use any third-party search firm to assist in the identification or evaluation of Board member candidates. The Board of Directors may engage a third party to provide such services in the future as it deems necessary or appropriate.

The Board of Directors determines the required selection criteria and qualifications of director nominees based upon the needs of the Company at the time nominees are considered. A candidate must possess the ability to apply good business judgment and must be in a position to properly exercise his duties of loyalty and care. Candidates should also exhibit proven leadership capabilities, high integrity, experience with a high level of responsibility within their chosen fields, and have the ability to quickly understand complex principles of, but not limited to, business and finance. Candidates with potential conflicts of interest or who do not meet this criteria are disqualified. The Board of Directors will consider these criteria for nominees identified by the Board, by stockholders, or through some other source. When current Board members are considered for nomination for reelection, the Board of Directors also takes into consideration the member's prior Board contributions, performance, and meeting attendance records.

The Board of Directors will consider qualified candidates that are recommended by stockholders for possible nomination. Stockholders wishing to make such a recommendation may do so by sending the following information to the Board of Directors, c/o Corporate Secretary, at the address listed above:

- Name of the candidate with brief biographical information and résumé.

- Contact information for the candidate and a document evidencing the candidate's willingness to serve as a director if elected.

- A signed statement as to the submitting stockholder's current status as a stockholder and the number of shares currently held.

Any such nomination must comply with the advance notice provisions of our Amended and Restated Bylaws. These provisions are summarized under "Stockholder Proposals to be Presented at Next Annual Meeting" in a subsequent section of this document.

The Board of Directors conducts a process of making a preliminary assessment of each proposed nominee based upon the résumé and biographical information, an indication of the individual's willingness to serve and other background information. This information is evaluated against the criteria set forth above as well as the specific needs of the Company at that time. Based upon a preliminary assessment of the candidate(s), those who appear best suited to meet the needs of the Company may be invited for further evaluation through a series of interviews. The Board of Directors uses the same process for evaluating all nominees, regardless of the original source of the information. The Company does not have a formal policy with regard to the consideration of diversity in identifying director nominees, but the Board of Directors strives to nominate directors with a variety of complementary skills so that, as a group, the Board will possess the appropriate talent, skills, and expertise to oversee the Company's businesses.

No candidates for director nominations were submitted to the Board of Directors by any stockholder in connection with the 2015 Annual Meeting.

Composition of the Board of Directors

The Company believes that its Board as a whole should encompass a range of talent, skill, diversity, experience and expertise enabling it to provide sound guidance with respect to the Company's operations and business goals. In addition to considering a candidate's background and accomplishments, candidates are reviewed in the context of the current composition of the Board and the evolving needs of the Company. The Company's policy is to have at least a majority of its directors qualify as "independent" as determined in accordance with the listing standards of the NYSE MKT LLC and Rule 10A-3 of the Exchange Act. The Board of Directors identifies candidates for election to the Board of Directors and reviews their skills, characteristics and experience.

The Board of Directors seeks directors with strong reputations, high integrity and experience in areas relevant to the strategy and operations of the Company, particularly in the high technology industry and involving complex business and financial dealings. The Board of Directors also believes that each nominee and current director has other key attributes that are important to an effective board including the ability to engage management in a constructive and collaborative fashion and a diversity of background, experience and thought.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding ownership of our common stock as of March 26, 2015 by (i) each person known by GlobalSCAPE to be the beneficial owner of more than 5% of the outstanding shares of common stock, (ii) each director of GlobalSCAPE, (iii) the President and Chief Executive Officer, (iv) each of the named executive officers of GlobalSCAPE, and (v) all executive officers and directors of GlobalSCAPE as a group. Unless otherwise indicated in the footnotes below, each of the named persons has sole voting and investment power with respect to the shares shown as beneficially owned.

Applicable percentage ownership is based on 20,756,886 shares of common stock outstanding at March 26, 2015. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of common stock subject to options or restricted stock held by that person that are currently exercisable or will vest or are exercisable within 60 days of March 26, 2015.

The address of each beneficial owner listed in the table below is c/o GlobalSCAPE, Inc., 4500 Lockhill-Selma Rd, Suite 150, San Antonio, Texas, 78249.

Shares Beneficially Owned as of March 26, 2015

Name of Beneficial Owner	Common Shares Currently Owned (# of shares)		Common Shares That May Be Acquired By Exercise of Stock Options (# of shares)	Total Common Shares Held (# of shares)	Additional Common Shares That May Be Acquired within 60 Days of March 26, 2015 (# of shares)	Total Beneficial Ownership (# of shares)	Percentage of Class
Thomas W. Brown	5,568,103	(1) (2)	60,000	5,628,103	-	5,628,103	27.04%
David L. Mann	1,695,388	(2)	60,000	1,755,388	-	1,755,388	8.43%
Wellington Management Group LLP	1,800,500	(3)	-	1,800,500	-	1,800,500	8.67%
Phillip M. Renfro	114,520	(2)	60,000	174,520	-	174,520	0.84%
Frank M. Morgan	107,875	(2)	20,000	127,875	-	127,875	0.62%
James L. Bindseil	-		158,000	158,000	-	158,000	0.76%
James W. Albrecht, Jr.	-		99,000	99,000	-	99,000	0.47%
Matthew C. Goulet	-		33,000	33,000	-	33,000	0.16%
All directors and executive officers as a group (7 persons)				7,975,886	-	7,975,886	38.43%

(1) Includes 650 shares owned by Mr. Brown's spouse. Mr. Brown disclaims beneficial ownership of the shares owned by his spouse.

(2) Includes 20,000 shares of restricted common stock.

(3) Based on information set forth in a Schedule 13G filed dated February 12, 2015 (the "Schedule 13G"). The securities are owned of record by clients of one or more investment advisers directly or indirectly owned by Wellington Management Group LLP, formerly known as Wellington Management Company, LLP, which was an investment adviser to these clients as of December 31, 2014. As set forth in the Schedule 13G, those clients have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such securities. As set forth in the Schedule 13G, no such client is known to have such right or power with respect to more than five percent of this class of securities, except as follows:

Wellington Trust Company, NA

Wellington Trust Company, National Association Multiple Common Trust Funds Trust, Micro Cap Equity Portfolio

Equity Compensation Plan Information

The following table provides aggregate information regarding grants under all equity compensation plans of GlobalSCAPE through December 31, 2014.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Available for Future Issuance under Equity Compensation Plans (Excluding securities Reflected in Column (A))
	(A)	(B)	(C)
Equity compensation plans approved by security holders	2,022,175	$ 2.12	1,490,140

Section 16(a) Beneficial Ownership Reporting Compliance

GlobalSCAPE believes, based solely on its review of the copies of Section 16(a) forms furnished to it and written representations from executive officers and directors (and its ten percent stockholders), that all Section 16(a) filing requirements were fulfilled on a timely basis.

In making this disclosure, GlobalSCAPE has relied solely on written representations of its directors and executive officers (and its ten percent stockholders) and copies of the reports that they have filed with the SEC.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions in 2014

Robert Langenbahn, an Enterprise Sales Manager, earned $319,237 in base salary and commissions in 2014. Mr. Langenbahn is the son-in-law of Thomas W. Brown, our Chairman of the Board. Mr. Langenbahn's compensation plan is comparable to and consistent with other GlobalSCAPE employees who hold a similar position.

We did not have any other related party transactions in 2014.

Policy Related to Related-Person Transactions

Our Board of Directors has adopted a formal, written related-person transaction approval policy, setting forth GlobalSCAPE's policies and procedures for the review, approval, or ratification of "related-person transactions." For these purposes, a "related person" is a director, nominee for director, executive officer, or holder of more than 5% of our common stock, or any immediate family member of any of the foregoing. This policy applies to any financial transaction, arrangement, or relationship or any series of similar financial transactions, arrangements, or relationships in which GlobalSCAPE is a participant and in which a related person has a direct or indirect interest, other than the following:

- Payment of compensation by GlobalSCAPE to a related person for the related person's service in the capacity or capacities that give rise to the person's status as a "related person".
- Transactions available to all employees or all stockholders on the same terms.
- Purchases of products or services from GlobalSCAPE in the ordinary course of business at the same price and on the same terms as offered to our other customers, regardless of whether the transactions are required to be reported in GlobalSCAPE's filings with the SEC.

- Transactions, which when aggregated with the amount of all other transactions between the related person and GlobalSCAPE, involve less than $5,000 in a fiscal year.

Our Audit Committee is required to approve any related person transaction subject to this policy before commencement of the related-person transaction, provided that if the related person transaction is identified after it commences, it shall be brought to the Audit Committee for ratification, amendment, or rescission. The Chairman of our Audit Committee has the authority to approve or take other actions with respect to any related-person transaction that arises, or first becomes known, between meetings of the Audit Committee, provided that any action by the Chairman must be reported to our Audit Committee at its next regularly scheduled meeting.

Our Audit Committee will analyze the following factors, in addition to any other factors the members of the Audit Committee deem appropriate, in determining whether to approve a related-person transaction:

- Whether the terms are fair to GlobalSCAPE.

- Whether the transaction is material to GlobalSCAPE.

- The role the related person has played in arranging the related-person transaction.

- The structure of the related-person transaction.

- The interest of all related persons in the related-person transaction.

Our Audit Committee may, in its sole discretion, approve or deny any related-person transaction. Approval of a related-person transaction may be conditioned upon GlobalSCAPE and the related person following certain procedures designated by the Audit Committee.

EXECUTIVE COMPENSATION

Compensation Discussion & Analysis

We compensate our management through a combination of base salary, incentive bonuses and long-term equity based awards in the form of stock options and stock awards. This compensation is designed to be competitive with those of a group of companies which we have selected for comparative purposes in order to attract and retain our executive officers while also creating incentives which will align executive performance with the long-term interests of our stockholders.

This section discusses the principles underlying our executive compensation policies and decisions and the most important factors relevant to an analysis of these policies and decisions. It provides qualitative information regarding the manner and context in which compensation is awarded to and earned by our executive officers named in the Summary Compensation Table below, whom we sometimes refer to as our named executive officers, or NEOs, and places in perspective the data presented in the tables and narrative that follow.

Our Compensation Committee

Our Compensation Committee approves, implements, and monitors all compensation and awards to executive officers including the president and chief executive officer, chief financial officer, and the other NEOs. The Committee's membership is determined by the Board of Directors and is composed of two non-management directors. The Committee has the authority to delegate any of its responsibilities to subcommittees as the Committee may deem appropriate in its sole discretion. During 2014, the Committee did not delegate any of its responsibilities.

The Committee periodically approves and adopts, or makes recommendations to the Board for, GlobalSCAPE's compensation decisions (including the approval of grants of stock options to our NEOs). At least annually, our President and Chief Executive Officer submits to the Compensation Committee his recommendations as to base salary, bonus and equity incentive awards for each executive officer, except himself, for the following fiscal year based upon his subjective evaluation of their individual performance. The Compensation Committee reviews and discusses the recommendations and has the sole authority to determine the base salary, bonus, and equity incentives for the President and Chief Executive Officer.

The Compensation Committee reviewed all components of compensation for our executive officers, including salary, bonuses, long-term equity incentives, the dollar value to the executive, and the cost to GlobalSCAPE of all perquisites and all severance and change of control arrangements. Based on this review, the Compensation Committee determined that the compensation paid to our executive officers reflected our compensation philosophy and objectives.

Compensation Philosophy and Objectives

Our underlying philosophy in the development and administration of GlobalSCAPE's annual, incentive, and long-term compensation plans is that our compensation system should be designed to attract and retain talented executives while also creating incentives that reward performance and align the interests of our NEOs with those of GlobalSCAPE's stockholders. Key elements of this philosophy are:

- Establishing base salaries that are competitive with the companies in our comparative group, within GlobalSCAPE's budgetary constraints and commensurate with GlobalSCAPE's salary structure.

- Rewarding our NEOs for outstanding Company-wide performance as reflected by financial measures, such as sales revenue or net income, or other goals, such as the consummation of an acquisition and product delivery as well as customer and employee satisfaction and compliance with regulatory requirements.

- Providing equity-based incentives for our NEOs to ensure that they are motivated over the long term to respond to GlobalSCAPE's business challenges and opportunities as owners rather than just as employees.

Attracting and Retaining Executive Talent.

We recognize salary is one component in successfully attracting and retaining talented executives who will help the Company grow. Being mindful of our budgetary responsibilities, we generally set our base salaries at levels we believe are competitive relative to comparable companies in our industry that are in our general geographic area. We use third-party services that gather and report base salary, incentives, equity, and total compensation information for multiple companies. The services we use include Equilar Executive Compensation Survey, Salary.com Small Business Compensation Solutions and Kenexa CompAnalyst. We use these services because we believe they provide information relevant to the industry and geographic areas in which our personnel work. This comparison allows us to create competitive total compensation packages for our executive team. Annual adjustments are considered and based on the Company's ability to achieve pre-established revenue and profitability goals.

Rewarding Performance.

We reward outstanding performance by certain of our personnel (other than those who earn sales commissions) with cash bonuses that are based on financial measures, such as sales revenue or net income, or other goals, such as the consummation of an acquisition or product delivery. For more information on our bonus program, refer to "Elements of Executive Compensation—Incentive Compensation." We reward performance by certain of our sales personnel through payment of commissions based on bookings for sales of our products and services.

Aligning Executive and Stockholder Interests.

We believe that equity-based compensation provides an incentive to our NEOs to build value for our Company over the long term and to align the interests of our NEOs and stockholders. We use stock options because we believe such options will generate value to the recipient only if our stock price increases during the term of the option. The stock options granted to our NEOs vest solely based on the passage of time, other than in the event of a change of control. We believe that time-vested equity awards encourage long-term value creation and executive retention because executives can realize value from such rewards only if they remain employed by us until the awards vest.

Elements of Executive Compensation

The compensation currently paid to GlobalSCAPE's executive officers consists of the following core elements:

- Base salary.
- Either bonuses under a performance-based, non-equity incentive plan for personnel other than those who earn sales commissions or sales commissions based on bookings for sales of our products and services.
- Stock option awards granted pursuant to our 2010 Employee Long-Term Equity Incentive Plan, which we refer to as the 2010 Employee Plan.
- Other employee benefits available to all employees of GlobalSCAPE.

We believe these elements support our underlying philosophy of attracting and retaining talented executives while remaining within our budgetary constraints, creating cash incentives that reward Company-wide and individual performance, and aligning the interests of our NEOs with those of GlobalSCAPE's stockholders by providing the NEOs with equity-based incentives to ensure motivation over the long term. We view the core elements of compensation as related but individually distinct. Although we review total compensation, we do not believe that significant compensation derived from one component should increase or reduce compensation from another component. We determine the appropriate level for each component of compensation separately. We have not adopted any formal or informal policies or guidelines for allocating compensation among long-term incentives and annual base salary and bonuses, between cash and non-cash compensation, or among different forms of non-cash compensation. We consider the experience, tenure, and seniority of each named executive officer in making compensation decisions.

GlobalSCAPE does not have any deferred compensation programs or supplemental executive retirement plans. No perquisites are provided to GlobalSCAPE's executive officers that are not otherwise available to all employees of GlobalSCAPE. No perquisites are valued in excess of $10,000 per employee.

Base Salary. Being mindful of our budgetary responsibilities, the base salaries for all GlobalSCAPE NEOs are targeted at levels we believe are competitive relative to a comparative group of the companies in our general industry and geographic region. This approach enables us to attract and retain the necessary talent a small competitive company needs to grow. This salary structure is reviewed at least annually, and more frequently if warranted, to ensure its competitiveness within our peer group. Adjustments are determined initially by our President and Chief Executive Officer with final approval by the Compensation Committee before being implemented. The composite average increase in base salaries for all Company employees, including NEOs, during 2014 was approximately 3%.

Incentive Compensation. The Compensation Committee believes that paying incentive compensation in the form of bonuses or commissions helps create financial incentives for our NEOs that are tied directly to goals that best reflect their respective duties and responsibilities or the achievement of certain goals. The Compensation Committee approves the plans under which bonuses and commissions are paid and may, at its discretion, modify the goals and objectives upon which these payments are based, pay bonuses if such goals are not met, or increase or decrease the amounts paid..

If certain target levels of revenue and net income were achieved for 2014, Mr. Bindseil and Mr. Albrecht were eligible for annual bonuses equal to 35% of their base salaries. If actual revenue and net income fall below the target levels, the base bonuses are reduced on a sliding scale by specified percentages to a point where if less than 85% of the target levels of revenue and net income are achieved, no bonus is earned. If actual revenue and net income exceed the target levels, the base bonuses are increased on a sliding scale by specified percentages of up to 200%. For 2014, the Company achieved 97% of the revenue target and 177% of the income target as both are defined and set forth in the annual bonus plan. In light of these results, the Compensation Committee approved a bonus payment of $123,268 to Mr. Bindseil and $118,132 to Mr. Albrecht.

Mr. Goulet is paid a sales commission each month. During 2014, the base rate of that commission ranged from 1.1% to 1.4% of sales booked. These rates can increase or decrease based on actual sales results relative to stated sales quotas. For 2014, Mr. Goulet was paid sales commissions of $171,885.

Long-Term Equity Incentive Plan. GlobalSCAPE's 2010 Employee Long Term Equity Incentive Plan, or 2010 Employee Plan, was approved by our stockholders in 2010. This plan authorizes us to grant incentive stock options, non-qualified stock options, and shares of restricted stock to our NEOs, as well as to all employees of GlobalSCAPE. A total of 3,000,000 shares of common stock are reserved for issuance under this plan. We use stock options as a form of long-term compensation because we believe that stock options motivate our NEOs to exert their best efforts on behalf of our stockholders and align the interests of our NEOs with our stockholders. Vesting is accelerated in certain events described under "Employment Agreements and Potential Payments Upon Termination or Change in Control."

The purpose of the 2010 Employee Plan is to employ and retain qualified and competent personnel and to promote the growth and success of GlobalSCAPE, which can be accomplished by aligning the long-term interests of the NEOs with those of the stockholders by providing the NEOs an opportunity to acquire an equity interest in GlobalSCAPE. All grants are made with an exercise price equal to the closing price of our common stock on the date of grant. On their date of hire and generally each year thereafter, our NEOs are granted options to purchase shares. These options generally vest ratably over three years from the option grant date. Options granted on the date of hire and each year thereafter generally may each be for the purchase of additional shares of our common stock with the exact number determined at the discretion of the Compensation Committee and Board of Directors based upon input from our President and Chief Executive Officer. We do not time stock option grants in coordination with the release of material non-public information.

Other Employee Benefits. GlobalSCAPE's NEOs are eligible to participate in all of our employee benefit plans, such as medical, dental, group life, and long-term disability insurance on the same basis as other employees. GlobalSCAPE's NEOs are eligible to participate in our 401(k) plan on the same basis as other employees. GlobalSCAPE's Board of Directors, at its sole discretion, may authorize GlobalSCAPE to make matching cash contributions (in part or in whole) each year to the 401(k) on behalf of our employees.

Compensation Policies and Practices

The Compensation Committee has conducted an in-depth risk assessment of the Company's compensation policies and practices in response to public and regulatory concerns about the link between incentive compensation and excessive risk taking by companies. The Compensation Committee concluded that our compensation policy does not motivate imprudent risk taking. In this regard, the Compensation Committee believes that:

- The Company's annual incentive compensation is based on performance metrics that promote a disciplined approach towards the long-term goals of the Company.

- The Company does not offer significant short-term incentives that might drive high-risk investments at the expense of the long-term value of the Company.

- The Company's compensation programs are weighted towards offering long-term incentives that reward sustainable performance, especially when considering the company's stock ownership guidelines for executive officers.

- The Company's compensation awards are capped at reasonable levels, as determined by a review of the Company's financial position and prospects, as well as the compensation offered by companies in our industry.

- The Board's high level of involvement in approving our operating budget, material investments and capital expenditures help avoid imprudent risk taking.

The Company's compensation policies and practices were evaluated to ensure that they do not foster risk taking above the level of risk associated with the Company's business. The Company and the Compensation Committee concluded that the Company has a balanced pay and performance program and that the risks arising from its compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

Impact of Regulatory Requirements

Deductibility of Executive Compensation. Federal income tax laws limit the deductions a publicly-held company is allowed for compensation paid to the chief executive officer and to the four most highly compensated executive officers other than the chief executive officer. Generally, amounts paid in excess of $1.0 million to a covered executive, other than performance-based compensation, cannot be deducted. In order to constitute performance-based compensation for purposes of the tax law, stockholders must approve the performance measures. Since GlobalSCAPE does not anticipate that the compensation for any executive officer will exceed the $1.0 million threshold in the near term, stockholder approval necessary to maintain the tax deductibility of compensation at or above that level is not being requested. We will reconsider this matter if compensation levels approach this threshold in light of the tax laws then in effect. We will consider ways to maximize the deductibility of executive compensation, while retaining the discretion necessary to compensate executive officers in a manner commensurate with performance and the competitive environment for executive talent.

Policy on Recovery of Compensation. Our President and Chief Executive Officer and Chief Financial Officer are required to repay certain bonuses and stock-based compensation they receive if we are required to restate our financial statements as a result of misconduct as required by Section 304 of the Sarbanes-Oxley Act of 2002

Risk Considerations in our Compensation Program

The Compensation Committee has reviewed the Company's compensation policies and practices in response to current public and regulatory concern about the link between incentive compensation and excessive risk-taking by corporations. The Committee concluded that the Company's compensation program does not motivate imprudent risk taking and that any risks taken resulting from compensation policies and practices are not reasonably likely to have a material adverse effect on the Company. In reaching this conclusion, the Committee determined the following:

- The Company's annual incentive compensation is based on balanced performance metrics that promote progress towards longer-term Company goals.

- The Company's compensation programs are capped at reasonable levels, as determined by a review of the Company's budgetary constraints, economic position and prospects, as well as the compensation offered by comparable companies.

- The oversight of the Compensation Committee in the operation of incentive plans and the high level of board involvement in approving material use of Company resources adequately mitigates imprudent risk-taking.

Compensation Committee Report

The Compensation Committee of GlobalSCAPE reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Accordingly, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion & Analysis be included in this Proxy Statement.

This report is submitted by the members of the Compensation Committee, which consists of the following directors:

- Frank M. Morgan (Chairman of the Compensation Committee)
- David L. Mann

Summary Compensation Table

The following table summarizes compensation that GlobalSCAPE paid to our President and Chief Executive Officer and the next two, most highly compensated NEOs for the fiscal years ended December 31, 2014 and 2013.

		Salary	Bonus	Option Awards (1)	Non-Equity Incentive Compensation	All Other Compensation (3)	Total
James L. Bindseil	2014	$ 240,000	$ -	$ 62,165	$ 123,268	$ 19,651	$ 445,044
President and Chief Executive Officer (4)	2013	225,802	16,861	65,095	-	18,222	325,980
James W. Albrecht, Jr.	2014	230,000	-	-	118,132	19,439	367,571
Chief Financial Officer	2013	224,269	16,861	-	-	15,341	256,471
Mathew C. Goulet							
Senior Vice President of Sales	2014	171,154	-	31,174	171,855 (2)	40,093	414,276
and Marketing	2013	40,385	-	58,855	26,845	17,692	143,477

(1) These amounts represent the aggregate grant date fair value of stock option awards for fiscal years 2014 and 2013 calculated as described in our accounting policy for stock-based compensation in footnote 2 to our Consolidated Financial Statements included in our Form 10-K as of December 31, 2014, and for the year then ended filed with the Securities and Exchange Commission. These amounts do not necessarily represent the actual amounts paid to or realized by the named executive officer for these awards during fiscal years 2014 or 2013. These amounts are recognized as an expense in our financial statements over the period of service required for the grant to become vested which is generally three years.

(2) Sales commissions.

(3) Primarily 401k matching contributions and group health plan premiums for all officers.

(4) Mr. Bindseil was paid sales commissions during the portion of 2013 prior to his becoming our President and Chief Executive Officer.

Relationship of Salary and Annual Incentive Compensation to Total Compensation

The following table sets forth the relationship of salary and annual incentive compensation to total compensation for our NEOs for 2014.

Executive	Percentage of Salary to Total Compensation	Percentage of Annual Cash Incentive Payment to Total Compensation(1)
James L. Bindseil	53.9%	27.7%
James W. Albrecht, Jr.	62.6%	32.1%
Matthew C. Goulet	41.3%	41.5%

(1) Includes bonus non-equity incentive plan compensation

Employment Agreements and Potential Payments Upon Termination or Change in Control

GlobalSCAPE has entered into employment agreements with each of our named executive officers pursuant to which each will receive compensation as determined from time to time by the Board of Directors in its sole discretion.

The employment agreements for Messer's Bindseil, Albrecht and Goulet do not provide for any minimum term of employment. Each agreement is currently in force through December 31, 2015. In the event there is a Change in Control but they are not terminated in connection with that event, a one year employment term commences as of the date of the Change in Control. Each agreement automatically renews on each subsequent annual anniversary date for an additional one year period unless the agreement is cancelled by the Company at least 90 days prior to the end of any such one year term. These agreements do not provide for any payment to them in the event of termination, except that if their employment is terminated in connection with a Change in Control, the Company will pay them an amount equal to their annual base salary which the Company may, at its option, pay as a lump sum.

A Change in Control occurs under these employment agreements upon:

- Any "person" or "group" (as such terms are used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the beneficial owner, directly or indirectly, of securities representing 50% or more of the combined voting power of the Company's then outstanding securities; provided, however, that if Thomas W. Brown and/or David L. Mann acquire, directly or indirectly, beneficial ownership of securities representing 50% or more of the combined voting power of GlobalSCAPE's then outstanding securities, then it shall not be deemed a Change of Control.

- At any time during any period of twelve consecutive months, individuals who at the beginning of such period constituted a majority of the Board of Directors ("Incumbent Directors") of the Company cease for any reason to constitute a majority of the board; provided, however, that an individual who becomes a member of the Board subsequent to the beginning of the 12-month period, shall be deemed to have satisfied such 12-month requirement and shall be deemed an Incumbent Director if such Director was elected by or on the recommendation of, or with the approval of, at least two-thirds of the Directors who then qualified as Incumbent Directors either actually (because they were Directors at the beginning of such period) or whose election was approved by two-thirds of the Incumbent Directors; if any such individual initially assumes office as a result of or in connection with either an actual or threatened solicitation with respect to the election of Directors (as such terms are used in Rule 14a-12(c) of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitations of proxies or consents by or on behalf of a person other than the Board, then such individual shall not be considered an Incumbent Director. The Company consolidates, merges or exchanges securities with any other entity where the stockholders of the Company immediately before the effective time of such transaction do not beneficially own, immediately after the effective time of such transaction, shares or other equity interests entitling such stockholders to a majority of all votes.

- Any person or group acquires all or substantially all of the Company's assets.

All of our employment agreements provide for termination without any further payments due if the termination is for "cause", with that term defined to include any one of the following events:

- The continued failure by employee to substantially perform his duties with the Company (other than any such failure resulting from his incapacity due to disability or any such actual or anticipated failure resulting from termination by employee for Good Reason as defined below) after a written demand for substantial performance is delivered to employee by the Board, which specifically identifies the manner in which the Board believes that employee has not substantially performed his duties;

- Employee engages in conduct which is demonstrably and materially injurious to the Company or any of its affiliates, monetarily or otherwise;

- Employee commits fraud, bribery, embezzlement or other material dishonesty with respect to the business of the Company or any of its affiliates, or the Company discovers that employee has committed any such act in the past with respect to a previous employer;

- Employee is indicted for any felony or any criminal act involving moral turpitude, or the Company discovers that employee has been convicted of any such act in the past;

- Employee commits a material breach of any of the covenants, representations, terms or provisions of the employment agreement;

- Employee violates any instructions or policies of the Company with respect to the operation of its business or affairs that causes material harm, economic or otherwise, to the Company; or

- Employee uses illegal drugs.

"Good Reason," as used above, means, without the officer's express written consent, any of the following:

- The material failure by the Company, without employee's consent, to pay to employee any portion of his current compensation within ten (10) days of the date any such compensation payment is due;

- Employer commits a material breach of any of the covenants, representations, terms or provisions hereof, and such breach is not cured within thirty (30) days after written notice thereof to the Company, which notice shall identify in reasonable detail the nature of the breach and gives the Company an opportunity to respond, excluding, however, failure to pay salary within ten (10) days as described above;

- Any material diminution of employee's title, function, duties, authority or responsibilities, including reporting requirements;

- A reduction in Employee's base salary as in effect on the date of this Agreement or as may be increased from time to time;

- A material reduction in the employee benefits that are in effect from time to time for employee; or

- A relocation of the employee's principal place of employment to a location which is beyond a 50 mile radius from San Antonio, Texas.

If any lump sum payment to a named executive officer would individually or together with any other amounts paid or payable constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder, the amounts to be paid will be increased so that each named executive officer, as the case may be, will be entitled to receive the amount of compensation provided in his contract after payment of the tax imposed by Section 280G.

In the event of a Change in Control, unvested options to purchase our common stock that have been awarded to our NEOs will become fully vested.

The table below contains information concerning termination and change in control payments to each of our named executive officers as if the event occurred on December 31, 2014.

Name & Principal Position	Benefit		Before Change in Control Termination Without Cause or for Good Reason	After Change in Control Termination Without Cause or for Good Reason
James L. Bindseil	Severance		$ -	$ 247,200
President and Chief Executive Officer	Option Acceleration	(1)	not applicable	35,715
James W. Albrecht, Jr.	Severance			236,900
Chief Financial Officer	Option Acceleration	(1)	not applicable	6,120
Matthew C. Goulet	Severance		-	210,000
Vice President of Sales	Option Acceleration	(1)	not applicable	30,418

(1) The option acceleration amount is the intrinsic value of equity awards minus the exercise price. This intrinsic value is based upon the closing price for a share of our common stock of $2.33 on December 31, 2014, minus the exercise price. If the number in this column is zero, the option exercise price of all options held by that NEO is greater than the closing price of our common stock used in determining this amount.

GRANTS OF PLAN-BASED AWARDS

The following table provides information with regard to grants of non-equity incentive compensation and all other stock awards to our named executive officers in 2014. We do not have an equity incentive plan. Therefore, these columns have been omitted from the following table.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards ($) (1)			All Other Option Awards: Number of Securities Underlying Options	Per Share Exercise or Base Price of Option Awards ($)	Grant date fair value of stock and option awards ($)(2)
	Grant Date	Threshold	Target	Maximum			
James L. Bindseil	1/2/2014	n/a	n/a	n/a	25,000	$ 2.35	$ 31,174
James L. Bindseil	3/27/2014	-	$ 84,000	Unlimited	-	-	-
James L. Bindseil	12/15/2014	n/a	n/a	n/a	25,000	$ 2.32	$ 30,991
James W. Albrecht, Jr.	3/27/2014	-	$ 80,500	Unlimited	-	-	-
Matt Goulet (3)	1/2/2014	n/a	n/a	n/a	25,000	$ 2.35	$ 31,174

(1) Awards potentially payable under our annual bonus plan. The annual bonus plan does not provide for a threshold level as the bonuses under the plan can range from zero to an unlimited amount. See the discussion under "Compensation Discussion and Analysis – Elements of Executive Compensation – Incentive Compensation" for more information.

(2) The amounts in this column reflect the aggregate grant date fair value of stock awards and options granted in 2014 to the named executive officer calculated in accordance with FASB ASC Topic 718. See the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission for a discussion of all assumptions made in the calculation of this amount.

(3) Mr. Goulet is paid sales commissions and therefore there are no threshold, target or maximum amounts which he could be paid. See "Compensation Discussion and Analysis – Elements of Executive Compensation – Incentive Compensation."

Outstanding Equity Awards at Fiscal-Year End

The table below contains certain information concerning outstanding option awards at December 31, 2014 for our named executive officers

	OPTION AWARDS			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price Per Share ($)	Option Expiration Date
James L. Bindseil				
President and Chief Operating Officer	75,000	-	$ 2.38	8/16/2020
	10,000	-	$ 2.10	1/3/2021
	26,400	13,600	$ 1.70	1/3/2022
	24,750	50,250	$ 1.65	6/10/2023
		25,000	$ 2.35	1/2/2024
		25,000	$ 2.32	12/5/2024
James W. Albrecht, Jr.				
Chief Financial Officer	99,000	51,000	$ 2.10	7/10/2022
Matthew C. Goulet				
Vice President of Sales	24,750	50,250	$ 1.55	9/9/2023
		25,000	$ 2.35	1/2/2024

Pension Benefits

GlobalSCAPE does not sponsor any pension benefit plans. None of the NEOs contribute to such a plan.

Non-Qualified Deferred Compensation

GlobalSCAPE does not sponsor any non-qualified, defined compensation plans or other non-qualified deferred compensation plans.

Compensation of Directors

The Board of Directors has the authority to determine the amount of compensation to be paid to its members for their services as directors and committee members and to reimburse directors for their expenses incurred in attending meetings.

Our non-employee directors receive the following cash compensation:

- Base monthly retainer:
  - Board Chairman (Mr. Brown) - $5,000 per month
  - All other Board members - $2,000 per month
- Committee chair monthly retainer (Messrs. Mann and Morgan) - $1,000 per month
- Attendance at Board or committee meetings - $1,000 per meeting

Mr. Bindseil, an employee of the Company, does not receive a monthly retainer or attendance fees for his service on the Board.

We also provide stock-based compensation to our directors under the GlobalSCAPE, Inc. 2006 Non-Employee Directors Long-Term Equity Incentive Plan, or the 2006 Directors Plan. Under this plan, a maximum of 500,000 shares of GlobalSCAPE common stock may be awarded. As of March 26, 2014, options to purchase a total of 240,000 shares were outstanding of which 160,000 were vested. As of March 26, 2015, 80,000 shares of restricted common stock were issued and outstanding for which the restrictions lapse in May 2015 provided the owner of those restricted shares meets the continuing service requirement at that time.

The 2006 Directors Plan is administered by the Compensation Committee of the Board of Directors which sets the exercise price, term, and other conditions applicable to each stock option granted under the Plan. Stock options awarded under this plan shall have an exercise share price of no less than 100% of the fair market value on the date of the award while the option terms and vesting schedules are at the discretion of the Compensation Committee. The 2006 Directors Plan provides that each year, at the first regular meeting of the Board of Directors immediately following GlobalSCAPE's annual stockholder's meeting, each non-employee director shall be granted or issued maximum awards of either (1) a grant of an option to purchase 20,000 shares of our common stock or (2) the issuance of 20,000 shares of restricted common stock for participation in Board and Committee meetings during the previous calendar year. In 2014, the Compensation Committee granted 20,000 shares of restricted stock to each director except for Mr. Bindseil, who received no such shares as a result of him being an employee of the Company. The restrictions on this restricted stock lapse in June 2015 provided the owner of those restricted shares meets the continuing service requirement at that time

The following table sets forth a summary of compensation for the fiscal year ended December 31, 2014, that GlobalSCAPE paid to each director. GlobalSCAPE does not sponsor a pension benefits plan, a non-qualified deferred compensation plan or a non-equity incentive plan for our directors and, accordingly, these columns have been omitted from the following table:

Name	**Fees Earned or Paid in Cash**	**Stock Awards (1)**	**All Other Compensation (2)**	**Total**
Thomas W. Brown	$ 61,000	$ 46,400	$ 11,557	$ 118,957
David L. Mann	$ 48,000	$ 46,400	$ 11,557	$ 105,957
Frank M. Morgan	$ 48,000	$ 46,400	$ 477	$ 94,877
Phillip M. Renfro	$ 34,000	$ 46,400	$ 5,145	$ 85,545

(1) The aggregate grant date fair value of restricted awards calculated as described in our accounting policy for stock-based compensation in footnote 2 to our Consolidated Financial Statements included in our Form 10-K as of December 31, 2014, and for the year then ended.

(2) Health and dental insurance premiums.

As of December 31, 2014, stock options issued to our directors that had not been exercised and restricted stock awards for which the restriction had not yet lapsed as of that date are as follows:

Name	**Outstanding Stock Options Not Exercised**	**Restricted Stock Awards**
Thomas W. Brown	60,000	20,000
David L. Mann	60,000	20,000
Frank M. Morgan	40,000	20,000
Phillip M. Renfro	60,000	20,000

PROPOSAL TWO
APPROVAL OF 2015 NON-EMPLOYEE DIRECTORS LONG-TERM EQUITY INCENTIVE PLAN

General. On March 24, 2015, subject to stockholder approval, the GlobalSCAPE Board of Directors adopted the GlobalSCAPE, Inc. 2015 Non-Employee Directors Long-Term Equity Incentive Plan which we refer to as the 2015 Directors Plan, the full text of which is set forth in Appendix A to this Proxy Statement. The following summary of the 2015 Directors Plan is qualified in its entirety by reference to Appendix A. The effectiveness of the 2015 Directors Plan is subject to approval by GlobalSCAPE stockholders.

Previously, the Board has received grants of options and restricted stock under the 2006 GlobalSCAPE, Inc. Non-Employee Directors Long-Term Incentive Plan, which we refer to as the 2006 Plan. Under its terms, this plan expires in 2016. There are 500,000 shares previously reserved for issuance pursuant to the 2006 Plan of which all such shares have been granted as stock options or restricted stock. In the event that the 2015 Directors Plan is approved, no more grants will be made under the 2006 Plan.

We are asking you to authorize 500,000 shares for future issuance under the 2015 Directors Plan which will contribute to a potential dilution of our shares owned and outstanding as of March 26, 2015, of approximately 2.4%. This potential dilution was calculated as follows:

$$\frac{\text{Shares owned by shareholders as of March 26, 2015}}{\text{Shares outstanding as of March 26, 2015}} \quad \text{Minus} \quad \frac{\text{Shares owned by shareholders as of March 26, 2015}}{\text{Shares outstanding as of March 26, 2015 plus 500,000}}$$

In considering this proposal, the Board considered, and stockholders should also be aware, that the average number of shares granted by the Company under all equity incentive plans over the last three fiscal years, divided by the number of shares outstanding as of March 26, 2015, is approximately 7.1%. The Company anticipates that the requested number of shares for the 2015 Directors Plan will be sufficient to meet the needs of our long-term incentive program for Directors for at least six years.

Purpose. The purposes of the 2015 Directors Plan are to attract and retain members of the Board of Directors and to promote the growth and success of GlobalSCAPE by aligning the long-term interests of the Board of Directors with those of GlobalSCAPE's stockholders by providing an opportunity to acquire an interest in GlobalSCAPE and by providing both rewards for exceptional performance and long term incentives for future contributions to the success of GlobalSCAPE.

Administration and Eligibility. The 2015 Directors Plan will be administered by the Compensation Committee (the "Committee") of the Board of Directors and authorizes the Board to grant non-qualified stock options or issue restricted stock to those persons who are non-employee directors of GlobalSCAPE, including advisory directors of GlobalSCAPE, which currently amounts to a total of four people.

Shares Reserved and Awards. The 2015 Directors Plan reserves 500,000 shares of GlobalSCAPE common stock, subject to adjustment following certain events, as discussed below. If an award expires, is forfeited or becomes unexercisable for any reason without having been exercised in full, the undeliverable shares which were subject thereto shall, unless the 2015 Directors Plan shall have been terminated, become available for future awards under the 2015 Directors Plan. The 2015 Directors Plan provides that each year, at the conclusion of GlobalSCAPE's annual stockholder's meeting, each non-employee director shall be granted or issued awards of 20,000 shares of GlobalSCAPE common stock, for participation in Board and Committee meetings during the previous calendar year. The maximum annual award for any one person is 20,000 shares of GlobalSCAPE common stock. If options, as opposed to shares, are awarded, the exercise share price shall be no less than 100% of the fair market value on the date of the grant while the option terms and vesting schedules are at the discretion of the Committee.

Option Exercise. An option is exercised when proper notice of exercise has been given to GlobalSCAPE, or the brokerage firm or firms approved by GlobalSCAPE, if any, to facilitate exercises and sales under the 2015 Directors Plan and full payment for the shares with respect to which the option is exercised has been received by GlobalSCAPE or the brokerage firm or firms, as applicable. The consideration to be paid and the method of payment, shall be determined by the Committee and may include: (i) a cashless exercise, whereby the exercise price is paid to GlobalSCAPE from the proceeds of a same-day sale of a portion of the stock underlying the option; (ii) cash; and (iii) tender of shares of common stock owned by the participant. Option shares used to pay the exercise price shall be valued at their fair market value on the exercise date. Payment of the aggregate exercise price by means of tendering previously-owned shares of common stock shall not be permitted when the same may, in the reasonable opinion of GlobalSCAPE, cause GlobalSCAPE to record a loss or expense as a result thereof.

Stockholder Rights. Except as otherwise provided in the 2015 Directors Plan, until the issuance of the share certificates evidencing the award shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the award shares.

Transferability of Awards. An award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in exchange for consideration, except that an award may be transferred by will or by the laws of descent or distribution and may be exercised, during the lifetime of the participant, only by the participant, unless the Committee permits further transferability, on a general or specific basis, in which case the Committee may impose conditions and limitations on any permitted transferability.

Termination of Awards. Unless otherwise provided in the applicable award agreement or any severance agreement, vested awards granted under the 2015 Directors Plan shall expire, terminate, or otherwise be forfeited as follows:

(i) three (3) months after the date the Company delivers a notice of termination of a Participant's Active Status, other than in circumstances covered by (ii), (iii) or (iv) below;

(ii) immediately upon termination of a Participant's Active Status for Misconduct;

(iii) twelve (12) months after the date of the death of a Participant whose Active Status terminated as a result of his or her death; and

(iv) thirty-six (36) months after the date on which the Participant ceased performing services as a result of Retirement.

Effect of Change of Control. The 2015 Directors Plan provides, unless otherwise provided in the most recently executed agreement between the plan participant and the Company, or specifically prohibited under applicable laws, or by the rules and regulations of any applicable governmental agencies or national securities exchanges or quotation systems, that upon the occurrence of a Change of Control (as defined therein), awards of a plan participant shall be "accelerated", meaning any and all nonqualified stock options shall become fully vested and exercisable, and any restriction periods and restrictions imposed on restricted stock shall lapse.

U.S. Federal Tax Consequences.

Options. Participants will not recognize taxable income at the time an option is granted under the 2015 Directors Plan unless the option has a readily ascertainable market value at the time of the grant. The Board understands that options to be granted under the 2015 Directors Plan will not have a readily ascertainable market value; therefore, income will not be recognized by participants before the time of exercise of an option. The difference between the fair market value of the shares at the time an option is exercised and the option price generally will be treated as ordinary income to the optionee, in which case GlobalSCAPE will be entitled to a deduction equal to the amount of the optionee's ordinary income.

Restricted Stock. A participant who receives a grant of restricted stock who does not elect to be taxed at the time of grant will not recognize income upon an award of shares of common stock, and GlobalSCAPE will not be entitled to a deduction until the termination of the restrictions. Upon such termination, the participant will recognize ordinary income in an amount equal to the fair market value of the common stock at the time (less any amount paid by the employee for such shares), and GlobalSCAPE will be entitled to a deduction in the same amount after satisfying federal income tax withholding requirements. However, the participant may elect to recognize ordinary income in the year the restricted stock is granted in an amount equal to the fair market value of the shares at that time, determined without regard to the restrictions. In that event, GlobalSCAPE will be entitled to a deduction in such year and in the same amount. Any gain or loss recognized by the participant upon subsequent disposition of the stock will be capital in nature.

Amendments. GlobalSCAPE's Board or the Committee may amend or terminate the 2015 Directors Plan from time to time in such respects as the Board may deem advisable (including, but not limited, to amendments which the Board deems appropriate to enhance GlobalSCAPE's ability to claim deductions related to stock option exercises); provided, that to the extent required by the Internal Revenue Code of 1986, as amended, or the rules of the NYSE MKT, such other exchange upon which GlobalSCAPE common stock is either quoted or traded, or the SEC, stockholder approval shall be required for any material amendment of the 2015 Directors Plan. Subject to the foregoing, it is specifically intended that the Board or Committee be able to amend the 2015 Directors Plan without stockholder approval to comply with legal, regulatory and listing requirements and to avoid unanticipated consequences deemed by the Committee to be inconsistent with the purpose of the 2015 Directors Plan or any award agreement.

Adjustments. If the outstanding shares of GlobalSCAPE common stock shall be changed into or exchanged for a different number or kind of shares of stock or other securities or property of GlobalSCAPE or of another corporation, or if the number of such shares of common stock shall be increased by a stock dividend or stock split, there shall be substituted for or added to each share of common stock reserved for the purposes of the 2015 Directors Plan, whether or not such shares are at the time subject to outstanding awards, the number and kind of shares of stock or other securities or property into which each outstanding share of common stock shall be so changed or for which it shall be so exchanged, or to which each such share shall be entitled, as the case may be. Outstanding awards shall also be considered to be appropriately amended as to price and other terms as may be necessary or appropriate to reflect the foregoing events. If there shall be any other change in the number or kind of the outstanding shares of GlobalSCAPE's common stock, or of any stock or other securities or property into which such common stock shall have been changed, or for which it shall have been exchanged, and if the Committee shall in its sole discretion determine that such change equitably requires an adjustment in the number or kind or price of the shares then reserved for the purposes of the 2015 Directors Plan, or in any award previously granted or which may be granted under the 2015 Directors Plan, then such adjustment shall be made by the Committee and shall be effective and binding for all purposes of the 2015 Directors Plan.

In addition, the Committee shall have the power, in the event of any merger or consolidation involving GlobalSCAPE, to amend all outstanding awards to permit the exercise thereof in whole or in part at anytime, or from time to time, prior to the effective date of any such merger or consolidation and to terminate each such award as of such effective date.

Although the benefits and amounts that will be received in the future by the Non-Executive Director Group are not determinable, the benefits and amounts which would have been received by the Non-Executive Director Group for the year ended December 31, 2014, as if the 2015 Directors Plan had been in effect during that year are provided in the table below:

New Plan Benefits
2015 Non-Employee Directors Long-Term Equity Incentive Plan
Proforma Benefits for the Year Ending December 31, 2014

	Dollar Value (1)	Number of Shares
Thomas W. Brown	$ 46,400	20,000
David L. Mann	$ 46,400	20,000
Frank M. Morgan	$ 46,400	20,000
Phillip M. Renfro	$ 46,400	20,000

(1) Calculated by multiplying the number of shares by the closing price for GlobalSCAPE common stock on the NYSE MKT on May 14, 2014, the date of the first Board of Directors meeting immediately following the 2014 Annual Stockholders Meeting.

Effectiveness. Upon effectiveness, the 2015 Directors Plan shall remain in effect until the tenth anniversary of the effective date or until terminated under the terms of the plan or extended by an amendment approved by GlobalSCAPE stockholders.

Votes Required. Assuming the presence of a quorum, the affirmative vote of the holders of a majority of the shares of common stock present in person or by proxy and entitled to vote on this item at the annual meeting is necessary to approve the 2015 Non-Employee Directors Long-Term Equity Incentive Plan. The enclosed form of proxy provides a means for stockholders to vote for the approval of the 2015 Directors Plan, to vote against it or to abstain from voting with respect to it. If a stockholder executes and returns a proxy, but does not specify how the shares represented by such stockholder's proxy are to be voted, such shares will be voted FOR the 2015 Directors Plan. Under applicable Delaware law, in determining whether this item has received the requisite number of affirmative votes, abstentions and broker non-votes will not be counted and will have no effect.

The Board of Directors recommends a vote "FOR" the approval of the 2015 Non-Employee Directors Long-Term Equity Incentive Plan.

PROPOSAL THREE
RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

GlobalSCAPE's Audit Committee has selected Padgett, Stratemann & Co., L.L.P., or "Padgett Stratemann", to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2015. Although stockholder ratification is not required, the Board of Directors has directed that the selection of Padgett Stratemann be submitted to the stockholders for ratification at the annual meeting. Grant Thornton LLP provided audit services to GlobalSCAPE for the years ended December 31, 2012 and 2013. On November 14, 2014, the Audit Committee appointed Padgett Stratemann to serve as its independent registered public accounting firm for the year ended December 31, 2014 and ended the engagement of Grant Thornton. A representative of Padgett Stratemann will not be present at the annual meeting.

The audit reports of Grant Thornton on GlobalSCAPE's financial statements as of and for the two fiscal years ended December 31, 2012 and 2013 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

In connection with the audits of GlobalSCAPE's financial statements for each of the two fiscal years ended December 31, 2012 and 2013 and through November 14, 2014, there were no disagreements with Grant Thornton on any matters of accounting principles or practices, financial statement disclosure or auditing scope and procedures which, if not resolved to the satisfaction of Grant Thornton, would have caused the firm to make reference to such disagreement in connection with its reports on GlobalSCAPE's financial statements for such period. During each of the two fiscal years ended December 31, 2012 and 2013 and through November 14, 2014, there were no reportable events as described in Item 304 (a)(1)(v) of Regulation S-K.

The affirmative vote of the holders of a majority of the votes cast is required to ratify the selection of Padgett Stratemann. In the event the stockholders fail to ratify the appointment, the Board may reconsider its appointment for this year. Even if the appointment is ratified, the Board, in its discretion, may, if circumstances dictate, direct the appointment of a different independent registered public accounting firm at any time during the year, if the Board determines that such a change would be in the Company's and its stockholders' best interests.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF PADGETT, STRATEMANN & CO., L.L.P. AS GLOBALSCAPE'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2015.

PRINCIPAL AUDITOR FEES AND SERVICES

Audit Fees. The aggregate fees billed for professional services provided by Padgett, Stratemann & Co., L.L.P. in connection with their audit of our consolidated financial statements as of December 31, 2014, and for the year then ended, were $149,000. The aggregate fees billed for professional services provided by Grant Thornton LLP, or "Grant Thornton" (the Company's predecessor independent registered public accounting firm), in connection with their reviews of the condensed financial statements included in our Quarterly Reports on Form 10-Q during the year ended December 31, 2014, were $72,000. The aggregate fees billed for professional services provided by Grant Thornton in connection with their audit of our consolidated financial statements as of December 31, 2013, and for the year then ended and for their reviews of the condensed financial statements included in our Quarterly Reports on Form 10-Q during the year ended December 31, 2013, were $209,000.

Audit-Related Fees. There were no fees paid to Padgett Stratemann or Grant Thornton in 2014 or 2013 for services other than the audit or review of GlobalSCAPE's financial statements.

Tax Fees. There were no tax fees paid to Padgett Stratemann or Grant Thornton in 2014 or 2013.

All Other Fees. Exclusive of the fees disclosed above relating to financial statement audit services, there were no fees billed for other services provided by Padgett Stratemann or Grant Thornton during the years ended December 31, 2014 or December 31, 2013.

Consideration of Non-Audit Services Provided by the Independent Auditors. The Audit Committee has considered whether the services provided for non-audit services are compatible with maintaining the independence of Padgett Stratemann or Grant Thornton and has concluded that the independence of such firms has been maintained.

AUDIT COMMITTEE PRE-APPROVAL POLICY

The Audit Committee's policy is to pre-approve all audit, audit-related and non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services, and other services. The Audit Committee may also pre-approve particular services on a case-by-case basis. The independent auditors are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditors in accordance with such pre-approval. The Audit Committee may also delegate pre-approval authority to one or more of its members. Such member(s) must report any decisions to the Audit Committee at the next scheduled meeting.

AUDIT COMMITTEE REPORT

The Audit Committee reviews GlobalSCAPE's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. The Audit Committee is responsible for engaging independent auditors to perform an independent audit of GlobalSCAPE's consolidated financial statements in accordance with generally accepted accounting principles and to issue reports thereon. The Committee reviews and oversees these processes, including oversight of:

- The integrity of GlobalSCAPE's financial statements.
- GlobalSCAPE's independent auditors' qualifications and independence;
- The performance of GlobalSCAPE's independent auditors.
- GlobalSCAPE's compliance with legal and regulatory requirements.

In this context, the Committee hereby reports as follows:

- The Audit Committee has reviewed and discussed the audited financial statements with GlobalSCAPE's management.
- The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T.
- The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by the PCAOB regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence and has discussed with the independent registered public accounting firm its independence.
- Based on the review and discussions referred to in previous paragraphs, the Audit Committee recommended to the Board, and the Board has approved, that the audited financial statements be included in GlobalSCAPE's Annual Report on Form 10-K for the year ended December 31, 2014, for filing with the Securities and Exchange Commission.

This report is submitted by the members of the Audit Committee.

David L. Mann (Chairman of the Audit Committee)
Frank M. Morgan

STOCKHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING

You may submit proposals for consideration at future stockholder meetings. For a stockholder proposal to be considered for inclusion in our Proxy Statement for the annual meeting next year, the Corporate Secretary must receive the written proposal at our principal executive offices no later than December 4, 2015. Such proposals also must comply with SEC regulations under Rule 14a-8 regarding the inclusion of stockholder proposals in Company-sponsored proxy materials. Proposals should be addressed to:

GlobalSCAPE, Inc.
Attn: Corporate Secretary
4500 Lockhill-Selma Rd, Suite 150
San Antonio, TX 78249

For a stockholder proposal that is not intended to be included in our Proxy Statement under Rule 14a-8, the stockholder must provide the information required by our Bylaws and give timely notice to the Corporate Secretary in accordance with our Bylaws, which, in general require that the notice be received by the Corporate Secretary as follows:

- Not earlier than the close of business on February 2, 2016; and
- Not later than the close of business on March 4, 2016.

If the date of the stockholder meeting is moved more than 30 days after the anniversary of our annual meeting for the prior year, then notice of a stockholder proposal that is not intended to be included in our Proxy Statement under Rule 14a-8 must be received no later than the 10th day following the date on which a notice of the date of the annual meeting is mailed or the date of the meeting is publicly announced.

AVAILABLE INFORMATION

We are a reporting company under the Securities Exchange Act of 1934, as amended, and file annual, quarterly, and special reports and other information with the SEC. You may read and copy any material that we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain more information about the SEC's Public Reference Room by calling 1-800-SEC-0330. The SEC also maintains an Internet site that contains all of these reports and other information regarding our Company and other issuers that file electronically with the SEC at http://www.sec.gov. We also post links to our SEC filings at our web site at http://www.globalscape.com.

You may request a copy of GlobalSCAPE's annual, quarterly, and current reports, Proxy Statements, and other information at no cost, including our annual report on Form 10-K, including financial statements and schedules thereto, for the year ended December 31, 2014, by writing or telephoning GlobalSCAPE at the following address:

GlobalSCAPE, Inc.
Attn: Chief Financial Officer
4500 Lockhill-Selma, Suite 150
San Antonio, Texas 78249
(210) 308-8267

OTHER MATTERS

As of the date of this Proxy Statement, the Board of Directors does not know of any other matter that will be brought before the annual meeting. However, if any other matter properly comes before the annual meeting, or any adjournment thereof, the person or persons voting the proxies will vote on such matters in accordance with their best judgment and discretion.

By Order of the Board of Directors,

James L. Bindseil
President and Chief Executive Officer

April 2, 2015
San Antonio, TX

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Annex A

GLOBALSCAPE, INC.

2015 Non-Employee Directors Long-Term Equity Incentive Plan

PART I

PURPOSE, ADMINISTRATION AND RESERVATION OF SHARES

SECTION 1. Purpose of this Plan. The purposes of this Plan are (a) to attract and retain members of the Board of Directors, and (b) to promote the growth and success of the Company's business, (i) by aligning the long-term interests of the Company's Directors with those of the Company's stockholders by providing an opportunity to acquire an interest in the Company and (ii) by providing both rewards for exceptional performance and long term incentives for future contributions to the success of the Company and its Subsidiaries.

This Plan permits the grant of Nonqualified Stock Options or Restricted Stock, at the discretion of the Committee and as reflected in the terms of the Award Agreement. Each Award will be subject to conditions specified in this Plan.

SECTION 2. Definitions. As used herein, the following definitions shall apply:

(a) "*Active Status*" shall mean the Director's continuous and uninterrupted service as a member of the Board. .

(b) "*Award*" shall mean any award or benefits granted under this Plan, including Options and Restricted Stock.

(c) "*Award Agreement*" shall mean a written or electronic agreement between the Company and the Participant setting forth the terms of the Award.

(d) "*Beneficial Ownership*" shall have the meaning set forth in Rule 13d-3 promulgated under the Exchange Act.

(e) "*Board*" shall mean the Company's Board of Directors.

(f) "*Change of Control*" shall mean the first day that any one or more of the following conditions shall have been satisfied:

(i) the sale, transfer, or assignment to, or other acquisition by any other entity or entities (other than a Subsidiary), of all or substantially all of the Company's assets and business in one or a series of related transactions;

(ii) a third person, including a "group" as determined in accordance with Section 13(d) or 14(d) of the Exchange Act, obtains the Beneficial Ownership of Common Stock having fifty percent (50%) or more of the then total number of votes that may be cast for the election of members of the Board; provided, however, that if Thomas W. Brown and/or David L. Mann acquire, directly or indirectly, Beneficial Ownership of Common Stock having 50% or more of the then total number of votes that may be cast for the election of members of the Board, then it shall not be deemed a Change of Control;

(iii) during any 12-consecutive month period, the individuals who, at the beginning of such period, constitute the Board ("Incumbent Directors") cease for any reason other than death to constitute at least a majority of the members of the Board; provided, however, that except as set forth in this Section 2(f)(iii), an individual who becomes a member of the Board subsequent to the beginning of the 12-month period, shall be deemed to have satisfied such 12-month requirement and shall be deemed an Incumbent Director if such Director was elected by or on the recommendation of, or with the approval of, at least two-thirds of the Directors who then qualified as Incumbent Directors either actually (because they were Directors at the beginning of such period) or by operation of the provisions of this Section; if any such individual initially assumes office as a result of or in connection with either an actual or threatened solicitation with respect to the election of Directors (as such terms are used in Rule 14a-12(c) of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitations of proxies or consents by or on behalf of a person other than the Board, then such individual shall not be considered an Incumbent Director; or

(iv) a merger, consolidation, reorganization or other business combination (a "Transaction"), as a result of which the stockholders of the Company immediately prior to such Transaction own directly or indirectly immediately following such Transaction less than 50% of the combined voting power of the outstanding voting securities of the entity resulting from such Transaction

(g) "*Change in Control Value*" has the meaning set forth in Section 5(b).

(h) "*Code*" shall mean the Internal Revenue Code of 1986, as amended.

(i) "*Committee*" shall mean the Compensation Committee appointed by the Board.

(j) "*Common Stock*" shall mean the common stock of the Company, par value $0.001 per share.

(k) "*Company*" shall mean GlobalSCAPE, Inc. a Delaware corporation, and any successor thereto.

(l) "*Director*" shall mean a member of the Board and, except with respect to the ability to vote on any issues before the Board or the delegation of authority from the Board, shall also be deemed to include advisory directors.

(m) "*Effective Date*" shall mean the date on which the Company's stockholders have approved this Plan.

(n) "*Exchange Act*" shall mean the Securities Exchange Act of 1934, as amended.

(o) "*Fair Market Value*" shall mean the closing price per share of the Common Stock on the NYSE MKT as to the date specified (or the previous trading day if the date specified is a day on which no trading occurred), or if NYSE MKT is not or shall cease to be the principal exchange or quotation system upon which the shares of Common Stock are listed or quoted, then such exchange or quotation system upon which the Company elects to list or quote its shares of Common Stock.

(p) "*FLSA*" shall mean the Fair Labor Standards Act of 1938, as amended.

(q) *"hall bent Director"* has the meaning set forth in Section 2(f)(iii).

(r) "*Independent Director*" shall mean a Director who: (i) meets the independence requirements of the NYSE MKT, or if the NYSE MKT is not or shall cease to be the principal exchange or quotation system upon which the shares of Common Stock are listed or quoted, then such exchange or quotation system upon which the Company elects to list or quote its shares of Common Stock; (ii) qualifies as an "outside director" under Section 162(m) of the Code; (iii) qualifies as a "non-employee director" under Rule 16b-3 promulgated under the Exchange Act; and (iv) satisfies independence criteria under any other applicable laws or regulations relating to the issuance of Shares to Non-Employee Directors.

(s) "*Maximum Annual Participant Award*" shall have the meaning set forth in Section 6(b).

(t) "*Misconduct*" shall mean the removal from the Board for cause.

(u) "*Nominating and Corporate Governance Committee*" shall mean the Nominating and Corporate Governance Committee appointed by the Board.

(v) "*Non-Employee Director*" shall mean a Director who is not a common law employee of the Company or any Subsidiary of the Company.

(w) "*NYSE MKT*" shall mean the NYSE MKT, LLC.

(x) "*Option*" shall mean a stock option granted pursuant to Section 10 of this Plan.

(y) "*Optionee*" shall mean a Participant who has been granted an Option.

(z) "*Participant*" shall mean any Non-Employee Director granted an Award.

(aa) "*Plan*" shall mean this GlobalSCAPE, Inc. 2015 Non-Employee Directors Long-Term Equity Incentive Plan, including any amendments thereto.

(bb) "*Reprice*" shall mean the adjustment or amendment of the exercise price of Options or previously awarded whether through amendment, cancellation, replacement of grants or any other means.

(cc) "*Restricted Stock*" shall mean a grant of Shares pursuant to Section 11 of this Plan.

(dd) "*Retirement*" shall mean ceasing to be a Director pursuant to election by the Company's stockholders or by voluntary resignation with the approval of the Board's chair after having served continuously on the Board for at least six years.

(ee) "*SEC*" shall mean the Securities and Exchange Commission.

(ff) "*Share*" shall mean one share of Common Stock, as adjusted in accordance with Section 5 of this Plan.

(gg) "*Subsidiary*" shall mean a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code, a limited liability company, partnership or other entity in which the Company controls fifty percent (50%) or more of the voting power or equity interests, or an entity with respect to which the Company possesses the power, directly or indirectly, to direct or cause the direction of the management and policies of that entity, whether through the Company's ownership of voting securities, by contract or otherwise.

(hh) "*Transaction*" has the meaning set forth in Section 2(f)(iv).

SECTION 3. Administration of this Plan.

(a) Authority. This Plan shall be administered by the Committee. The Committee shall have full and exclusive power to administer this Plan on behalf of the Board, subject to such terms and conditions as the Committee may prescribe. Notwithstanding anything herein to the contrary, the Committee's power to administer this Plan, and actions the Committee takes under this Plan, shall be limited by the provisions set forth in the Committee's charter, as such charter may be amended from time to time, and the further limitation that certain actions may be subject to review and approval by either the full Board or a panel consisting of all of the Independent Directors of the Company.

(b) Powers of the Committee. Subject to the other provisions of this Plan, the Committee shall have the authority, in its discretion:

(i) to determine the Participants, to whom Awards, if any, will be granted hereunder;

(ii) to grant Awards to Participants and to determine the terms and conditions of such Awards, including the determination of the Fair Market Value of the Shares, the number of Shares to be represented by each Award and the vesting schedule, the exercise price, the timing of such Awards, and to modify or amend each Award, with the consent of the Participant when required;

(iii) to construe and interpret this Plan and the Awards granted hereunder;

(iv) to prescribe, amend, and rescind rules and regulations relating to this Plan, including the form of Award Agreement, and manner of acceptance of an Award, such as correcting a defect or supplying any omission, or reconciling any inconsistency so that this Plan or any Award Agreement complies with applicable law, regulations and listing requirements and to avoid unanticipated consequences deemed by the Committee to be inconsistent with the purposes of this Plan or any Award Agreement;

(v) subject to compliance with Section 409A of the Code, to accelerate or defer (with the consent of the Participant) the exercise or vested date of any Award;

(vi) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Award previously granted by the Committee; and

(vii) to make all other determinations deemed necessary or advisable for the administration of this Plan;

provided, that, no consent of a Participant is necessary under clauses (i) or (v) if a modification, amendment, acceleration, or deferral, in the reasonable judgment of the Committee confers a benefit on the Participant or is made pursuant to an adjustment in accordance with Section 5.

(c) *Effect of Committee's Decision*. All decisions, determinations, and interpretations of the Committee shall be final and binding on all Participants, the Company (including its Subsidiaries), any stockholder and all other persons.

(d) *Delegation*. To the extent permitted by the Committee's charter, as such charter may be amended from time to time, the Committee may delegate its authority and duties under this Plan to one or more persons other than its members to carry out its policies and directives, including the authority to grant Awards, subject to the limitations and guidelines set by the Committee, except that (i) the authority to grant or administer Awards with respect to persons who are subject to Section 16 of the Exchange Act, or to persons who are "covered employees" (within the meaning of Treasury Regulation, Section 1.162-27(c)(2)), shall not be delegated by the Committee; and (ii) any such delegation shall satisfy any other applicable requirements of Rule 16b-3 of the Exchange Act, or any successor provision. Any action by any such delegate(s) within the scope of such delegation shall be deemed for all purposes to have been taken by the Committee. Any person to whom such authority is granted shall continue to be eligible to receive Awards under this Plan, provided that such Awards are granted directly by the Committee without delegation.

(e) Compliance with Section 409A. The parties intend that this Plan and Awards be, at all relevant times, in compliance with (or exempt from) Code Section 409A and all other applicable laws, and this Plan shall be so interpreted and administered. In addition to the general amendment rights of the Company with respect to the Plan, the Company specifically retains the unilateral right (but not the obligation) to make, prospectively or retroactively, any amendment to this Plan or any related document as it deems necessary or desirable to more fully address issues in connection with compliance with (or exemption from) Code Section 409A of and other laws. In no event, however, shall this section or any other provisions of this Plan be construed to require the Company to provide any gross-up for the tax consequences of any provisions of, or payments under, this Plan. The Company and its affiliates shall have no responsibility for tax or legal consequences to any Participant (or beneficiary) resulting from the terms or operation of this Plan.

SECTION 4. Shares Subject to this Plan.

(a) *Reservation of Shares*. The shares of Common Stock reserved under this Plan shall be 500,000 shares of Common Stock. If an Award expires, is forfeited or becomes unexercisable for any reason without having been exercised in full, the undelivered Shares which were subject thereto shall, unless this Plan shall have been terminated, become available for future Awards under this Plan. The Shares may be authorized but unissued, or reacquired shares of Common Stock. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of this Plan.

(b) *Time of Granting Awards*. The date of grant of an Award shall, for all purposes, be the date on which the Company completes the corporate action relating to the grant of such Award and all conditions to the grant have been satisfied, provided that conditions to the exercise of an Award shall not defer the date of grant. Notice of a grant shall be given to each Participant to whom an Award is so granted within a reasonable time after the determination has been made.

(c) *Securities Law Compliance*. Shares shall not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated under either such Acts, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

SECTION 5. Adjustments to Shares Subject to this Plan.

(a) *Adjustments*. If the outstanding shares of Common Stock shall be changed into or exchanged for a different number or kind of shares of stock or other securities or property of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, split up, combination of shares or otherwise), or if the number of such shares of Common Stock shall be increased by a stock dividend or stock split, there shall be substituted for or added to each share of Common Stock theretofore reserved for the purposes of this Plan, whether or not such shares are at the time subject to outstanding Awards, the number and kind of shares of stock or other securities or property into which each outstanding share of Common Stock shall be so changed or for which it shall be so exchanged, or to which each such share shall be entitled, as the case may be. Outstanding Awards shall also be considered to be appropriately amended as to price and other terms as may be necessary or appropriate to reflect the foregoing events. If there shall be any other change in the number or kind of the outstanding shares of Common Stock, or of any stock or other securities or property into which such Common Stock shall have been changed, or for which it shall have been exchanged, and if the Committee shall in its sole discretion determine that such change equitably requires an adjustment in the number or kind or price of the shares then reserved for the purposes of this Plan, or in any Award theretofore granted or which may be granted under this Plan, then such adjustment shall be made by the Committee and shall be effective and binding for all purposes of the Plan. In making any such substitution or adjustment pursuant to this Section 5, fractional shares may be ignored.

(b) *Amendments.* The Committee has the power, in the event of any Transaction, to (1) amend all outstanding Options to permit the exercise thereof in whole or in part at any time, or from time to time, prior to the effective date of any such Transaction or (2) to terminate each such Option as of such effective date and pay each holder of such Award an amount of cash per share equal to the excess, if any, of the Change in Control Value (as hereinafter defined) of the shares subject to such Option over the exercise price under such Options for such shares. For purposes of this subsection (b), the "Change in Control Value" shall be the per share price paid to stockholders of the Company in the Transaction, provided that in the event that the consideration offered to stockholders of the Company consists of anything other than cash, the Committee will determine, in its sole and absolute discretion, the fair cash equivalent portion of the consideration offered that is other than cash.

(c) *No Other Adjustment.* Except as expressly provided herein, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares subject to an Award.

(d) *Limitations under Code Section 409A*. Notwithstanding as otherwise provided in this Section 5, no adjustment or amendment shall be taken under this Section 5 that:

(i) with respect to any Awards that are not subject to Code Section 409A as of the date of such action, would cause such Award to be subject to the requirements of Code Section 409A without satisfying such requirements; or

(ii) with respect to Awards subject to Code Section 409A, would constitute (i) a change in the time and form of payment under such Award, unless consented to by the Participant and otherwise satisfies the requirements of Treasury Regulation §1.409A-2(b), (ii) an acceleration of payment under the Award in prohibition of Code Section 409A(a)(3) and the regulations thereunder, taking into consideration the exceptions provided under Treasury Regulation §1.409A-3(j)(4) for certain accelerations, or (iii) a violation of Code Section 409A not otherwise referenced herein that would trigger adverse tax consequences for the Participant.

PART II

TERMS APPLICABLE TO ALL AWARDS

SECTION 6. General Eligibility; Maximum Annual Participant Award and Formula Awards.

(a) *General Eligibility*. Awards may be granted only to Participants who are Non-Employee Directors.

(b) *Maximum Annual Participant Award*. The aggregate number of Shares with respect to which an Award or Awards may be granted to any one Participant in any one taxable year of the Company (the "Maximum Annual Participant Award") shall not exceed 20,000 shares of Common Stock (subject to adjustment as set forth in Section 5(a)) pursuant to the Awards to be granted pursuant to Section 6(c).

(c) *Formula Awards*. Each year at the conclusion of the Company's annual stockholders meeting for that year, each Non-Employee Director at such time, shall be granted Awards of 20,000 shares of Common Stock (subject to adjustment as set forth in Section 5(a)), unless the Committee shall decide otherwise prior to such meeting. The Awards granted pursuant to this Section 6(c) are intended to compensate each Non-Employee Director for that Non-Employee Director's participation in Board and Committee meetings during the Company's previous calendar year. Any Non-Employee Director who discontinues Active Status (including ceasing to be an advisory Director) prior to the date of the Company's annual stockholders meeting shall not be entitled to any Awards under this Section 6(c) and no newly elected Non-Employee Director shall be entitled to any Awards under this Section 6(c).

SECTION 7. Procedure for Exercise of Awards; Rights as a Stockholder.

(a) *Procedure*. An Award shall be exercised when written, electronic or verbal notice of exercise has been given to the Company, or the brokerage firm or firms approved by the Company to facilitate exercises and sales under this Plan, in accordance with the terms of the Award by the person entitled to exercise the Award and full payment for the Shares with respect to which the Award is exercised has been received by the Company or the brokerage firm or firms, as applicable. The notification to the brokerage firm shall be made in accordance with procedures of such brokerage firm approved by the Company. Full payment may, as authorized by the Committee, consist of any consideration and method of payment allowable under Section 7(b) of this Plan. The Company shall issue (or cause to be issued) such share certificate promptly upon exercise of the Award. No adjustment will be made for a dividend or other right for which the record date is prior to the date the share certificate is issued, except as provided in Section 5 of this Plan.

(b) *Method of Payment*. The consideration to be paid for any Shares to be issued upon exercise or other required settlement of an Award, including the method of payment, shall be determined by the Committee at the time of settlement and which forms may include (without limitation): (i) with respect to an Option, a request that the Company or the designated brokerage firm conduct a cashless exercise of the Option; (ii) cash; and (iii) tender of shares of Common Stock owned by the Participant in accordance with rules established by the Committee from time to time. Shares used to pay the exercise price shall be valued at their Fair Market Value on the exercise date. Payment of the aggregate exercise price by means of tendering previously-owned shares of Common Stock shall not be permitted when the same may, in the reasonable opinion of the Company, cause the Company to record a loss or expense as a result thereof.

(c) *Withholding Obligations.* To the extent required by applicable federal, state, local or foreign law, the Committee may and/or a Participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise with respect to any Option or Restricted Stock or any sale of Shares. The Company shall not be required to issue Shares or to recognize the disposition of such Shares until such obligations are satisfied. These obligations may be satisfied by having the Company withhold a portion of the Shares that otherwise would be issued to a Participant under such Award or by tendering Shares previously acquired by the Participant in accordance with rules established by the Committee from time to time.

(d) *Stockholder Rights*. Except as otherwise provided in this Plan, until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the share certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Shares subject to the Award, notwithstanding the exercise of the Award.

(e) *Non-Transferability of Awards*. An Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in exchange for consideration, except that an Award may be transferred by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant; unless the Committee permits further transferability, on a general or specific basis, in which case the Committee may impose conditions and limitations on any permitted transferability.

SECTION 8. Expiration of Awards.

(a) *Expiration, Termination or Forfeiture of Awards*. Unless otherwise provided in the applicable Award Agreement or any severance agreement, vested Awards granted under this Plan shall expire, terminate, or otherwise be forfeited as follows:

(i) three (3) months after the date the Company delivers a notice of termination of a Participant's Active Status, other than in circumstances covered by (ii), (iii) or (iv) below;

(ii) immediately upon termination of a Participant's Active Status for Misconduct;

(iii) twelve (12) months after the date of the death of a Participant whose Active Status terminated as a result of his or her death; and

(iv) thirty-six (36) months after the date on which the Participant ceased performing services as a result of Retirement.

(b) *Extension of Term*. Notwithstanding subsection (a) above, the Committee shall have the authority to extend the expiration date of any outstanding Option in circumstances in which it deems such action to be appropriate (provided that no such extension shall extend the term of an Option beyond the earlier of (i) the date on which the Option would have expired if no termination of the Participant's Active Status had occurred) and (ii) the tenth anniversary of the date of grant.

SECTION 9. Effect of Change of Control. Notwithstanding any other provision in this Plan to the contrary, the following provisions shall apply unless otherwise provided in the most recently executed agreement between the Participant and the Company, or specifically prohibited under applicable laws, or by the rules and regulations of any applicable governmental agencies or national securities exchanges or quotation systems.

(a) *Acceleration*. Awards of a Participant shall be Accelerated (as defined in Section 9(b)) upon the occurrence of a Change of Control.

(b) *Definition*. For purposes of this Section 9, Awards of a Participant being "Accelerated" means, with respect to such Participant:

(i) any and all Options shall become fully vested and immediately exercisable, and shall remain exercisable throughout their entire term; and

(ii) any restriction periods and restrictions imposed on Restricted Stock shall lapse.

PART III

SPECIFIC TERMS APPLICABLE TO OPTIONS AND STOCK AWARDS

SECTION 10. Grant, Terms and Conditions of Options.

(a) *Term of Options*. The term of Options shall be at the discretion of the Committee but in no event shall the term be greater than ten (10) years.

(b) *Option Exercise Prices*. The per Share exercise price under an Option shall be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. In no event shall the Board or the Committee be permitted to Reprice an Option after the date of grant without stockholder approval.

(c) *Vesting*. Options granted pursuant to this section 10 shall vest pursuant to the periods, terms and conditions determined by the Committee in its sole discretion. To the extent Options vest and become exercisable in increments, such Options shall cease vesting as of the termination of such Optionee's Active Status for reasons other than Retirement or death, in each of which cases such Options shall immediately vest in full.

(d) *Exercise*. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Committee at the time of grant, and as are permissible under the terms of this Plan. An Option may not be exercised for a fraction of a Share.

SECTION 11. Grant, Terms and Conditions of Stock Awards.

(a) *Designation*. Restricted Stock may be granted either alone, in addition to, or in tandem with other Awards granted under this Plan. After the Committee determines that it will offer Restricted Stock, it will advise the Participant in writing or electronically, by means of an Award Agreement, of the terms, conditions and restrictions, including vesting, if any, related to the offer, including the number of Shares that the Participant shall be entitled to receive or purchase, the price to be paid, if any, and, if applicable, the time within which the Participant must accept the offer. The offer shall be accepted by execution of an Award Agreement or as otherwise directed by the Committee. The term of each award of Restricted Stock shall be at the discretion of the Committee.

(b) *Vesting*. The Committee shall determine the time or times within which an Award of shares of Restricted Stock may be subject to forfeiture, the vesting schedule and the rights to acceleration thereof, and all other terms and conditions of the Award. Subject to the applicable provisions of the Award Agreement and this Section 11, upon termination of a Participant's Active Status for any reason, all Restricted Stock subject to the Award Agreement may vest or be forfeited in accordance with the terms and conditions established by the Committee as specified in the Award Agreement.

PART IV

TERM OF PLAN AND STOCKHOLDER APPROVAL

SECTION 12. Term of Plan. This Plan shall become effective as of the Effective Date. It shall continue in effect until the tenth anniversary of the Effective Date or until terminated under Section 14 of this Plan or extended by an amendment approved by the stockholders of the Company pursuant to Section 14(a).

SECTION 13. Amendment and Termination of this Plan.

(a) *Amendment and Termination*. The Board or the Committee may amend or terminate this Plan from time to time in such respects as the Board may deem advisable (including, but not limited, to amendments which the Board deems appropriate to enhance the Company's ability to claim deductions related to stock option exercises); provided, that to the extent required by the Code or the rules of the NYSE MKT, such other exchange upon which the Company's Common Stock is either quoted or traded, or the SEC, stockholder approval shall be required for any material amendment of this Plan. Subject to the foregoing, it is specifically intended that the Board or Committee may amend this Plan without stockholder approval to comply with legal, regulatory and listing requirements and to avoid unanticipated consequences deemed by the Committee to be inconsistent with the purpose of this Plan or any Award Agreement.

(b) *Effect of Amendment or Termination*. Any amendment or termination of this Plan shall not affect Awards already granted and such Awards shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Participant and the Committee, which agreement must be in writing and signed by the Participant and the Company.

SECTION 14. Stockholder Approval. The effectiveness of this Plan is subject to approval by the stockholders of the Company.

PART V

MISCELLANEOUS

SECTION 15. Unfunded Plan. The adoption of this Plan and any setting aside of amounts by the Company with which to discharge its obligations hereunder shall not be deemed to create a trust. The benefits provided under this Plan shall be a general, unsecured obligation of the Company payable solely from the general assets of the Company, and neither a Participant nor the Participant's beneficiaries or estate shall have any interest in any assets of the Company by virtue of this Plan. Nothing in this Section 15 shall be construed to prevent the Company from implementing or setting aside funds in a grantor trust subject to the claims of the Company's creditors. Legal and equitable title to any funds set aside, other than any grantor trust subject to the claims of the Company's creditors, shall remain in the Company and any funds so set aside shall remain subject to the general creditors of the Company, present and future. Any liability of the Company to any Participant with respect to an Award shall be based solely upon contractual obligations created by this Plan and the Award Agreements.

SECTION 16. Representations and Legends.

(a) The Committee may require each person purchasing shares pursuant to an Award under this Plan to represent to and agree with the Company in writing that the purchaser is acquiring the shares without a view to distribution thereof. In addition to any legend required by this Plan, the certificate for such shares may include any legend which the Committee deems appropriate to reflect a restriction on transfer.

(b) All certificates for shares of Common Stock delivered under this Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the SEC, any stock exchange upon which the Common Stock is listed, applicable federal or state securities laws, and any applicable corporate law, and the Committee may cause the legend or legends to be put on any such certificates to make appropriate reference to such restriction.

SECTION 17. Assignment of Benefits. No Award or other benefits payable under this Plan shall, except as otherwise provided under this Plan or as specifically provided by law, be subject in any manner to anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge. Any attempt to anticipate, alienate, attach, sell, transfer, assign, pledge, encumber or charge, any such benefit shall be void, and any such benefit shall not in any manner be subject to the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such benefit, nor shall such benefit be subject to attachment or legal process for or against that person.

SECTION 18. Governing Laws. This Plan and actions taken in connection herewith shall be governed, construed and enforced in accordance with the laws of the State of Delaware.

SECTION 19. Application of Funds. The proceeds received by the Company from the sale of shares of Common Stock pursuant to Awards granted under this Plan will be used for general corporate purposes.

SECTION 20. Right of Removal. Nothing in this Plan or in any Award or Award Agreement shall confer upon any Non-Employee Director or any other individual the right to continue as a Director of the Company, or affect any right the Company or the Company's stockholders may have to remove the Non-Employee Director as a Director at any time for any reason.

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

FORM 10-K

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

For the fiscal year ended December 31, 2014

OR

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

For the transition period from to

Commission File No. 001-33601

GlobalSCAPE, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**74-2785449**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4500 Lockhill-Selma, Suite 150	
San Antonio, Texas	**78249**
(Address of Principal Executive Office)	(Zip Code)

(210) 308-8267
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $0.001 per share
(Title of Class)

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
☐ Yes ☒ No

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
☒ Yes ☐ No

Indicate by check mark whether disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 definition of "accelerated filer", "large 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 if the registrant is a shell company (as defined in Rule 12b-2 of the Act).
☐ Yes ☒ No

As of June 30, 2014, the last day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the common stock held by non-affiliates of the registrant was $31,163,000 based on the closing sale price as reported on the NYSE MKT.

As of March 13, 2015, there were 20,738,636 shares of common stock outstanding.

Documents Incorporated by Reference

Portions of the Registrant's Proxy Statement for the 2015 Annual Meeting of Stockholders to be held on May 14, 2015, are incorporated by reference in Part III hereof.

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Preliminary Notes

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In this report, we use the following terms:

“B2B” means business-to-business.

“Cloud” or “cloud computing” refers to pooled computing resources, delivered on-demand, over the Internet. In the same manner that electricity is delivered on-demand from large scale power plants, cloud computing is delivered from centralized data centers to users all over the world.

“DMZ” or Demilitarized Zone refers to a computer host or perimeter network inserted between a trusted internal network and an untrusted public network such as the Internet.

“FTP” or File Transfer Protocol is a protocol used to exchange or manipulate files over a computer network such as the Internet.

“LAN” or Local Area Network provides networking capability to a group of computers in close proximity to each other, such as in an office building or home.

“MFT” or Managed File Transfer refers to software solutions that facilitate the secure transfer of data from one computer to another through a network.

“RFC” or Request for Comment is a memorandum published by the Internet Engineering Task Force describing methods, research, or innovations applicable to the working of the Internet and Internet-connected systems.

“SaaS” or Software-as-a-Service uses hosted, cloud computing approaches in which the customer additionally does not need to install the underlying software on its own computer systems to access the application.

“SSL” or Secure Sockets Layer and “TLS” or Transport Layer Security uses cryptography to encrypt data between the web server and the web browser.

“WAN” or Wide Area Network is a computer network that spans a relatively large geographical area, and typically connects multiple LANs. The largest WAN in existence is the Internet.

Forward-Looking Statements

This Annual Report on Form 10-K and the documents incorporated by reference herein contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. “Forward-looking statements” are those statements that are not of historical fact but describe management’s beliefs and expectations. We have identified many of the forward-looking statements in this Annual Report by using words such as “anticipate,” “believe,” “could,” “estimate,” “may,” “expect,” “potentially” and “intend.” Although we believe these expectations are reasonable, our operations involve a number of risks and uncertainties, including those described in the “Risk Factors” section of this Annual Report and other documents filed with the Securities and Exchange Commission. Therefore, GlobalSCAPE’s actual results could differ materially from those discussed in this Annual Report.

PART I

Item 1. Business

Company Overview

We provide secure information exchange capabilities for enterprises and consumers through the development and distribution of software, delivery of managed and hosted solutions, and provisioning of associated services. We have thousands of enterprise customers and more than one million individual consumers in over 150 countries.

We believe we are well-positioned to provide secure transfer, sharing, and replication of files that need to be transmitted inside the user's firewall to distributed locations, or outside the user's firewall to business and trading partners, including network-enabled mobile devices. Our solution portfolio addresses data and information management, movement, security and accessibility across a broad range of environments encompassing data and information in motion (for example, with traditional Managed File Transfer, or MFT, solutions delivered as on-premises software or as a cloud service) and at rest (for example, through securely deleting or purging files or securely accessing stored data from mobile tablet or smartphone devices).

Our solution portfolio facilitates transmission of critical information such as financial data, medical records, customer files, vendor files, personnel files, transaction activity, and other similar documents between diverse and geographically separated network infrastructures while supporting a range of information protection approaches to meet privacy and other security requirements. In addition to enabling secure, flexible transmission of critical information using servers, desktop and notebook computers, and a wide range of network-enabled mobile devices, our products also provide customers with the ability to monitor and audit file transfer activities.

Our solutions facilitate compliance with government regulations and industry standards relating to the protection of information while allowing users to reduce IT costs, increase efficiency, track and audit transactions, and automate processes. Our solutions also provide data replication, acceleration of file transfer, sharing/collaboration and continuous data backup and recovery to our customers.

Our Enhanced File Transfer, or EFT, solutions are currently our primary product. These "server side" solutions provide a common, scalable MFT platform that accommodates a broad family of add-on modules to provide small and medium-sized businesses, or SMB's, as well as larger enterprise customers, with increased security, automation, and performance when compared to traditional FTP-based and e-mail delivery systems. The add-on modules allow customers to select the solution configuration most applicable to their requirements for auditing and reporting, encryption, ad hoc and web-based file transfers, operability in or through a DMZ network, and integration with back-end business processes, including workflow automation capabilities.

Our Wide-Area File Services, or WAFS, software product uses data synchronization to further enhance the ability to replicate, share and backup files within a wide area network or local area network, which allows users to access their data at higher speeds than possible with alternate approaches. We believe this technology enables collaboration at greater efficiency levels than solutions available from our competitors or with native operating system connectivity.

Our Mail Express product offers managed e-mail attachment solutions for information sharing. We believe our managed e-mail attachment solution addresses the needs of customers who are constrained by the typical limits on e-mail attachment size or who require additional security, auditing, and reporting for file attachments shared through e-mail.

CuteFTP was our original product. It is a file transfer program used mostly by individuals and small businesses that was first distributed in 1996 over the Internet. It remains popular today and generates revenue for us at a relatively low cost.

We also offer, both directly and through our partners, our software products in both a software-as-a-service, or SaaS, and cloud-based subscription solutions for information sharing. Our SaaS and cloud-based subscription solutions allow customers to reduce their upfront and total cost of ownership and achieve other recognized benefits of cloud-based solutions, including service elasticity and strong service level agreements for IT infrastructure reliability and performance. We believe that our managed, cloud-based subscription solutions could become a larger part of our future revenue because these solutions provide recurring revenue which potentially builds over time, as compared to sales of on-premises software licenses which must be reconstituted every period. We have the capability to deliver these services in North America as well as internationally in Europe and Latin America.

We began serving the secure content mobility market with the acquisition of our TappIn solutions in 2011. Secure content mobility provides users with the ability to easily and securely access and share data and information using a web-browser, tablet or other mobile device such as a smartphone. Secure content mobility integrates aspects of ad hoc file transfer, broader MFT capabilities, cloud services, and remote accessibility to address growing market demand for secure, 'anytime and anywhere', device-independent access to distributed content. We believe that the inclusion of secure content mobility capability in our portfolio, and specifically the introduction of the capability to enterprise-level organizations, will contribute to the future growth of our business due to the continuing adoption of tablet computers and smartphones.

As a corporation, we have won multiple awards for performance and reputation, including:

- In 2014:
  - Info Security Product Guide Global Excellence Gold and Bronze Awards.
  - CISCO Developer-Preferred Solution Award.
  - Named as one of the best companies to work for in Texas for the fifth year in a row, ranking us #22 in the small size category by Texas Monthly.
  - Named one of the best places to work in the information technologies small business category by *Computerworld* for the third time.
  - Named as one of San Antonio's top employers in the Top Workplaces survey conducted by the San Antonio Express-News.

- In 2013:
  - Named in Software Magazine's Software 500 revenue-based ranking of the world's largest software and service providers for the third year in a row.
  - Listed in the highest ranking category of "Champion" in Info-Tech Research Group's Vendor Landscape Report for managed file transfer for the second year in a row.
  - Recognized by the San Antonio Business Journal for fast growth in revenue for the second consecutive year and as a top-ranked, public company based on revenue growth.

GlobalSCAPE was incorporated in Delaware in 1996. Our address is 4500 Lockhill-Selma Road, Suite 150, San Antonio, Texas 78249. Our phone number is (210) 308-8267.

Industry Background

The Internet has become an integral part of daily operations for individual users and companies of all sizes, not only for e-commerce, but also as a means of managing information between central and remote locations and with associates, employees, partners, suppliers, and customers. Corporate information managers must protect business assets, ensure that policies and processes meet regulations governing the management of sensitive information, and ensure that the right people have access to the right information, at the right place and at the right time. Global operations, diverse business partners and networks further emphasize the need for common standards to ensure compatibility, scalability, privacy, security and cost-effective integration. These requirements have created the need for maintaining the security of data and information in motion (for example, with traditional MFT solutions delivered as on-premises software or as a cloud service) and at rest (for example, through securely deleting or purging files or securely accessing stored data from mobile tablet or smartphone devices).

High-profile and large scale data breaches at major retailers, along with systems at large organizations and government agencies being accessed in an unauthorized manner, have created a heightened awareness of the vulnerability of critical and confidential data. As a result, attention at an unprecedented level is being paid to the security and integrity of systems that store and transfer data electronically. In many cases, this emphasis involves assessing the adequacy of the security, reliability and accountability provided by existing MFT systems.

The need for MFT and secure content mobility solutions is particularly strong for organizations faced with a daunting array of privacy, security, and remote accessibility challenges stemming from various regulatory and business requirements for data privacy and confidentiality. Regulatory and privacy requirements include federal legislation and regulations such as the Health Insurance Portability and Accountability Act (HIPAA), the Gramm-Leach-Bliley Act (GLBA),the Federal Trade Commission Red Flags Rules, as well as state legislation and regulations in the U.S such as California Senate Bill (SB) 1386 and the data security regulations issued by the Massachusetts Office of Consumer Affairs and Business, as well as the extraterritorial requirements such as the European Union Data Privacy Directive. Some of these statutes and regulations impose severe penalties for improper disclosure of confidential information. Industry best-practices such as the Payment Card Industry Data Security Standard (PCI DSS) and self-imposed business requirements lead to the need to secure and protect consumer information, intellectual property and trade secrets. These measures offer protection against disclosure of proprietary information and also reduce corporate risks associated with the potentially devastating consequences of security breaches.

Markets for MFT and secure remote access grew from mainstream adoption of the Internet, the subsequent exponential growth in data and information sharing, and the growing realization that information is a significant business currency requiring appropriate security, management, auditing, and reporting, and is also subject in many cases to regulatory and privacy requirements. Similarly, the cloud services market arose from recognition that the Internet allows ubiquitous, global access to data and information services. By leveraging Internet technologies and delivering services through appropriately secured and managed shared resources, cloud-based solutions allow businesses and other organizations to achieve economies of scale and greater operational agility. Cloud solutions also can support individual consumer needs for information access and sharing at affordable costs. Secure content mobility solutions provide these same benefits but extend the information delivery model to and from the broadest range of network-enabled devices, including smartphones and tablets.

Our primary industry is known as managed file transfer. The MFT industry has its technical origin in the file transfer protocol, or FTP. FTP dates back to 1980 (RFC 765, later superseded by RFC 959), with even earlier RFCs guiding prior attempts to establish standards for file transfer protocols. The use of file transfer protocols increased dramatically with the explosive growth of the Internet and the World Wide Web during the 1990s. The MFT industry arose from recognition that FTP, alone, does not provide adequate security and management capabilities for file transfers. MFT solutions offer a greater degree of security and control than FTP. Features available in MFT solutions include integrated security, auditing capabilities, performance monitoring, and reporting. The MFT industry includes low cost, or even free, solutions that offer basic capabilities. However, we believe businesses and even individuals require more advanced solutions that provide scalability, enhanced security options, automated workflow, dedicated maintenance and support, and other features that facilitate high-confidence, secure and cost effective file transfers.

Cloud computing is a model for enabling convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly provisioned, released, and scaled to meet requirements. We believe the continuing movement to cloud services is analogous to the telecommunications shift from dedicated point-to-point circuits to a delivery model in which the entire telecommunications infrastructure potentially can be used to establish, maintain, and manage individual connections on an as-needed basis.

The secure content mobility market has emerged from a confluence of the same primary market forces that drove demand for MFT and cloud services, with those forces magnified by the exponential, worldwide proliferation of mobile devices. We believe secure content mobility solutions will become increasingly necessary to allow business and consumers to securely access and share data, potentially across multiple network-enabled devices to include smartphones and tablets. We also believe the content delivery model will include solutions like TappIn that provide access directly to and from on-premises or personal devices, with those solutions possibly interoperating with cloud-based data repositories.

Strategy

We intend to build upon our leadership position in the MFT market to provide businesses, other organizations, and individual users with the solutions necessary to meet their growing need for secure information exchange. From our perspective, fully addressing this need for secure information exchange requires consideration of capabilities beyond traditional MFT, including the sharing of content between both people and businesses, work group collaboration, access to content outside the data center, business-to-business partner enablement, electronic data interchange, integration between systems and information, solution-wide governance, and advanced visibility including analytics, dashboards, and transaction-level control. We believe we must consider ongoing, fundamental changes in customer technologies and processes, such as the rapidly increasing use of mobile devices and "bring your own device", or BYOD, activities in the workplace.

We continually evolve our strategic focus based on our vision for product innovation and development, our assessment of visibility to and demand for our products in the marketplace and our evaluation of desired approaches for selling and delivering our products. For 2015, our strategic focus consists of:

- Continuing innovation of core products and introducing enhanced collaboration and sharing tools.
- Enhancing marketing programs to expand solution awareness.
- Leveraging and expanding third party, channel distribution partnerships.

Continuing Innovation of Core Products and Introduction of Enhanced Collaboration and Sharing Tools

Gartner Inc., a notable industry analyst, and International Data Corporation have stated that the annual MFT market is in excess of $700 million. We are a leader in MFT products and services. In both 2013 and 2012, we achieved one of the highest ratings in the Managed File Transfer Vendor Landscape Report from Info-Tech Research Group by being designated a "Champion" in its Vendor Landscape matrix. Info-Tech Research Group evaluated criteria such as strategy, viability, sales and support reach, and channel partner programs. Their evaluation of our strategy garnered one of the highest possible scores due in part to our secure content mobility solutions. Also playing a role in our rating was the assessment of our EFT Enterprise Edition, one of our primary MFT solutions. EFT Enterprise Edition was commended for its ability to meet advanced security requirements, its flexible deployment options and our responsive customer support. We also received the highest marks for our available features and flexible system architecture. In addition, we also were positioned in the leader's quadrant of the *Gartner Magic Quadrant for Managed File Transfer* in the latest years for which Gartner published this magic quadrant. We have added adjacent-market capabilities, such as business automation and business activity monitoring, to the EFT software using our modular solution architecture. These capabilities are helping underpin the consistent growth in revenue from the EFT solution suite.

Our Mail Express solution was recognized by Info Security Products Guide as a "Global Excellence Award" winner in the Email Management and Security category in 2012 and by Network Products Guide as a Best Products and Services winner in the Email, Security and Management Category in 2013. We believe strengthening our ad hoc file transfer solutions remains a key strategy element. We intend to pursue solution enhancements in this area in future periods. Our secure content mobility competencies provide another potentially compelling complement to traditional MFT capabilities, including ad hoc file transfer solutions. We regard secure content mobility potentially as a unifying concept for our solution portfolio given the central position and importance of content (i.e., data and information) in the market drivers for our solutions. We intend to further integrate our solution capabilities, for example as demonstrated by the integration in 2013 of Mail Express functionality as a module within the EFT solution suite, to take advantage of potential synergies and strengths across our solution portfolio, while also possibly simplifying our marketing and sales processes.

With MFT capabilities increasingly being integrated into B2B gateways, data integration, service oriented architecture, and other technical solutions, the need to keep evolving our solutions and entering adjacent markets also is clear. We continue to believe the market will shift toward consideration of traditional MFT as more of a "feature" than a solution. This shift may take many years, but we believe early recognition of the trend and appropriate strategic planning increase our potential for evolving our solutions in front of the ongoing market changes. Placing our MFT offerings in a unified framework that provides comprehensive solutions to our clients' information exchange requirements in a secure manner, while enabling users to perform their duties wherever and whenever needed, will be a key strategic element to further establish GlobalSCAPE's market leadership in the broader markets. Key features such as collaboration, integration of disparate capabilities and systems into the MFT framework, and enhanced application support around the edge of MFT will increase client value and expand revenue opportunities.

We have allocated significant resources in recent years to enhancing our existing products and developing new solutions. This strategic focus has delivered additional features and functionality in our EFT, WAFS and Mail Express solutions, our MIX and Hosted EFT cloud-based offerings, our secure content mobility products and our professional services. We intend to maintain our focus on developing our solution portfolio and, as appropriate, enhancing our existing solutions.

Our solution portfolio may evolve over time, for example, through development of new offerings in adjacent markets or through acquisitions. We maintain an active research and development program and work closely with partners and others in the industry to identify new solution opportunities.

One of our primary areas of focus for enhancing the existing solutions is to establish a framework of capabilities that our clients can use to address all of their secure information exchange requirements. Aligning the solutions by capability rather than just as a specific application, our clients can choose which parts of the solution they wish to use and can add capabilities across the product lines that work together and can grow over time. This approach will allow us not only to satisfy the needs of clients who are new to GlobalSCAPE but also to expand coverage within our existing client base. This process will involve advancing the capabilities of each of the product lines by frequently integrating functionality from one product to expand capabilities in another. It may also involve adding new capabilities that do not currently exist in the product lines to fulfill the client needs of the broader software portfolio including enhanced collaboration features to existing products as well as on-premises options for secure content mobility.

We believe the addition of secure content mobility capability to our portfolio potentially has profound implications due to the continuing growth of tablet computers and smartphone sales and their increasing adoption by business users. While storing and accessing data in a cloud environment is viable in many circumstances, we believe there also is a significant demand in the marketplace for the ability to access data in a manner similar to that offered by cloud computing but with the data being accessed and stored within the security of computers, servers or data centers owned by or dedicated solely to a particular individual or enterprise, rather than in the cloud. Many of our customers already using our EFT solution and other products have expressed a desire to have the flexibility to access their data from anywhere using a tablet computer or smartphone with security protocols at least equivalent to that offered by our EFT software and other products within our portfolio. Our secure content mobility technology potentially can provide or contribute to that functionality. Therefore, we intend to expand and enhance these capabilities and appeal for enterprise customers including merging the legacy SaaS technology and functionality with our other MFT capabilities to create an enterprise content mobility solution.

As we evolve our solution portfolio, we intend to maintain an appropriate balance between legacy and new solutions, including making choices about transitioning, sustaining, or retiring solutions as necessary to best operate under prevailing business conditions. Transitioning or sustaining solutions may involve consolidating capabilities within our solution portfolio, releasing upgrades in response to market or customer needs, or making bug fixes in accordance with our communicated End of Life, or EOL, Policy. We also may phase out solutions periodically in accordance with the EOL Policy.

Enhancing Marketing Programs to Expand Solution Awareness

We will continue to emphasize ongoing initiatives to elevate our product and corporate profiles and awareness under the GlobalSCAPE brand. The transformation of our product lines into a more comprehensive solution architecture will continue to elevate this brand awareness with larger enterprises while still serving the needs of our traditional clients. We will use internal resources as well as outside marketing, communications and investor relations professionals to support this work.

Until recently, our marketing efforts used a more traditional inbound, demand capture model based primarily on using paid search engines on the internet. Going forward, we will emphasize a multi-channel, go-to-market model leveraging the latest methods applied across multiple platforms including social media, channel partner events, industry thought-leadership exposure and trade journal placements. We will continue to invest in marketing efforts that produce verifiable results that grow our pipeline for both incremental sales to new clients and follow-on opportunities with our existing customers. We intend to participate in analyst briefings and investor conferences to increase our recognition within the investor and analyst communities. We have revised, and will continue to enhance, our website, logos, and other areas to more prominently emphasize our corporate brand. Through these activities both directly and combined with the efforts of our world-class channel partners, we believe we will establish a more consistent, recognizable brand that may better support future growth and market visibility.

From the perspective of a human capital brand, we believe we have continued to grow our brand through additional national and regional attention resulting from the numerous corporate awards we have received including:

- In 2014:
  - Info Security Product Guide Global Excellence Gold and Bronze Awards.
  - CISCO Developer-Preferred Solution Award
  - Named by as one of the best companies to work for in Texas for the fifth year in a row, ranking us #22 in the small size category by Texas Monthly.
  - Named one of the best places to work in the information technologies small business category by *Computerworld* for the third time.
  - Named as one of San Antonio's top employers in the Top Workplaces survey conducted by the San Antonio Express-News.
- In 2013:
  - Named in Software Magazine's Software 500 revenue-based ranking of the world's largest software and service providers for the third year in a row.
  - Listed in the highest ranking category of "Champion" in Info-Tech Research Group's Vendor Landscape Report for managed file transfer for the second year in a row.
  - Recognized by the San Antonio Business Journal for fast growth in revenue for the second consecutive year and as a top ranked public companies based on revenue growth.

Leveraging and Expanding Third-Party Sales Channel Reseller Relationships

GlobalSCAPE conducts business with thousands of organizations around the world. We provide solutions to some of the world's largest manufacturers, distributors, banks, insurance companies, healthcare providers, automakers, film companies and technology providers. Given the breadth and depth of these market opportunities, the effectiveness of a direct sales approach using only our in-house personnel to sell our products is limited by the number of qualified sales people we can hire and the number of prospective clients to whom they can present our products.

By utilizing and expanding our third-party sales channel relationships, we believe we can leverage the already-installed base of sales people in place in those companies. In addition to exposing our products to hundreds, and potentially thousands, of sales people employed by those third-party resellers, our products can benefit from proven sales programs and methodologies in those organizations that are financed and supported by those selling partners. We believe operating an aggressive channel reseller program will provide an opportunity for our products to be presented to a notably larger number of potential buyers and in a more rapid fashion than if we attempted the same effort using only our direct salespersons. We will continue to expand and enhance our existing channel relationships while at the same time identifying and engaging additional channel partners. Using this approach, we believe we can achieve, in the foreseeable future, a level of exposure for our products in the marketplace that would probably take several years for us to accomplish on our own.

We believe this channel sales program will help us establish a lower-touch delivery model through which we train these partners to sell and distribute our solutions and provide them sales and marketing tools to support that effort. We utilize this approach to reduce our overall cost of marketing and selling our solutions in areas where it would be costly to establish a presence with our own employees. To facilitate this approach, we host channel partner conferences to provide a forum for exchanging ideas and delivering partner-specific sales education and training. Additionally, channel partners supplement our own demand generation efforts and provide access to client bases that previously would not have been available to us.

Historically, a notable portion of our revenue has been derived from sales by our direct sales force. Our strategy is to increase revenue beyond historical trends by focusing on and expanding third-party channel reseller relationships.

Software Products and Services

Managed File Transfer Solutions (On Premises and Cloud-based)

Our MFT products and solutions allow customers to move large files and large numbers of files securely. We facilitate management, monitoring, and reporting on the file transfers and deliver advanced workflow capabilities to move data and information into, out of, and throughout an enterprise.

EFT Standard and Enterprise Editions

We earn most of our software license revenue from sales of our suite of EFT products and solutions. These "server side" solutions provide a common, scalable MFT platform that accommodates a broad family of add-on modules to provide SMBs, as well as larger enterprise customers, with increased security, automation, and performance when compared to traditional FTP-based and e-mail delivery systems. The add-on modules allow customers to select the solution configuration most applicable to their requirements for auditing and reporting, encryption, ad hoc and web-based file transfers, operability in or through a DMZ network, and integration with back-end business processes, including workflow automation capabilities. During 2014, we have released new versions of our EFT platform which added several enhancements and capabilities including, among others:

- Active-active high availability, or HA, which maximizes uptime and performance of critical information technology systems.
- Enhanced compatibility of WTC file transfers through HTML5 support in addition to the existing Java Runtime Environment.
- Increased scalability and business continuity with more flexible, uninterrupted file transfer service.

- Improved facilitation of PCI DSS version 3.0 compliance with updates to security components, such as PGP and AS2.
- Addition of new Content Integrity Control providing an Internet Content Adaptation Protocol (ICAP) connector to anti-malware scanners and data loss prevention (DLP) solutions.
- Integration with SMS PASSCODE for Mobile-Based 2 Factor Authentication.

We continue to develop these products and solutions by, for example, improving their speed and responsiveness of performance, providing additional administration flexibility supporting cross-platform implementation with our DMZ Gateway solution, implementing business activity monitoring, and providing additional language support. We have sustained the year-to-year increase in our revenue from these products and solutions as a result of both our ongoing development of this product line that has continued to enhance its appeal in the marketplace and by delivering quality service and support for these products. We are maintaining a renewed focus on our EFT Standard and Enterprise products to ensure that innovation continues with these highly valued products and that the needs of our clients are met in timely and quality fashion.

Cloud-Based MFT

We have agreements with third-party hosting providers under which we deliver cloud-based, managed file transfer solutions (MIX, Hosted Mail Express, and Hosted EFT) for the secure exchange of business-to-business data, including large files and sensitive data. Our cloud-based solutions allow customers to outsource all or part of their complex and demanding information exchange needs to reduce costs, improve operational efficiencies, track and audit transactions, and provide a greater level of security.

The cloud-based solutions established an additional delivery method for our MFT products and solutions and potentially for other solution capabilities. Through our cloud services, we offer new and existing customers "pay as you go", flexible pricing under one, two, and three-year contracts that help them eliminate upfront capital expenditures. This subscription revenue provides us with a growing revenue stream visible into future periods. While our cloud-based MFT revenue has grown from year-to-year, it does not yet constitute a material portion of our overall revenue.

CuteFTP

CuteFTP is a '"client side" software product, installed on a user's local computer that enables file transfers from or to a file transfer server. The target market for the CuteFTP product includes, among others, corporate IT professionals who use it to transfer data between locations via the internet and individual website operators who use it to upload their web pages to their web hosting provider.

CuteFTP continues to have significant brand recognition in the market. Our current CuteFTP Version 9 introduced several notable new features including:

- Support for Unicode (UTF-8) characters that allows greater international use.

- Web Distributed Authoring and Versioning (WebDAV) support to facilitate collaboration between users in editing and managing documents and files stored on World Wide Web servers.

- Integration with TappIn, enabled by the WebDAV support.

Version 9 simplified our CuteFTP product line by consolidating all the features of our previous multi-product CuteFTP product line for Windows operating systems into this single version. We continue to offer CuteFTP Version 3.1 software for Mac platforms. We believe current versions of CuteFTP appeal to users wanting features more robust than offered in free alternatives such that it will be a product competitive in the marketplace for the foreseeable future.

Wide Area File Services

Our WAFS software provides a file sharing, collaboration, and replication solution over multiple sites. WAFS technology provides enterprises with a file access and data protection combination that centralizes data storage and IT administration facilities without compromising data sharing and protection. A key feature and benefit of WAFS is its byte-level differencing architecture that continually transmits only changed bytes (versus an entire file) thereby allowing rapid update of large files accessed by widely dispersed, multiple users. Other key features of WAFS include native file locking, replication to multiple locations simultaneously and adherence to access control list file permissions, and full UTF-8 support. We have an ongoing product development program to expand the WAFS operating specifications so we can introduce it to a continuously broader spectrum of the marketplace and increase our revenue from this product.

Our WAFS Version 4.3, released in April 2014, improved the performance of various WAFS features such as file-based filters, accessing folders that contain a large number of files, and file copying processes. Our latest WAFS Version 4.4 released in September 2014 incorporated several upgrades including:

- Support for Windows Server 2012 R2.
- Improved performance.
- Enhanced reporting.
- Greater driver stability.
- Faster and more reliable collaboration and multi-user access to files.

We believe WAFS will be competitive in the marketplace for the foreseeable future as a product for file sharing, collaboration, and replication solution over multiple sites

Managed E-mail Attachment Solution

Our managed e-mail attachment solution, Mail Express, is a client-server application that allows users to send and receive e-mail attachments of virtually unlimited size easily and transparently without resorting to unapproved and potentially insecure methods such as USB drives or social media sites. The ability of Mail Express to transmit multi-terabyte and larger attachments, which is well beyond the operation range of typical competing approaches to sending email attachments, means the user is limited only by the available bandwidth when sending files as an email attachment.

Mail Express provides increased benefits for information technology organizations by offering greater visibility into email-based file movement across the enterprise, including robust tracking and auditing. The Mail Express application provides flexible, customer-defined administration privileges to allow e-mail administrators and end users to configure specific parameters for handling e-mail attachments in accordance with corporate policy.

During 2014, we introduced new Mail Express features and versions that included:

- Support of FIPS 140-2 encryption protocols to provide a level of security which, in particular, supports compliance with HIPPA regulations.
- Improved password and user account administration and control.
- Up to 100,000 licenses per server instance.
- Flexibility to integrate with the EFT product suite or deploy as a stand-alone application.
- Flexible language support to enhance international appeal.
- A dashboard allowing additional administrator visibility into all connected clients.
- Updated integration with EFT 7.0.
- Optional management of the content of a message providing encrypted transmission of the message body in addition to attachments.
- An updated user experience.

We believe Mail Express will be competitive in the marketplace for the foreseeable future as a product for securely sharing and managing large e-mail attachments.

Secure Content Mobility Solution

Our secure content mobility solutions provide the ability to easily and securely connect to and share documents, pictures, videos and music anytime, anywhere while minimizing the storage of data in the cloud and the associated security and privacy concerns. From the office, at home, or on the road, customers can connect to and access their files, stored in multiple locations, using any web browser and most internet-enabled tablets, smartphones and similar mobile devices. With these solutions, users can minimize uploading and/or syncing to a cloud storage location and eliminate the need to pay for additional cloud storage. Instead, our products securely leverage the user's existing in-house storage devices (such as a desktop computer, in-house network servers or network-attached storage devices), allow sharing of large files, and provide encryption to safeguard content.

These solutions incorporate elements of on-premises software, cloud and SaaS delivery models. Unlike other remote access products that can consume significant amounts of storage capacity on a smartphone or tablet, we make content available through a secure pathway that gives users access to files on their existing in-house storage devices without having to download those files to their mobile device. This delivery method not only saves storage space on the mobile device but also ensures content remains secure and private on the user's existing in-house storage devices without being required to upload files to a cloud repository as is required by competitive products.

We believe secure content mobility is a rapidly emerging, central feature of the markets we serve. We believe growth in smartphone and tablet sales and adoption, combined with rapid growth in retained content and BYOD expectations, potentially will drive strong revenue growth in this market segment particularly in the enterprise space. In order to capitalize on these trends, our emphasis continues to be on extending the TappIn technology and functionality with our existing enterprise capabilities to create a secure enterprise content mobility solution.

Professional Services

We offer a range of professional services to complement our software and cloud-based solutions. These professional services include product customization and system integration, solution "quickstart" implementations, business process and workflow, policy development, education and training, and solution health checks. In addition, we may provide longer-term engineering services, including supporting multi-year contracts, if necessary to support certain solution implementations and integrations.

Our professional services revenue is directly correlated to certain components of our cost of revenues because the services necessarily are labor intensive. For this reason, professional services typically have significantly lower margins than product sales or subscription services. However, we believe professional services allow us to better establish and maintain our solution implementations while also providing our customers with the training and education services that help them make more complete use of our solution capabilities.

Maintenance and Support

We offer maintenance and support, or M&S, contracts to licensees of all of our software products. These M&S contracts entitle the licensee to software upgrades and technical support services in accordance with the terms of our M&S contract. Standard technical support services are provided via e-mail and telephone during our regular business hours. For certain of our products, we offer a Platinum M&S contract which provides access to emergency technical assistance 24 hours per day, 7 days a week.

Our websites were recently redesigned and provide an effective means of facilitating certain post-sale customer support functions. To facilitate self-help for common inquiries and issues, we provide free self-service support via searchable knowledge bases on our websites. We also sell maintenance and support plans to customers requiring assistance from our support services team.

Sales and Marketing

We emphasize developing our direct sales staff and reseller channels to capture sales through a high level of individual attention to the customer. For example, sales of our more complex enterprise solutions, such as EFT Server, WAFS and Mail Express, to larger enterprises, and sales of managed solutions and M&S contracts are delivered by our direct sales staff and resellers in an environment of personal interaction with the customer.

We provide our sales staff and resellers with training and professional development opportunities to ensure they are capable of meeting the needs of our prospects and customers. These sales team development activities focus on technical and process-oriented topical areas to enhance their ability to identify prospects, best position our solutions and develop pipeline opportunities into sales.

Our reseller and distributor relationships allow us to leverage those third-party resources to increase our market penetration. We have established such relationships throughout the world and across industry lines. In particular, we are focusing on growing our domestic reseller channel.

We offer our TappIn solutions for trial and subscription activation from our websites. Prospective subscribers may use the TappIn service for free during an evaluation period. At the end of the evaluation period, the TappIn service is automatically downgraded to a limited feature and functionality status unless the prospective customer activates a paid subscription.

Our marketing efforts focus on building brand awareness and capturing demand for our solutions. We take a three-pronged approach that includes a blend of digital, field and channel marketing. Through our digital marketing initiatives, we have reduced our reliance on online paid advertising by conducting ongoing search-engine optimization to enhance our ranking for particular key words in natural search results of major search engines. As a result, we are able to more heavily invest in outbound targeted campaigns that more effectively reach the right audience with white papers, case studies and competitor comparisons. In addition to attending key industry trade shows, we are enhancing our field marketing initiatives by increasing our presence at regional product and trade shows specifically targeting audiences in the mobility and security markets. We are increasing our investment in channel marketing through programs designed to recruit and enable our target partners in a manner that creates joint initiatives that drive demand through them for our products.

Our corporate website is **www.globalscape.com** . It provides a variety of sales and marketing information for our enterprise solutions as well as an ability to purchase some of our products online. We also have product-specific websites at **www.cuteftp.com** and **www.tappin.com.** We continually update the design of our websites to be responsive to the evolving marketplace and to provide a more solution-oriented perspective of our business, improve site navigation and provide additional opportunities for visitors to contact us through the websites.

Customers

Our solutions have been sold to most of the Fortune 100 companies. Our products have been sold into more than 150 countries. No single customer accounts for more than 10 percent of our revenue.

We derive a significant portion of our revenue from risk averse and heavily regulated commercial customers in North America, Europe and Latin America. Our primary commercial vertical markets include finance, health care, energy, retail, manufacturing, and engineering. We also have a customer base in the local, state, and federal government spaces. We continue to pursue additional government business by leveraging our certifications and industry validations.

Seasonality

Our products are marketed to individuals as well as large organizations. As a result of this mix within our customer base, we typically have not experienced significant seasonality in our sales other than a typical modest decline from time-to-time in first quarter sales as compared to sales in the preceding fourth quarter. We believe this sales profile is related to our continued growth as an enterprise solution provider operating in an environment where first quarter sales possibly slow as prospective customers begin to execute their business activities, including purchases of our solutions, in accordance with new-year budgets and plans.

Network and Equipment

We have contracted with various Tier 1 internet services providers. Our arrangements provide for redundancy in the event of a failure and for expansion of available bandwidth in the event there is a dramatic increase in demand. To protect critical customer data, our online shopping cart utilizes SSL encryption. We maintain technical and physical measures and procedures compliant with the PCI DSS. We use a certified Approved Scanning Vendor for security scans and PCI scan attestation.

We have dedicated servers on and off site and expansion plans in place to allow rapid and cost effective scalability. Our offsite servers and data backup procedures provide a warm backup to our onsite servers for contingency purposes. The backups are performed in accordance with our disaster recovery plan.

Research and Development

The technology industry is characterized by rapid technological change in computer hardware, operating systems and software. Our customers' requirements and preferences rapidly evolve, as do their expectations of the performance of our software. To keep pace with these changes, we maintain an ongoing program of new product development to remain competitive and to address demands in the marketplace for our products.

Our internal software engineers are responsible for creating and building our software products. They do so by combining their expertise with input from our sales, marketing and product development groups as to market trends and needs. Our software engineers design and write software and manage the testing and quality assurance of that software. We refer to these collective activities as research and development or R&D. We utilize third-party software developers both domestically and overseas working under our supervision to supplement our software engineers. Using these external software developers in a strategic manner allows us to access highly-skilled labor pools, maintain a 24-hour development schedule, decrease time to market, and minimize programming costs.

All phases of R&D, including scope approval, functional and implementation design, object modeling and programming, are subject to extensive internal quality assurance testing. We maintain an ongoing focus on improving our quality assurance testing infrastructure and practices. Technical reporting and customer support feedback from customers confirm the continuing positive effect of our ongoing enhancement of research and development and quality assurance processes.

Our R&D expenditures profile has been as follows ($ in thousands):

	Year ending December 31,		
	2014	2013	2012
R&D expenditures	$ 5,030	$ 4,665	$ 3,861
R&D expenditures expensed	2,183	3,766	3,531
R&D expenditures capitalized	2,847	899	330

The majority of our R&D expenditures relate to our EFT Standard and Enterprise Edition products with the remainder related to our other products collectively. We expect to continue to increase our research and development spending in future years as we focus on improving our current products and introducing new products.

Competition

The file management, content management and Web development software market sectors are intensely competitive, subject to rapid change, and significantly affected by new product introductions and other activities of market participants. Our primary competitors vary by product.

The software industry has limited barriers to entry. The availability of computing power with continually expanding performance at progressively lower prices contributes to the ease of market entry. The software market is characterized by vigorous competition in each of the vertical markets in which we compete both from existing competitors and by entry of new competitors with innovative technologies. Competition is increasingly enhanced by consolidation of companies with complementary products and technologies and the possibility that competitors in one vertical segment may enter other vertical segments that we serve. In addition, some of our competitors in certain markets have greater financial, technical, sales and marketing and other resources than we do. Because of these and other factors, competitive conditions in these industries are likely to continue to intensify in the future. Increased competition could result in price reductions, reduced net revenue and profit margins and loss of market share, any of which could harm our business. See "Risk Factors – Risks to Our Operations" for further discussion of risks regarding competition.

We believe that our future results depend largely upon our ability to better serve customers by offering new products, including mobile computing products, whether by internal development or acquisition. We also believe we must continue to provide existing product offerings that compete favorably with respect to ease of use, reliability, performance, range of useful features, continuing product enhancements, reputation, price and training.

There is limited information regarding the market shares of our solutions in their respective categories. Many of our competitors have substantially greater financial, technical, sales, marketing, personnel, and other resources, as well as greater name recognition and a larger customer base than we do. Significant competition characterizes the markets for our traditional MFT products. We anticipate we will continue to face increasing pricing pressures from competitors in the future. Given there are low barriers to entry into the software market and the market is subject to rapid technological change, we believe that competition will persist and intensify in the future. For more discussion on the risks associated with our competition, see "Risk Factors — Risks Related to Our Operations".

EFT Standard Edition. EFT Standard Edition competes against a limited number of secure, Windows-based FTP servers. We believe our primary competitors are products sold by Ipswitch, SolarWinds/Serv-U, and JSCAPE. EFT Standard Edition has the advantage of leveraging the success of CuteFTP through product integration, offering proprietary extensions to the FTP protocol, and cross-marketing efforts to an existing customer base. EFT Standard Edition also benefits from being part of our EFT platform, which includes add-on modules, including the DMZ Gateway solution, and an upgrade path to EFT Enterprise Edition.

EFT Enterprise Edition. EFT Enterprise Edition competes in the managed file transfer server market. We believe our primary competitors are Axway, Ipswitch, IBM-Sterling and Tibco (including through their acquisition of Proginet). EFT Enterprise Edition has the advantage of being very cost effective in its market and allowing customers to flexibly evolve their MFT implementation by procuring add-on modules such as our DMZ Gateway and Advanced Workflow Engine solutions.

CuteFTP. CuteFTP exists in a highly competitive environment with numerous FTP software utilities available on the Internet for both the personal and professional user. CuteFTP is positioned as one of the only secure FTP client programs that support a wide range of security standards related to the FTP protocol. We believe our primary competitors are consumer file transfer solutions sold by Ipswitch, SolarWinds/Serv-U and Van Dyke Software, Inc. CuteFTP was an early Windows-based FTP client to market and is consistently among the most frequently downloaded FTP clients on popular download sites. CuteFTP Mac, our FTP client for the Macintosh platform, competes with products offered by Fetch Softworks, Interachry, Nolobe Software Pty Ltd, and Panic, Inc.

WAFS. WAFS competes in the Wide Area File Services/Storage market. We believe our primary competitors are Panzura, Peer Sync, Riverbed and Cisco, each of whom is delivering proprietary appliances. We believe that WAFS has the advantage of being a software-only solution which leverages corporate infrastructure and minimizes the total cost of ownership.

Mail Express. Mail Express competes in areas of the file transfer market associated with e-mail attachment offloading. We believe our primary competitors are Accellion, Tibco (Proginet), Leapfile and Biscom. Mail Express has the advantage of centralized policies for outbound file attachments and a transparent end-user experience, which allows for rapid customer deployments. Mail Express also has the benefit of integration with our most recent EFT release which provides customers with a more uniform administration experience for e-mail attachment offloading and traditional MFT operations.

Cloud-based Managed Solutions for Secure Information Exchange. Our MIX and Hosted Enhanced File Transfer solutions compete with MFT SaaS solutions. We believe our primary competitors are Ipswitch, Axway, IBM-Sterling, Thru, Inc. and Accellion. MIX and Hosted Enhanced File Transfer have the advantage of leveraging cost effective, secure hosting and cloud infrastructures, as well as Enhanced File Transfer management services provided by GlobalSCAPE's experts.

TappIn. The TappIn solution has direct competitors such as PogoPlug and FileTek. In addition, TappIn competes for mindshare in the market with pure-play cloud data repositories like Dropbox and Box and with computer remote control solutions such as Citrix Systems (GoToMyPC) and LogMeIn.

Governmental Regulation

Export Control Regulations. All of our products are subject to U.S. export control laws and applicable foreign government import, export and/or use requirements. The level of control generally depends on the nature of the goods and services in question. For example, the level of control is impacted by the nature of the software and encryption incorporated into our products. Where controls apply, the export of our products may require an export license or authorization or that the transaction qualifies for a license exception or the equivalent, and may also be subject to corresponding reporting requirements. For the export of some of our products, we may be subject to various post-shipment reporting requirements. Minimal U.S. export restrictions apply to all of our products, whether or not they perform encryption functions. Additionally, because we are a Department of Defense contractor, there are certain registration requirements that may be triggered by our sales. In addition, certain of our items and/or transactions may be subject to the International Traffic in Arms Regulations (ITAR) if our software or services are specifically designed or modified for defense purposes. Companies engaged in manufacturing or exporting ITAR-controlled goods and services (even if these companies do not export such items) are required to register with the U.S. State Department.

Enhancements to existing products may, and new products will, be subject to review under the Export Administration Act to determine what export classification they will receive. In light of the ongoing discussions regarding anti-terrorism legislation in the U.S. Congress, there continues to be discussions regarding the correct level of export control. Export regulations may be modified at any time. Modifications to the export regulations could reduce or eliminate our ability to export some or all of our products from the U.S. without a license in the future, which could put us at a disadvantage in competing for international sales compared to companies located outside of the U.S. that would not be subject to these restrictions. Modifications to the export regulations could prevent us from exporting our existing and future products in an unrestricted manner without a license or make it more difficult to receive the desired classification. If export regulations were to be modified in such a way, we may be put at a competitive disadvantage with respect to selling our products internationally. We are working on enhancing our systems to address the impact of these regulations on our products and services and understand the need to comply. We will complete technical reviews on any new products that we acquire or develop that may be subject to the requirements before we can export them.

Privacy Laws. As our business evolves to incorporate more cloud and SaaS solutions, we will receive, transmit, and store a greater volume and diversity of information. As a result, we may be subject to various federal and State regulations regarding the protection of personally identifying information. Applicable laws may include, without limitation, federal laws such as the GLBA and HIPAA, as well as state and regulations in the U.S. and as international laws and regulations including the European Union Data Privacy Directive. In the event our systems are compromised by an unauthorized party, many of these privacy laws require that we provide notices to our customers whose personally identifiable data we reasonably believe may have been compromised. To mitigate the risk of compromised information, we use encryption and other security to protect our databases.

Intellectual Property

We regard some of the features of our internal operations, software, and documentation as proprietary and rely on copyright, patent, and trademark and service mark laws and trade secret protection, such as confidentiality procedures, contractual arrangements, non-disclosure agreements and other measures to protect our proprietary information. Our intellectual property is an important and valuable asset that enables us to gain recognition for our products, services, and technology and enhance our competitive position and market value.

As part of our confidentiality procedures, we generally enter into non-disclosure agreements with our employees and independent contractors, resellers, and corporate partners. We enter into license or subscription services agreements with respect to our software, documentation, and other proprietary information. Our standard license agreements are transferable only in limited circumstances and have a perpetual term. Our subscription services agreement for our hosted solutions restrict access and have a definite term. We also educate our employees on trade secret protection and employ measures to protect our facilities, equipment, and networks.

Our trademarks and copyrights are central to our business. We have the following trademarks in the United States:

- GlobalSCAPE®, CuteFTP®, CuteFTP Pro®, CuteBackup®, DMZ Gateway®, CuteSendIt®, Mail Express® and SMS PASSCODE® are registered trademarks of GlobalSCAPE, Inc.
- Secure FTP Server™, Wide Area File Services™, WAFS™, CDP™, Advanced Workflow Engine™, AWE™, Enhanced File Transfer™, Managed Information Xchange™, MIX™, Hosted Enhanced File Transfer Server™, EFT Server™, CuteFTP Lite™, CuteFTP Home™, Secure Ad Hoc Transfer™, SAT™, Total Path Security™, Enhanced File Transfer Server™, EFT Server Enterprise™, Enhanced File Transfer Server Enterprise ™, GlobalSCAPE Securely Connected™, Desktop Transfer Client™, DTC™, Mobile Transfer Client™, MTC™, Web Transfer Client™, WTC™, appShield™ and Content Integrity Control™ are trademarks of GlobalSCAPE, Inc.
- TappIn® and TappIn and design are registered trademarks of TappIn, Inc., our wholly-owned subsidiary.
- TappIn Secure Share ™, Social Share ™, -Now Playing ™, and Enhanced A La Carte Playlist™, are trademarks of TappIn, Inc., our wholly-owned subsidiary.

In addition to the United States trademarks listed above, we have trademarks registered in Canada and the European Union for GlobalSCAPE and a registration for TappIn in China. We have obtained United States copyright registrations for all but the most recent versions of our software applications. We have two patents in the U.S.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Policing unauthorized use of our products, which are licensed by the thousands and sold world-wide, is difficult. While we are unable to determine the extent to which piracy of our software products exists, software piracy is a persistent problem. In selling our products, we rely primarily on click-wrap licenses which are not signed in writing by licensees and may be unenforceable under the laws of certain jurisdictions. The laws of some foreign countries do not protect our proprietary rights to as great an extent as do the laws of the United States. Companies in the software industry, and other patent and trademark holders seeking to profit from royalties in connection with grants of licenses, own large numbers of patents, copyrights, trademarks, service marks, and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. We have received, and may receive in the future, communications from third parties asserting that our products infringe, or may infringe, the proprietary rights of third parties, seeking damages resulting from such infringement or indicating that we may be required to obtain a license or royalty from such third parties. For more discussion on the risks associated with our intellectual property, you should read the information under "Risk Factors," especially "Risks Related to Legal Uncertainty."

Employees

As of March 13, 2015, we had 105 full-time employees and 0 part-time employee organized as follows:

Department	Number of Employees
Sales and Marketing	30
Engineering	31
Professional Services	11
Customer Support	15
Management and Administration	18
Total	105

None of our employees are covered by collective bargaining agreements. We believe our employee relations are good.

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for information on the public reference room. The SEC maintains an internet web site that contains annual, quarterly and current reports, proxy statements and other information that issuers (including GlobalSCAPE) file electronically with the SEC. The SEC's web site is www.sec.gov. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports and amendments filed with the Securities and Exchange Commission are available free of charge on our web site at www.globalscape.com in the Investor Relations section as soon as practicable after such reports are filed. Information on our website is not incorporated by reference into this Form 10-K and should not be considered part of this report or any other filing that we make with the SEC.

Item 1A. Risk Factors

We have described below risks we are aware of that could have a material adverse effect on our business, financial results of operations and financial condition and the value of our stock owned by our shareholders.

Risks Related to Our Operations

A significant portion of our revenue is generated through maintenance and support revenue. Decreases in maintenance and support sales or renewal rates, or a decrease in the number of new licenses we sell, will negatively impact our future revenue and financial results.

Revenue from maintenance and support services, or M&S, we provide our customers comprised 56%, 57% and 49% of our total revenue in 2014, 2013 and 2012, respectively. We earn M&S revenue from new M&S contracts, typically sold with new software licenses, and from renewals of such contracts. Any reduction in the number of new software licenses that we sell, or a reduction in sales of associated initial M&S contracts, therefore may have a long-term negative impact on our future M&S revenue, even if our customers continue to renew M&S contracts at historical rates. This situation, in turn, would impact our business and harm our financial results.

Our customers have no obligation to purchase M&S with their initial software license or renew their M&S contract after the expiration of their initial M&S period, which is typically one year. Our customers' purchases of M&S, and our renewal rates, may decline or fluctuate as a result of a number of factors, including the overall global economy, the health of their businesses, and the perceived value of the M&S program. If our customers do not purchase M&S with their initial software license or renew their M&S contract for our products, our M&S revenue will decline and our financial results will suffer. In addition, customers are generally entitled to reduced annual maintenance fees for entering into long-term maintenance contracts, i.e. those contracts with a term longer than one year. Declines in our license bookings, increases in the proportion of long-term maintenance contracts and/or increased discounting could lead to declines in our maintenance revenue growth rates. Should customers migrate from systems and applications which our products support, utilize alternatives to our products, including solutions offering free maintenance, or become dissatisfied with our maintenance services, increased cancellations could lead to declines in our maintenance revenue.

A substantial portion of our quarterly M&S revenue is attributable to M&S agreements entered into during previous quarters. As a result, if there is a decline in renewed M&S agreements in any one quarter, only a small portion of the decline will be reflected in our M&S revenue recognized in that quarter and the remainder will be reflected in our M&S revenue recognized in the following four quarters or more and in a decrease in deferred revenue on our balance sheet. For more information, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Our ability to sell our products is highly dependent on the quality of our support and services offerings. Our failure to offer high-quality support and services could have a material and adverse effect on our business and results of operations.

Once our products are deployed at our end customers' locations, our end customers may depend on our support organization and our channel partners to resolve issues relating to our products. High-quality support is critical for the successful marketing and sale of our products. If we or our channel partners do not assist our end customers in deploying our products effectively, succeed in helping our customers resolve post-deployment issues quickly, or provide ongoing support, it could adversely affect our ability to sell our products to existing end customers and could harm our reputation with other potential end customers. As we expand our operations internationally, our support organization will face additional challenges, including those associated with delivering support, training and documentation in languages other than English. Our failure or the failure of our channel partners to maintain high-quality support and services could have a material and adverse effect on our business and operating results.

If we are unable to develop, offer and deliver new and enhanced products and services that achieve widespread market acceptance, or if we are unable to continually improve the performance, features, and reliability of our existing products and services, our business and operating results could be adversely affected.

Rapid technological changes, as well as changes in customer requirements and preferences, characterize the software industry. Just as the transition from mainframes to personal computers transformed the industry, we believe our industry may transform in response to continued adoption of mobile devices and cloud services, growth of big data, and potential emergence of capabilities resulting from disruptive innovation. In response, we have devoted significant resources to the development of new solutions, such as our cloud-based and secure content mobility services. We are making such investments through our internal efforts, including further development and enhancement of our existing products, as well as through potential acquisitions of new product lines. Innovation, new product development or acquisition, and go-to-market activities involve a significant commitment of time and resources and are subject to a number of risks and challenges including:

- Developing, sustaining, and appropriately leveraging market intelligence to identify areas of market need that offer potentially high return on investment for solution development.
- Managing the length of the development cycle for new products and product enhancements, which may be longer than originally expected.
- Adapting to emerging and evolving industry standards and to technological developments by our competitors and customers.
- Addressing the evolution of operating systems and industry platforms that presently may not be served by our existing products.
- Entering into new or unproven markets with which we have limited experience.
- Managing new product and service strategies, including integrating our various security and file replication technologies, management solutions, customer service, and support into unified enterprise security and file replication solutions.
- Incorporating acquired products and technologies acquired through mergers, acquisitions or other relationships with third-parties.
- Developing or expanding efficient sales channels.
- Obtaining sufficient licenses to technology and technical access from operating system software vendors on reasonable terms to enable the development and deployment of interoperable products, including source code licenses for certain products with deep technical integration into operating systems.

Investments in new products may not result in sufficient revenue generation to justify their costs or may cause short or long-term harm to our financial results. For example, customer adoption of our cloud and mobile computing services may not occur as rapidly as anticipated, or competitors may introduce new products and services that achieve acceptance among our current customers, adversely affecting our competitive position, or we may not be successful in future attempts to achieve disruptive innovation.

Further, given the rapid speed of changing customer expectations and advancement of technology inherent in the software industry, the extensive and complex efforts required to create useful and widely accepted products and the rapid evolution of cloud computing, mobile devices, new computing platforms and other technologies, our executive management team must act quickly, continuously and with vision. Although we have articulated a strategy that we believe will fulfill these challenges, if we fail to execute properly on that strategy, adapt that strategy as market conditions evolve, or fail to internalize and execute on that strategy, we may fail to meet our customers' expectations, fail to compete with our competitors' products and technology and lose the confidence of our channel partners and employees. This in turn could adversely affect our business and financial performance.

We earn the large majority of our revenue and operating margins from our Enhanced File Transfer, licensed software solution suite and related maintenance and support services and, as a result, are highly dependent upon the continued success of this product line.

Our Enhanced File Transfer solution, or EFT, is one of our on-premises, managed file transfer solutions targeted primarily to the enterprise and small and medium business user environments. License and M&S revenue from this product line was responsible for 80% of our total revenue in 2014 and has provided substantially all of our recent revenue growth and most of the operating margin necessary to fund our operations including, most notably, our sales and marketing and research and development activities. Declines and variability in demand for the EFT solution could occur as a result of:

- Improved products or product versions being offered by competitors in our markets.
- Competitive pricing pressures.
- Failure to release new or enhanced versions of the EFT solution on a timely basis, or at all.
- Technological change that we are unable to address with file transfer products or that changes the way enterprises utilize our products.
- General economic conditions.

Due to our product concentration, our business, results of operations, financial condition, and cash flows would therefore be adversely affected by a decline in demand for the EFT solution suite.

We may not achieve our expected future financial results from our Mail Express, Wide Area File Services, CuteFTP and TappIn product lines or from our professional services.

Revenue from our products and services other than the EFT solution accounted for 20% of our total revenue in 2014, which is a decline from 21% in 2013 and 22% in 2012. Improving, and possibly even sustaining, our financial results is dependent upon achieving additional success in the marketplace with our products and services that complement and supplement our EFT solution suite. These products include CuteFTP, Mail Express, WAFS, and TappIn and our professional services. These solutions involve serving markets that in some ways differ from the markets we encounter when selling EFT software and M&S. Gaining additional traction in such markets will require that we market, sell, and support these solutions effectively. Each of these success factors has inherent risks due to, for example, evolving corporate expertise in the adjacent markets and the possibility that the specific buyers of solutions in these adjacent markets may be different from the buyers with whom we interact throughout our traditional EFT solution sales cycle. Entering, obtaining traction, and sustaining growth in these markets requires investments in engineering, marketing, sales, customer support, and internal business systems. If we do not effectively penetrate these markets, or if the resources necessary to effectively address these markets exceed our expectations, our business and financial results could be adversely affected.

We may engage third parties to develop products on our behalf. These engagements may involve reliance on resources owned and managed by those third parties over which we have no direct control.

In addition to researching and developing new products ourselves, we engage third parties to conceive, design and develop products on our behalf. Arrangements of this type involve high levels of risk due to inherent uncertainties about the timely delivery and ultimate viability of those products due to the reliance we must place on third parties to plan, perform and successfully complete work for us. These are processes for which we could have notably less direct control than if we performed the work ourselves. These arrangements also involve us relying on the ongoing financial viability of the enterprise performing the work. This risk is challenging to manage because we do not always have clear visibility as to the overall condition of the third-party enterprise. These risks could result in the product not being successfully completed within the expected timeframe, or at all. If actual results from these type endeavors we may undertake in the future differ materially from original and ongoing expectations, our business, operating results and financial position could be harmed.

Seasonality may cause fluctuations in our revenue.

We believe there are significant seasonal factors that may cause us to record higher revenue in some quarters compared with others. We believe this variability is largely due to our customers' budgetary and spending patterns, as many customers spend the unused portions of their discretionary budgets prior to the end of their fiscal years. For example, we have historically recorded our highest level of revenue in our fourth quarter, which we believe corresponds to the fourth quarter of a majority of our customers. If our rate of growth slows over time, seasonal or cyclical variations in our operations may become more pronounced, and our business, results of operations and financial position may be adversely affected.

Our sales cycles can be long and unpredictable, and our sales efforts require considerable time and expense. As a result, our sales and revenue are difficult to predict and may vary substantially from period to period, which may cause our results of operations to fluctuate significantly.

Our results of operations may fluctuate, in part, because of the resource intensive nature of our sales efforts, the length and variability of our sales cycle, and the short-term difficulty in adjusting our operating expenses. Our results of operations depend in part on sales to large organizations. The length of our sales cycle, from proof of concept to delivery of and payment for our platform, is typically three to nine months but can be more than a year. To the extent our competitors develop products that our prospective customers view as equivalent to ours, our average sales cycle may increase. Because the length of time required to close a sale varies substantially from customer to customer, it is difficult to accurately predict when, or even if, we will make a sale with a potential customer. As a result, large individual sales have, in some cases, occurred in quarters subsequent to those we anticipated, or have not occurred at all. The loss or delay of one or more large transactions in a quarter could impact our results of operations for that quarter and any future quarters for which revenue from that transaction is delayed. As a result of these factors, it is difficult for us to forecast accurately our revenue for any quarter or other period in the future. Because a substantial portion of our expenses are relatively fixed in the short term, our results of operations will suffer if our revenue falls below expectations in a particular quarter, which could cause the price of our common stock to decline.

Reliance on shipments at the end of each quarter could cause our revenue for the applicable period to fall below expected levels.

As a result of customer buying patterns and the efforts of our sales force and channel partners to meet or exceed their sales objectives, we have historically received a substantial portion of sales orders and generated a substantial portion of revenue during the last few weeks of each quarter. A significant interruption in our IT systems, which manage critical functions such as order processing, revenue recognition, financial forecasts, inventory and supply chain management, and trade compliance reviews, could result in delayed order fulfillment and decreased revenue for that quarter. If expected revenue at the end of any quarter is delayed for any reason, including the failure of anticipated purchase orders to materialize, our logistics or channel partners' inability to deliver products prior to quarter-end to fulfill purchase orders received near the end of the quarter, our inability to release new products on schedule, any failure of our systems related to order review and processing, or any delays in shipments based on trade compliance requirements, our revenue for that quarter could fall below our expectations and the estimates of market analysts, if any, which could adversely impact our business and results of operations and cause a decline in the trading price of our common stock.

Our ability to develop our software will be seriously impaired if we are not able to use our foreign subcontractors.

We rely on foreign subcontractors to help us develop some aspects of some of our software. If these programmers decided to stop working for us, or if we were unable to continue using them because of political or economic instability, we would have difficulty finding comparably skilled developers in a timely manner. In addition, we would likely have to pay considerably more for the same work, especially if we used U.S. personnel. If we could not replace the contract programmers, it could take us significantly longer to develop certain products and product upgrades and at a higher cost.

Our subscription services, such as our Managed Information Xchange and Hosted Enhanced File Transfer solutions, may impact our revenue trends as some opportunities that otherwise would have materialized as software license sales could potentially shift to subscription-based sales.

Much of our revenue growth in recent years has been attributable to license and maintenance and support sales of our EFT solution. License fees for software to be installed at a customer site, such as our EFT solution, are typically recognized in full as revenue at the time the software is delivered to the customer. Subscription services, on the other hand, are recognized as revenue over time as the services are delivered (assuming collection is deemed probable), typically on a monthly basis. Therefore, only a ratable portion of the total value of a subscription services sale is recognized as revenue each month with the remainder recorded as deferred revenue. Any significant increase in the percentage of our business generated from such a subscription model could, as a result, delay revenue recognition and have a negative impact on our operating results.

The impact of subscription services on prior revenue growth trends depends on several key factors, including the number of customers who may shift from software licenses to subscription services, the rate at which they may do so, the subscription term and fees, and the comparative value of the opportunity had it materialized as a software license sale instead of as a subscription service. Generally, for a fixed number of opportunities (that is, without considering the possibility that a new service offering may result in additional sales opportunities), addition of subscription services reduces revenue growth rates for several quarters for the associated solutions until cumulative subscription revenue increases and, potentially, surpasses comparable software license revenue. The revenue impacts are particularly pronounced early in the introduction of subscription services because there has been only a short time period for accumulation of the recurring revenue stream. As we continue to promote subscription-based services, the risk of this revenue shift will continue with revenue derived from sales of our EFT solution, the comparable on-premises MFT software in our portfolio, most subject to ongoing transitory risk from the introduction of these subscription services. However, to date, we have seen no material impact from this potential revenue shift in light of the continued strength of our EFT sales and the pace at which our managed and hosted products and services have gained market acceptance.

Subscription offerings create risks related to the timing of revenue recognition.

Although the subscription model is designed to increase the number of customers who purchase our products and services and create a recurring revenue stream that is more predictable, it creates certain risks related to the timing of revenue recognition and potential reductions in cash flows.

A portion of the subscription-based revenue we report each quarter results from the recognition of deferred revenue relating to subscription agreements entered into during previous quarters. A decline in new or renewed subscriptions in any period may not be immediately reflected in our reported financial results for that period but may result in a decline in our revenue in future quarters. If we were to experience significant downturns in subscription sales and renewal rates, our reported financial results might not reflect such downturns until future periods. Our subscription model could also make it difficult for us to rapidly increase our revenues from subscription or SaaS-based services through additional sales in any period, as revenue from new customers will be recognized over the applicable subscription term. Increases in sales under our subscription sales model could result in decreased revenues over the short term if they are offset by a decline in sales from perpetual license customers.

Our cloud and SaaS offerings bring new business and operational risks.

We have several products that provide secure file transfer and mobile computing solutions that we deliver using a SaaS model. Our SaaS offerings provide our customers with existing and new software management through a hosted service as opposed to traditional software deployments. There can be no assurance that SaaS revenue will be significant in the future despite our levels of investment in developing this product delivery method. Margins associated with our SaaS offerings are generally lower than margins associated with our on-premise solutions.

Our customers may not renew their subscriptions after the expiration of their subscription agreements and in fact, some customers elect not to do so. Our customers may opt for a lower-priced edition of our offerings or for fewer subscriptions. Renewal rates in the future may differ from historical trends such that we may not be able to accurately predict customer renewal rates. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their level of satisfaction with our services and their ability to continue their operations and spending levels. If we experience a decline in the renewal rates for our customers or they opt for lower-priced editions of our offerings or fewer subscriptions, our operating results may be adversely impacted.

There is a risk that our customer support teams could find it difficult or costly to support both traditional software installed by customers and software delivered as a service. To the extent that our SaaS offerings are defective or there are disruptions to our services, demand for our SaaS offerings could diminish, and we could be subject to substantial liability.

Interruptions or delays in service from our third party service delivery hosts could impair the delivery of our services and harm our business. If we or our third party service delivery hosts experience security breaches and unauthorized access is obtained to a customer's data or our data, our services may be perceived as not being secure, customers may curtail or stop using our services and we may incur significant legal and financial exposure and liabilities.

Our success with our SaaS solutions depends on organizations and customers perceiving technological and operational benefits and cost savings associated with the increasing adoption of virtual infrastructure solutions for on-premise data centers. Concerns about security, privacy, availability, data integrity, retention and ownership may negatively impact the rate of adoption of these solutions. SaaS software solutions can be complex, and the deployment of our secure file transfer solutions in that manner may require additional professional services and implementation services for which we may not have the ability to provide at an appropriate margin. Our SaaS products are dependent upon third party hardware, software and hosting vendors, all of which must interoperate for end users to achieve their computing goals. We expect other companies to enter this market and to introduce their own initiatives that may compete with, or not be compatible with, our cloud solutions.

If any of these events were to occur, it could adversely affect our business, results of operations and financial condition.

We rely on third parties to provide us with a number of operational services, including hosting and delivery, certain of our customer services and other operations. Any interruption or delay in service from these third parties, breaches of security or privacy, or failures in data collection could expose us to liability, harm our reputation and adversely impact our financial performance.

We rely on hosted computer services from third parties for certain services that we provide our customers. As we gather customer data and host certain customer data in third-party facilities, a security breach could compromise the integrity or availability or result in the theft of customer data. In addition, our operations could be negatively affected in the event of a security breach, and we could be subject to the loss or theft of confidential or proprietary information.

Unauthorized access to this data may be obtained through break-ins, breach of our secure network by an unauthorized party, employee theft or misuse, or other misconduct. We rely on a number of third party suppliers in the operation of our business for the provisioning of various services and materials that we use in the production of our products. Although we seek to diversify our third party suppliers, we may from time to time rely on a single or limited number of suppliers, or upon suppliers in a single country, for these services or materials. The inability of such third parties to satisfy our requirements could disrupt our business operations or make it more difficult for us to implement our business strategy. If any of these situations were to occur, our reputation could be harmed, we could be subject to third party liability, including under data protection and privacy laws in certain jurisdictions, and our financial performance could be negatively impacted.

Fluctuations in professional services revenue may be greater than experienced in previous reporting periods and have a disproportionate impact on our financial results. For example, increased professional services sales, especially to the government, may result in lower earnings as a percentage of revenue.

Our solution portfolio includes software licenses, subscription services, and professional services. Because they are relatively labor intensive, professional services typically have substantially lower margins than software license sales, maintenance and support sales and SaaS solutions. However, professional services represent a strategic capability that helps customers plan, implement, and sustain our solutions and also provide us with the demonstrated past performance necessary to participate in certain procurements. Professional services were 5% of our total revenue in 2014. However, this percentage can fluctuate significantly from period to period depending on the needs of our customers.

Depending on our mix of software licenses, subscription, and professional services revenue in a given reporting period, our earnings as a percentage of revenue may fluctuate from historical norms. For example, if we were to derive a relatively large (compared to historical norms) component of our revenue from professional services in a reporting period, earnings as a percentage of revenue may decline in that period due to lower margin contribution from the labor-intensive services as compared to software license and subscription service revenue.

An inability to establish vendor specific objective evidence of the selling price of one or more components of a software sale with multiple components could result in our having to change from recognizing software license revenue in full at the time the software is delivered to recognizing that same software license revenue ratably in the future over an extended number of accounting periods.

For software sales with multiple components (typically a sale involving both a license to software that will be delivered immediately and M&S that will be delivered over an extended period of time), generally accepted accounting principles require that vendor specific objective evidence of selling price ("VSOE") be established for at least all but one of the components of that sale before the software license revenue can be recognized in full at the time of delivery to the customer. If VSOE cannot be established, recognition of the software license revenue must deferred and recognized ratably in the future over an extended number of accounting periods, the length of which would typically be the time period covered by the related M&S contract. We currently have established VSOE in a manner that supports our recognizing software license revenue in full at the time we deliver the software to our customers for substantially all of our products.

Situations can arise where a change in product pricing that improves our cash flow and financial position has an unintended consequence of our not being able to establish VSOE where it existed before. If that set of circumstances were to occur, we could be required by generally accepted accounting principles to defer recognition of software license revenue to future periods. That requirement could cause us to experience an immediate decline in software license revenue recognized in our financial statements in the period in which the licensed software was delivered to our customer even though the timing and amount of cash flow from the transaction would be the same as when we had established VSOE. If this collection of events were to occur, it could have a material, adverse effect on our revenue, results of operations and financial condition we present in our financial statements.

We may not be able to compete effectively with larger, better-positioned companies, resulting in lower margins and loss of market share.

We operate in intensely competitive markets that experience rapid technological developments, market consolidation, changes in industry standards, changes in customer requirements, and frequent new product introductions and product improvements by existing and new competitors. If we are unable to anticipate or react to these competitive challenges or if existing or new competitors take or gain additional market share in any of our markets, our competitive position could weaken, and we could experience a decrease in revenues that could adversely affect our business and operating results. To compete successfully, we must maintain a successful research and development effort to develop new products and services and enhance existing products and services, effectively adapt to changes in the technology or product rights held by our competitors, appropriately respond to competitor strategies as such strategies become apparent, and effectively adapt to technological changes and changes in the ways that our information is accessed, used, and stored within our enterprise and consumer markets. If we are unsuccessful in responding to our competitors or to changing technological and customer demands, we could experience a negative effect on our competitive position and our financial results.

We compete with a variety of companies who have significantly greater revenues and financial resources, more partners, resellers and distribution channels than we have and greater quantities of personnel and technical resources. For example, our EFT solution suite competes with products from IBM Sterling, Ipswitch, Axway and several other vendors. Our WAFS product competes with Riverbed Technology and Cisco. TappIn competes with a variety of cloud file storage and collaboration companies such as Dropbox. Large companies may be able to develop new technologies, across multiple solution spaces, and on more operating systems, more quickly than we can, to offer a broader array of products, and to respond more quickly to new opportunities, industry standards or customer requirements.

Additional competitors may enter the market and also may have significantly greater capabilities and resources than we do. Some existing competitors also may be able to adopt more aggressive pricing strategies. For example, Ipswitch provides an older version of its consumer file transfer protocol program for free for non-commercial use, and Microsoft includes file transfer protocol functionality in its Internet browser, which it also distributes for free. Increased competition may result in lower operating margins and loss of market share.

As we attempt to expand our business, our operating expenses may increase, and we may incur losses.

We intend to expand our business, specifically with regard to new license sales of our products. To do so, we plan to increase our research and development expenditures to accelerate our introduction of new features, functions and capabilities for our products to the marketplace. We intend to enhance the presence and visibility of those products by increasing our sales and marketing expenditures to expand our sales force, particularly through a broader reseller program involving more third-parties, and by implementing new sales lead generation and marketing initiatives.

These expanded research and development and sales and marketing activities may result in an increase in our operating expenses. If we do not successfully develop new features, functions and capabilities for our products in a manner that increases license sales of our products, and if our enhanced sales and marketing activities, including expansion of our third-party reseller programs, are not successful, our revenue may not increase. In that event, our net income could decline or we may incur losses.

Our products are complex and operate in a wide variety of computer configurations, which could result in errors or product failures.

Addressing MFT, file synchronization, managed email attachment, hosted services and secure content mobility typically requires very complex products. Undetected errors, failures, or bugs may occur, especially when products are first introduced or when new versions are released. Our products are often installed and used in large-scale computing environments with different operating systems, system management software, and equipment and networking configurations, which may cause errors or failures in our products or may expose undetected errors, failures, or bugs in our products. Our customers' computing environments also are often characterized by a wide variety of standard and non-standard configurations that make pre-release testing for programming or compatibility errors very difficult and time-consuming. In addition, despite testing by us and others, errors, failures, or bugs may not be found in new products or releases until after commencement of commercial shipments. In the past, we have discovered software errors, failures, and bugs in certain of our product offerings after their introduction and have experienced delayed or lost revenues during the time required to correct these errors.

Errors, failures, or bugs in products released by us could result in negative publicity, product returns, loss of or delay in market acceptance of our products, loss of competitive position, or claims by customers or others. Many of our end-user customers use our products in applications that are critical to their businesses and may have a greater sensitivity to defects in our products than to defects in other, less critical, software products. In addition, if an actual or perceived breach of information integrity or availability occurs in one of our end-user customer's systems, regardless of whether the breach is attributable to our products, the market perception of the effectiveness of our products could be harmed. Alleviating any of these problems could require significant expenditures of our capital and other resources and could cause interruptions, delays, or cessation of our product licensing, which could cause us to lose existing or potential customers and could adversely affect our operating results.

Our business is subject to the risks of warranty claims, product returns, product liability and product defects.

Real or perceived errors, failures or bugs in our products could result in claims by customers for losses that they sustain. If customers make these types of claims, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct the problem. Liability provisions in our standard terms and conditions of sale, and those of our resellers and distributors, may not be enforceable under some circumstances or may not fully or effectively protect us from customer claims and related liabilities and costs, including indemnification obligations under our agreements with resellers and distributors. The sale and support of our products also entail the risk of product liability claims. We maintain insurance to protect against certain types of claims associated with the use of our products, but our insurance coverage may not adequately cover any such claims. Even claims that ultimately are unsuccessful could result in expenditures of funds in connection with litigation and divert management's time and other resources.

Possible future acquisitions give rise to risks and challenges that could adversely affect our future financial results.

Acquisitions involve a number of risks and challenges, including:

- Complexity, time, and costs associated with integration of the acquired business operations, workforce, products, and technologies into our existing business, sales force, employee base, product lines, marketing and technology. The possibility exists that such integration ultimately may not be successful.
- Diversion of management time and attention from our existing business and other business opportunities throughout the integration.
- Potential loss or termination of employees, including costs associated with the termination or replacement of those employees.
- Assumption of debt or other liabilities of the acquired business, including any future litigation related to alleged liabilities of the acquired business.
- The incurrence of additional acquisition-related debt as well as increased expenses and working capital requirements.
- Potential dilution of earnings per share.
- Increased costs and efforts in connection with compliance with Section 404 of the Sarbanes-Oxley Act.
- Potentially substantial accounting charges for restructuring and related expenses, write-off of in-process research and development, impairment of goodwill, amortization of intangible assets, and share-based compensation expense.

The ongoing integration of any acquired business, involves continually determining and leveraging the actual market synergies, sustaining and even extending the business performance of the acquired entity, implementing our technology systems in the acquired operations and integrating and managing the personnel of the acquired operations. We also must continue to effectively integrate the different cultures of acquired business organizations into our own culture in a way that aligns various interests.

Any of the foregoing, and other factors, could harm our ability to achieve anticipated levels of financial performance or to realize other anticipated benefits of an acquisition. In addition, because acquisitions of technology companies are inherently risky, no assurance can be given that our previous, current, or future acquisitions will be successful and will not adversely affect our business, operating results, or financial condition.

Turmoil and uncertainty in U.S. and international economic markets could adversely affect our business and operating results.

Demand for our products depends in large part upon the level of capital and maintenance expenditures by many of our customers. Economic downturns could have an adverse effect on spending on information technology projects since in such environments, prospects and customers may reduce, sometimes greatly, their discretionary spending to focus on preserving mandatory spending budgets.

These adverse impacts to customer spending may be directly, and adversely, reflected in our future business and operating results because we believe a substantial part of the MFT spending budget is considered discretionary by our prospects and customers. The perception of MFT solutions spending as discretionary is further reinforced by the existence of low cost, or even free, products that deliver some subset of the capabilities found in our solutions. In the event of an economic downturn, some customers may decide to defer spending for our solutions or may elect to obtain low cost or free "good enough" products as an interim measure. The potential adverse impacts of such decisions may persist for an extended period of time, even well into a period of economic recovery, given that many prospects will not change their IT infrastructure for a considerable period of time after that infrastructure has been installed and is operating adequately.

Adverse financial results from another economic downturn and uncertainty could include flat, or even decreasing, sales, lower gross and net margins, and impairment of current or future goodwill and long-lived assets. In addition, some of our customers could delay paying their obligations to us. Potentially reduced sales and margins and customer payment problems could limit our ability to fund research and development, marketing, sales, and other activities necessary to sustain and expand our market position.

In past economic downturns, we have sometimes experienced a decrease in our stock price. If investors have concerns that our business, financial condition and results of operations will be negatively impacted by another economic downturn, our stock price could decrease again.

Regardless of economic conditions, fluctuations in demand for our products and services are driven by many factors and a decrease in demand for our products could adversely affect our financial results.

We are subject to fluctuations in demand for our products and services due to a variety of factors, including competition, product obsolescence, technological change, budget constraints of our actual and potential customers, awareness of security threats to IT systems, and other factors. While such factors may, in some periods, increase product sales, fluctuations in demand can also negatively impact our product sales. If demand for our products declines, our revenues, as well as our gross and net margins, could be adversely affected. CuteFTP, in particular, competes in some ways with social media services for image and video sharing. As social media has increased in popularity, sales of our CuteFTP product line have declined.

Sales to the U.S. Government make up a portion of our business and changes in government defense spending could have consequences on our financial position, results of operations and business.

Our revenues from the U.S. Government largely result from contracts awarded to us under various U.S. Government programs, primarily defense-related programs with the Department of Defense ("DoD"). The funding of our programs is subject to the overall U.S. Government foreign policy, budget and appropriation decisions, and processes which are driven by numerous factors, including geo-political events and macroeconomic conditions, and are beyond our control. Projected defense spending budgets are uncertain and difficult to predict.

Significant changes in defense spending could have long-term consequences for our size and structure. Changes in government priorities and requirements could impact the funding, or the timing of funding, of our programs which could negatively impact our results of operations and financial condition. Government contracts typically have long sales cycles such that closure of such contracts is difficult to predict.

U.S. Government contracts generally also permit the government to terminate the contract, in whole or in part, without prior notice, at the government's convenience or for default based on performance. A termination arising out of our default could expose us to liability and have a negative impact on our ability to obtain future contracts and orders. Furthermore, on contracts for which we are a subcontractor and not the prime contractor, the U.S. Government could terminate the prime contract for convenience or otherwise, irrespective of our performance as a subcontractor.

Because we are a DoD contractor, certain of our items and/or transactions may be subject to the International Traffic in Arms Regulations ("ITAR") if our software or services are specifically designed or modified for defense purposes. Companies engaged in manufacturing or exporting ITAR-controlled goods and services (even if these companies do not export such items) are required to register with the U.S. State Department. Failure to comply with these requirements could result in fines and sanctions which could negatively impact our results of operations and financial condition.

Changes to our sales organization can be disruptive and may negatively impact our results of operations.

From time to time, we make significant changes in the organizational structure and compensation plans of our sales organization, which may increase the risk of sales personnel turnover. To the extent that we experience turnover within our direct sales force or sales management, there is a risk that the productivity of our sales force would be negatively impacted which could lead to revenue declines. Turnover within our sales force can cause disruption in sales cycles leading to delay or loss of business. It can take time to implement new sales management plans and to effectively recruit and train new sales representatives. We review and modify our compensation plans for the sales organization periodically. Changes to our sales compensation plans could make it difficult for us to attract and retain top sales talent.

If we are unable to generate significant volumes of sales leads from our various marketing and demand generation efforts then our revenue may not grow as expected or may decline.

We generate leads through various marketing activities such as targeted email campaigns, attending networking-based trade shows, purchasing information and services from third-party experts in generating leads, and hosting webinars on enterprise IT management issues. Our marketing efforts may be unsuccessful resulting in fewer sales leads. If we fail to generate a sufficient volume of leads from these activities and/or such sales leads do not result in actual sales, our revenue may not grow as expected or could decrease and our operating results could suffer

Some of our sales leads are generated through visits to our websites by potential end-users interested in purchasing or downloading evaluations of our products. Many of these potential end-users find our websites by searching for secure file transfer products through Internet search engines, such as Google. A critical factor in attracting potential customers to our websites is how prominently our websites are displayed in response to search inquiries. If we are listed less prominently or fail to appear in search result listings for any reason, visits to our websites by customers and potential customers could decline significantly. We may not be able to replace this traffic, and, if we attempt to replace this traffic, we may be required to increase our sales and marketing expenses, which may not be offset by additional revenue and could adversely affect our operating results.

If we fail to manage our sales and distribution channels effectively or if our partners choose not to market and sell our products to their customers, our operating results could be adversely affected.

We sell our products to customers through our direct sales force and third-party resellers. Sales through these different channels involve distinct risks, including the following:

Direct Sales. Risks associated with direct sales include:

- Challenges in scaling the size of the direct sales team to levels required for revenue growth
- Difficulty in hiring, retaining, and motivating our direct sales force;
- Substantial amounts of training for sales representatives to become productive, including regular updates to cover new and revised products; and

- Leads obtained from paid advertising (for example, Google ads) impacting direct sales should the marketing and advertising effectiveness decline due to non-attributable declines in leads, unforeseen search engine algorithm changes, or other occurrences that may adversely impact the lead generation aspects of the direct sales cycle. Increased competition may materially impact the costs associated with such marketing and advertising.

Indirect Sales Channels. This channel that involves sales through third-party resellers involves a number of risks, including:

- Our lack of control over the timing of delivery of our products to end-users;
- Our resellers and distributors currently not being subject to minimum sales requirements or any obligation to market our products to their customers;
- Our reseller and distributor agreements generally being nonexclusive and terminable at any time without cause; and
- Our resellers and distributors frequently marketing and distributing competing products and, from time to time, placing greater emphasis on the sale of these products due to pricing, promotions, and other terms offered by our competitors.

We cannot be certain that our third-party resellers will continue to market or sell our products effectively. If we are not successful, we may lose sales opportunities, customers and revenues.

If we lose key personnel we may not be able to execute our business plan.

Our future success depends on the continued services of key members of our management team. These individuals are difficult to replace because of the intense competition for similarly skilled people. New members of the management team may not be productive for weeks or months as they learn about our solutions, our personnel and the administrative practices within our company.

It may be difficult for us to recruit and retain software developers and other technical and management personnel because we are a relatively small company.

We compete intensely with other software development and distribution companies internationally and information technology departments supporting larger businesses to recruit and hire from a limited pool of qualified personnel. Some qualified candidates prefer to work for larger, better known companies or in another geographic area. In order to attract and retain personnel in a competitive marketplace, we believe that we must provide a competitive compensation package, including cash and equity-based compensation. The volatility in our stock price may from time to time adversely affect our ability to recruit or retain employees. In addition, we may be unable to obtain required stockholder approvals of future increases in the number of shares available for issuance under our equity compensation plans. Also, accounting rules require us to treat the issuance of employee stock options and other forms of equity-based compensation as compensation expense. As a result, we may decide to issue fewer equity-based incentives and may be impaired in our efforts to attract and retain necessary personnel. If we are unable to hire and retain qualified employees, or conversely, if we fail to manage employee performance or reduce staffing levels when required by market conditions, our business and operating results could be adversely affected.

Key personnel have left our company in the past. There likely will be additional departures of key personnel from time to time in the future. The loss of any key employee could result in significant disruptions to our operations, including adversely affecting the timeliness of product releases, the successful implementation and completion of company initiatives, the effectiveness of our disclosure controls and procedures and our internal control over financial reporting, and the results of our operations. Hiring, training, and successfully integrating replacement sales, engineering, and other personnel could be time consuming, may cause additional disruptions to our operations, and may be unsuccessful, which could negatively impact future revenues.

Our operations potentially are vulnerable to security breaches that could harm the quality of our products and services or disrupt our ability to deliver our products and services.

Information security is a dynamic discipline that historically has faced a threat that develops and emerges in sometimes-unpredictable ways. Third parties may breach our system and information security and damage our products and services or misappropriate confidential customer information. This might cause us to lose customers, or even cause customers to make claims against us for damages. We may be required to expend significant resources to protect against potential or actual security breaches and/or to address problems caused by such breaches.

Improper disclosure of personal data could result in liability and harm our reputation.

While we have derived the majority of our historical revenues from on-premise delivery of our products, we now also offer our products on third party hosted platforms. As we continue to execute our strategy of increasing the number and scale of our cloud-based offerings, we store and process increasingly large amounts of personally identifiable information of our customers. At the same time, the continued occurrence of high-profile data breaches provides evidence of an external environment increasingly hostile to information security. This environment demands that we continuously improve our design and coordination of security controls. It is possible our security controls over personal data, our training of employees and vendors on data security, and other practices we follow may not prevent the improper disclosure of personally identifiable information. Improper disclosure of this information could harm our reputation, lead to legal exposure to customers, or subject us to liability under laws that protect personal data, resulting in increased costs or loss of revenue. We believe consumers using our subscription services increasingly will want efficient, centralized methods of choosing their privacy preferences and controlling their data. Perceptions that our products or services do not adequately protect the privacy of personal information could inhibit sales of our products or services, and could constrain consumer and business adoption of cloud-based solutions.

Breaches of our cybersecurity systems could degrade our ability to conduct our business operations and deliver products and services to our customers, delay our ability to recognize revenue, compromise the integrity of our software products, result in significant data losses and the theft of our intellectual property, damage our reputation, expose us to liability to third parties and require us to incur significant additional costs to maintain the security of our networks and data.

We increasingly depend upon our IT systems to conduct virtually all of our business operations, ranging from our internal operations and product development activities to our marketing and sales efforts and communications with our customers and business partners. Cyber threats may attempt to penetrate our network security, or that of our website, and misappropriate our proprietary information or cause interruptions of our service. Because the techniques used by such attackers to access or sabotage networks change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques. In addition, sophisticated hardware and operating system software and applications that we produce or procure from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of the system. We have also outsourced a number of our business functions to third party contractors. Therefore, our business operations also depend, in part, on the success of our contractors' own cybersecurity measures. Similarly, we rely upon distributors, resellers, system vendors and systems integrators to sell our products and our sales operations depend, in part, on the reliability of their cybersecurity measures. Additionally, we depend upon our employees to appropriately handle confidential data and deploy our IT resources in safe and secure fashion that does not expose our network systems to security breaches and the loss of data. Accordingly, if our cybersecurity systems and those of our contractors fail to protect against unauthorized access, sophisticated cyber-attacks and the mishandling of data by our employees and contractors, our ability to conduct our business effectively could be damaged in a number of ways, including:

- Sensitive data regarding our business, including intellectual property and other proprietary data, could be stolen;
- Our electronic communications systems, including email and other methods, could be disrupted, and our ability to conduct our business operations could be seriously damaged until such systems can be restored;
- Our ability to process customer orders and electronically deliver products and services could be degraded, and our distribution channels could be disrupted, resulting in delays in revenue recognition;
- Defects and security vulnerabilities could be introduced into our software products, thereby damaging the reputation and perceived reliability and security of our products and potentially making the data systems of our customers vulnerable to further data loss and cyber incidents; and
- Personally identifiable data of our customers, employees and business partners could be lost.

Should any of the above events occur, we could be subject to significant claims for liability from our customers, regulatory actions from governmental agencies, our ability to protect our intellectual property rights could be compromised and our reputation and competitive position could be significantly harmed. Also, the regulatory and contractual actions, litigations, investigations, fines, penalties and liabilities relating to data breaches that result in losses of personally identifiable or credit card information of users of our services can be significant in terms of fines and reputational impact and necessitate changes to our business operations that may be disruptive to us. Additionally, we could incur significant costs in order to upgrade our cybersecurity systems and remediate damages. Consequently, our financial performance and results of operations could be adversely affected.

Certain components of the software code comprising some of our products are licensed from third parties making us dependent upon those licenses remaining in place for those products to operate in their current form.

Certain key components of the software code comprising certain of our products are licensed from unrelated, third parties. These licenses are not perpetual such that, with advance notice as provided in the license agreements, those third parties could terminate those licenses. Even with advance notice, termination of those licenses could create a severe hardship for us due to the need to locate substitute software code from other third parties or create alternative software code ourselves in order for our products to continue to operate in the manner designed or for us to keep pace with customer requirements, including our obligations under maintenance and support agreements. There is no assurance we could achieve either of those alternative solutions in a timely and effective manner that would not disrupt our ability to continue selling and supporting those products, or without the consumption of significant company resources in the form of time spent by our personnel creating alternative solutions or cash paid to third parties to assist us. Such a situation could delay the completion and introduction to the marketplace of other products we are developing to remain competitive due to the diversion of the attention of certain of our key personnel away from that work. If any of these events occur, our future business and financial results could be adversely affected.

We utilize "open source" software in some of our products.

The open source software community develops software technology for free use by anyone. We incorporate a limited amount of open source code software into our products. We may use more open source code software in the future.

Our use, in some instances, of open source code software may impose limitations on our ability to commercialize our solutions and may subject us to possible intellectual property litigation. Open source code may impose limitations on our ability to commercialize our products because, among other reasons, open source license terms may be ambiguous and may result in unanticipated obligations regarding our solution, and open source software cannot be protected under trade secret law. In addition, it may be difficult for us to accurately determine the developers of the open source code and whether the acquired software infringes third-party intellectual property rights. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software. From time to time, companies that incorporate open source software into their products have been subject to such claims.

Claims of infringement or misappropriation against us could be costly for us to defend and could require us to re-engineer our solution or to seek to obtain licenses from third parties in order to continue offering our solution. We also might need to discontinue the sale of our solution in the event re-engineering could not be accomplished on a timely or cost-effective basis. If any such claim, attempted remediation, or solution discontinuance occur, our business and operating results could be harmed.

Our products may expose customers to invasion of privacy, causing customer dissatisfaction.

Our products and solutions are intended to facilitate data and information transfer and sharing, sometimes by providing outsiders access to a customer's computer. Such access potentially may make the customer vulnerable to security breaches, which could result in the loss of their privacy or property. Invasions of privacy or other customer harm occurring in an environment where our solutions are operating could result in customer dissatisfaction and possible claims against us for any resulting damages.

We are subject to governmental export and import controls that could subject us to liability or impair our ability to compete in international markets.

All products that are exported, re-exported or that are worked on by foreign nationals are subject to export controls. Such controls include prohibitions on end uses, end users and exports to certain sanctioned countries. In addition, incorporation of encryption technology into our products increases the level of U.S. export controls. We are subject to these requirements as certain of our products include the ability for the end user to encrypt data. Therefore, our products may be exported outside the United States or revealed to foreign nationals only by complying with the required level of export controls/restrictions. Restrictions applicable to our products may include a requirement to have a license to export the technology, a requirement to have software licenses approved before export is allowed and outright bans on the licensing of certain encryption technology to particular end users or to all end users in a particular country. In addition, various countries regulate the import of certain technology and have enacted laws that could limit our ability to distribute our products or could limit our customers' ability to implement our products in those countries.

There can be no assurance that we will be successful in obtaining or maintaining the licenses and other authorizations required to export our products from applicable government authorities. Any change in export or import regulations or related legislation, shift in approach to the enforcement or scope of existing regulations, or change in the list of countries to which we cannot export, changes in persons or technologies targeted by such regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential customers with international operations. Changes in our products or changes in export and import regulations may create delays in the introduction of our products in international markets, prevent our customers with international operations from deploying our products throughout their global systems or, in some cases, prevent the export or import of our products to certain countries altogether. Any change in export or import regulations or related legislation, shift in approach to the enforcement or scope of existing regulations, or change in the countries, persons or technologies targeted by such regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential customers with international operations.

Export laws and regulations can be extremely complex in their application. If we are found not to have complied with applicable export control laws, we may be sanctioned, fined or penalized by, among other things, having our ability to obtain export licenses curtailed or eliminated, possibly for an extended period of time. Our failure to receive or maintain any required export licenses or authorizations or our penalization for failure to comply with applicable export control laws would hinder our ability to sell our products, could result in financial penalties, and could materially adversely affect our business, financial condition, and results of operations. Any failure on our part or the part of our distributors to comply with encryption or other applicable export control requirements could harm our business and operating results.

Import and export regulations of encryption/decryption technology vary from country to country. We may be subject to different statutory or regulatory controls in different foreign jurisdictions, and as such, importation of our technology may not be permitted in these foreign jurisdictions. Violations of foreign regulations or regulation of international transactions could prevent us from being able to sell our products in international markets. Our success depends in large part to having access to international markets. A violation of foreign regulations could limit our access to such markets and have a negative effect on our results of operations.

As our international sales grow, we could become increasingly subject to additional risks that could harm our business.

We conduct significant sales and customer support, in countries outside of the United States. During the year ended December 31, 2014, approximately 28% of our sales were to purchasers outside the United States. Our continued growth and profitability could require us to further expand our international operations. To successfully expand international sales, we must establish additional foreign operations, hire additional personnel and recruit additional international resellers. We may also incur additional expense translating our applications into additional languages. In addition, there is significant competition for entry into high growth markets. Our international operations are subject to a variety of risks, which could cause fluctuations in the results of our international operations. These risks include:

- Compliance with foreign regulatory and market requirements.
- Variability of foreign economic, political and labor conditions.
- Changing restrictions imposed by regulatory requirements, tariffs or other trade barriers or by U.S. export laws.
- Longer accounts receivable payment cycles.

- Potentially adverse tax consequences.

- Difficulties in protecting intellectual property.

- Burdens of complying with a wide variety of foreign laws.

- Difficulty transferring funds to the U.S. in a tax efficient manner from non-U.S jurisdictions in which the cash flow originates.

We are subject to risks associated with compliance with laws and regulations globally which may harm our business.

We are a global company subject to varied and complex laws, regulations and customs domestically and internationally. These laws and regulations relate to a number of aspects of our business, including trade protection, import and export control, data and transaction processing security, payment card industry data security standards, records management, user-generated content hosted on websites we operate, corporate governance, employee and third-party complaints, gift policies, conflicts of interest, employment and labor relations laws, securities regulations and other regulatory requirements affecting trade and investment. The application of these laws and regulations to our business is often unclear and may at times conflict. Compliance with these laws and regulations may involve significant costs or require changes in our business practices that result in reduced revenue and profitability. Non-compliance could also result in fines, damages, or criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business, and damage to our reputation. We incur additional legal compliance costs associated with our global operations and could become subject to legal penalties if we fail to comply with local laws and regulations in U.S. jurisdictions or in foreign countries, which laws and regulations may be substantially different from those in the U.S. In many foreign countries, particularly in those with developing economies, it is common to engage in business practices that are prohibited by U.S. regulations applicable to us, including the Foreign Corrupt Practices Act. Although we implement policies and procedures designed to ensure compliance with these laws, there can be no assurance that all of our employees, contractors and agents, as well as those companies to which we outsource certain of our business operations, including those based in or from countries where practices that violate such U.S. laws may be customary, will not take actions in violation of our internal policies. Any such violation, even if prohibited by our internal policies, could have an adverse effect on our business.

Failure to maintain proper and effective internal controls could affect our ability to produce accurate financial statements which could result in the restatement of our financial statements or adversely affect our operating results, our ability to operate our business, and our stock price.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. We maintain a system of internal control over financial reporting, which is defined as a process designed by, or under the supervision of, our principal executive officer and principal financial officer, or persons performing similar functions, and effected by our board of directors, management and other personnel, 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.

If we are unable to establish and maintain appropriate internal financial reporting controls and procedures, it could cause us to fail to meet our reporting obligations, result in the restatement of our financial statements, harm our operating results, subject us to regulatory scrutiny and sanction, cause investors to lose confidence in our reported financial information, and have a negative effect on the market price for shares of our common stock.

The amount of income taxes we compute as payable on our income tax returns filed with the Internal Revenue Service and certain states could be challenged by those taxing authorities resulting in us paying more taxes than anticipated.

We file income tax returns with the Internal Revenue Service and taxing authorities in certain states. We prepare and file those returns based on our interpretations of the relevant tax code as to revenue to be reported and deductions and credits allowed. We use third-party experts to assist us in preparing our tax returns and computing our tax liabilities to help us ensure we pay the proper amount of tax due. Our tax returns are subject to examination by taxing authorities who could interpret the tax code in a different manner from us and conclude we are obligated to pay more taxes than we originally computed and paid. While we would defend the position taken on our tax returns as filed, a challenge from a taxing authority can be costly to defend with no assurance of a favorable outcome for us. In the event of an unfavorable result under these circumstances, our business, operating results and financial position could be harmed.

The amount of sales tax we collect on sales could be challenged by taxing authorities both in jurisdictions in which we have a corporate presence as well as by taxing authorities in areas where we have no corporate presence.

We collect and remit sales tax on sales in jurisdictions where we have a corporate or physical presence that results in an obligation to do so. We sell our products to customers in numerous locations where we do not have a corporate or physical presence and, therefore, do not collect sales tax on those sales. States in which we collect sales tax could audit our activities and assess us with additional tax based on them interpreting the sales tax code differently than we interpret it. Various states in which we do not collect sales tax are aggressive in interpreting their sales tax codes in determining if a company with no apparent presence in those states is obligated to collect and remit sales taxes, particularly on sales made across the Internet. States where we do not collect sales tax could make an assertion that we should have been collecting sales tax and could assess us with that tax. While we would defend the position taken as to our obligation to collect sales tax and the amount of sales tax collected, a challenge from a taxing authority can be costly to defend with no assurance of a favorable outcome for us. In the event of an unfavorable result under these circumstances, our business, operating results and financial position could be harmed.

Risks Related to Stock Ownership

Our stock price is/may be volatile.

The trading price of our common stock has been and could continue to be subject to wide fluctuations in response to certain factors, including:

- U.S. and global economic conditions leading to general declines in market capitalizations, with such declines not associated with operating performance.
- Quarter-to-quarter variations in results of operations.
- Our announcements of new products.
- Our announcements of acquisitions.
- Our announcements of significant new customers or contracts.
- Our competitors' announcements of new products.
- Our product development or release schedule.
- Changes in our management team.
- General conditions in the software industry.
- Investor perceptions and expectations regarding our products, plans and strategic position and those of our competitors and customers.

In addition, the public stock markets experience extreme price and trading volume volatility, particularly in high-technology sectors of the market. This volatility has significantly affected the market prices of securities of many technology companies for reasons often unrelated to the operating performance of the specific companies. The broad market fluctuations may adversely affect the market price of our common stock.

Accounting charges may cause fluctuations in our annual or quarterly financial results.

Our financial results may be affected by non-cash and other accounting charges, including:

- Amortization of intangible assets, including acquired technology and product rights.
- Acquisition expenses.
- Impairment of goodwill and intangibles.

- Share-based compensation expense.
- Restructuring charges.
- Impairment of long-lived assets.

Anti-takeover provisions in our charter and Delaware law could inhibit others from acquiring us.

Some of the provisions of our certificate of incorporation and bylaws and in Delaware law could, together or separately:

- Discourage potential acquisition proposals.
- Delay or prevent a change in control.
- Limit the price that investors may be willing to pay in the future for shares of our common stock.

In particular, our certificate of incorporation and bylaws prohibit stockholders from voting by written consent or calling meetings of the stockholders. We are also subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any interested stockholder, as defined in the statute, for a period of three years following the date on which the stockholder became an interested stockholder.

Our directors and executive officers continue to have substantial control over us.

Our directors and executive officers, together with their affiliates and related persons, beneficially owned, in the aggregate, approximately 29% of our outstanding common stock as of December 31, 2014. These stockholders would have the ability to substantially control GlobalSCAPE and direct its policies including the outcome of matters submitted to our stockholders for approval, such as the election of directors and any acquisition or merger, consolidation or sale of all or substantially all of our assets. In addition, our certificate of incorporation and bylaws provide for our Board of Directors to be divided into three classes of directors serving staggered three-year terms. As a result, approximately one-third of our Board of Directors will be elected each year.

Stockholders' ownership of our stock may be significantly diluted, affecting the value of the stock.

There were options for 2,157,025 shares outstanding under our employee and director stock option plans as of March 13, 2015, of which 1,306,869 were vested. We have filed a registration statement under the Securities Act, covering stock issued upon the exercise of options by non-affiliates, and we may file a registration statement covering options held by affiliates as well. If we do not file a registration statement covering affiliates, affiliates who exercise their options may choose to sell the stock under an exemption from registration, such as Rule 144 under the Securities Act. The exercise of these options and sale of the resulting stock could depress the value of our stock.

Risks Related to Intellectual Property

We are vulnerable to claims that our products infringe third-party intellectual property rights particularly because our products are partially developed by independent parties.

From time to time, we experience claims that our products infringe third-party intellectual property rights. We may be exposed to future litigation based on claims that our products infringe the intellectual property rights of others. This risk is exacerbated by the fact that some of the code in our products is developed by independent parties or licensed from third parties over whom we have less control than we exercise over internal developers. In addition, we expect that infringement claims against software developers will become more prevalent as the number of products and developers grows and the functionality of software programs in the market increasingly overlaps. Companies in the technology industry, and other patent and trademark holders seeking to profit from royalties in connection with grants of licenses, own large numbers of patents, copyrights, trademarks, service marks, and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. In addition, we may be the target of aggressive and opportunistic enforcement of patents by third parties, including non-practicing entities.

Responding to and defending against such claims may cause us to incur significant expense and divert the time and efforts of our management and employees. Successful assertion of such claims could require that we pay substantial damages or ongoing royalty payments, prevent us from selling our products and services, damage our reputation, or require that we comply with other unfavorable terms, any of which could materially harm our business. In addition, we may decide to pay substantial settlement costs in connection with any claim or litigation, whether or not successfully asserted.

While it is not possible to predict the outcome of patent litigation incidents to our business, defense costs may be significant, and we believe the costs associated with this litigation or other claims of infringement could generally have a material adverse impact on our results of operations, financial position or cash flows. Regardless of the merit of such claims, responding to infringement claims can be expensive and time-consuming.

For any intellectual property rights claim against us or our customers, we may have to pay damages and indemnify our customers against damages.

Claims of infringement could require us to re-engineer our products or seek to obtain licenses from third parties in order to continue offering its products. In addition, an adverse legal decision affecting our intellectual property, or the use of significant resources to defend against this type of claim could place a significant strain on our financial resources and harm our reputation.

We may not be able to protect our intellectual property rights.

Our software code, and trade and service marks are some of our most valuable assets. Given the global nature of the Internet and our business, we are vulnerable to the misappropriation of this intellectual property, particularly in foreign markets, such as China and Eastern Europe, where laws or law enforcement practices are less developed. The global nature of the Internet makes it difficult to control the ultimate destination or security of our software making it more likely that unauthorized third parties will copy certain portions of our proprietary information or reverse engineer the proprietary information used in its programs. If our proprietary rights were infringed by a third-party and we did not have adequate legal recourse, our ability to earn profits, which are highly dependent on those rights, would be severely diminished.

Other companies may own, obtain or claim trademarks that could prevent, limit or interfere with our use of our trademarks.

Our various trademarks are important to our business. If we were to lose the use of any of our trademarks, our business would be harmed and we would have to devote substantial resources towards developing an independent brand identity. Defending or enforcing our trademark rights at a local and international level could result in the expenditure of significant financial and managerial resources.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

Our corporate office is in San Antonio, Texas. That office contains approximately 21,000 square feet for which the average annual rent under the lease is $347,000. We believe these facilities are suitable for our current business needs and that suitable, additional space would be available if needed in the future under acceptable terms.

Item 3. Legal Proceedings

None

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity

Our common stock is listed on the NYSE MKT Exchange under the symbol "GSB" The following table sets forth the quarterly high and low closing sale prices for our common stock for the last two fiscal years.

	2014		2013	
	High	**Low**	**High**	**Low**
First Quarter (ending March 31)	$ 3.90	$ 2.15	$ 1.85	$ 1.36
Second Quarter (ending June 30)	$ 2.63	$ 2.05	$ 1.75	$ 1.40
Third Quarter (ending September 30)	$ 2.66	$ 2.29	$ 1.88	$ 1.46
Fourth Quarter (ending December 31)	$ 2.60	$ 2.22	$ 2.45	$ 1.52
High and Low for the Year	$ 3.90	$ 2.05	$ 2.45	$ 1.36

On March 13, 2015, the last reported sales price of our common stock on the NYSE MKT Exchange was $3.15 per share. As of March 13, 2015, we had approximately 1,872 stockholders of record of our common stock.

We paid a special cash dividend of $.05 per share on December 3, 2014, and $.05 per share on December 3, 2013, to shareholders of record as of the close of business on November 19, 2014, and November 19, 2013, respectively. In February 2015, we announced the initiation of a quarterly cash dividend program commencing the second quarter of 2015. The initial cash dividend will be $0.015 per share with the applicable second quarter record and payment dates to be determined. The timing and amount of dividends to be paid in subsequent quarters will be determined on future dates by the Board of Directors.

While we cannot predict whether we will pay dividends in the future, in the event we have sufficient net cash flow and cash on hand, our Board of Directors may consider paying dividends in the future.

Item 6. Selected Financial Data

The following selected financial data is derived from the Financial Statements included in this annual report. This data is qualified in its entirety by and should be read in conjunction with the more detailed Financial Statements and related notes included in this annual report and with Item 8, "Financial Statements and Supplementary Data". Historical results may not be indicative of future results.

On December 2, 2011 we acquired TappIn, Inc. This acquisition was accounted for as a stock purchase and, accordingly, the operating results of that business have been included in the Financial Statements included in this annual report since the date of acquisition.

Statement of Operations Data:
($ in thousands except per share amounts)

	2014	2013	2012	2011	2010
Total revenues	$ 26,770	$ 24,339	$ 23,372	$ 20,894	$ 18,565
Operating expenses:					
Cost of revenues	1,018	1,011	1,296	1,723	601
Selling, general and administrative	18,071	14,881	16,761	14,466	12,815
Research and development	2,183	3,766	3,531	3,124	3,016
Affiliated entity asset impairment	-	-	3,264	-	-
TappIn intangible asset impairment and earnout liability elimination	-	(128)	(1,303)	-	-
Depreciation and amortization	883	908	1,217	790	852
Total operating expenses	22,155	20,438	24,766	20,103	17,284
Income (loss) from operations	4,615	3,901	(1,394)	791	1,281
Net income (loss)	$ 3,026	$ 3,840	$ (1,800)	$ 635	$ 881
Net income (loss) per common share - basic	$ 0.15	$ 0.21	$ (0.10)	$ 0.04	$ 0.05
Net income (loss) per common share - diluted	$ 0.15	$ 0.20	$ (0.10)	$ 0.03	$ 0.05

Balance Sheet Data:
($ in thousands)

	2014	2013	2012	2011	2010
Cash and cash equivalents	$ 11,358	$ 9,455	$ 8,079	$ 8,861	$ 11,087
Working capital	4,072	1,824	73	1,662	8,607
Total assets	38,387	33,092	33,588	38,378	20,547
Long term debt, less current portion	-	2,989	4,389	5,667	-

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our financial statements for the years ended December 31, 2014, 2013 and 2012, and related notes included elsewhere in this document.

Overview

We provide secure information exchange capabilities for enterprises and consumers through the development and distribution of software, delivery of managed and hosted solutions, and provisioning of associated services. We have thousands of enterprise customers and more than one million individual consumers in over 150 countries.

We believe we are well-positioned to provide secure transfer, sharing, and replication of files that need to be transmitted inside the user's firewall to distributed locations, or outside the user's firewall to business and trading partners, including network-enabled mobile devices. Our solution portfolio addresses data and information management, movement, security and accessibility across a broad range of environments encompassing data and information in motion (for example, with traditional Managed File Transfer, or MFT, solutions delivered as on-premises software or as a cloud service) and at rest (for example, through securely deleting or purging files or securely accessing stored data from mobile tablet or smartphone devices).

Our solution portfolio facilitates transmission of critical information such as financial data, medical records, customer files, vendor files, personnel files, transaction activity, and other similar documents between diverse and geographically separated network infrastructures while supporting a range of information protection approaches to meet privacy and other security requirements. In addition to enabling secure, flexible transmission of critical information using servers, desktop and notebook computers, and a wide range of network-enabled mobile devices, our products also provide customers with the ability to monitor and audit file transfer activities.

Our solutions facilitate compliance with government regulations and industry standards relating to the protection of information while allowing users to reduce IT costs, increase efficiency, track and audit transactions, and automate processes. Our solutions also provide data replication, acceleration of file transfer, sharing/collaboration and continuous data backup and recovery to our customers.

Our Enhanced File Transfer, or EFT, solutions are currently our primary product. These "server side" solutions provide a common, scalable MFT platform that accommodates a broad family of add-on modules to provide small and medium-sized businesses, or SMB's, as well as larger enterprise customers, with increased security, automation, and performance when compared to traditional FTP-based and e-mail delivery systems. The add-on modules allow customers to select the solution configuration most applicable to their requirements for auditing and reporting, encryption, ad hoc and web-based file transfers, operability in or through a DMZ network, and integration with back-end business processes, including workflow automation capabilities.

Our Wide-Area File Services, or WAFS, software product uses data synchronization to further enhance the ability to replicate, share and backup files within a wide area network or local area network, which allows users to access their data at higher speeds than possible with alternate approaches. We believe this technology enables collaboration at greater efficiency levels than solutions available from our competitors or with native operating system connectivity.

Our Mail Express product offers managed e-mail attachment solutions for information sharing. We believe our managed e-mail attachment solution addresses the needs of customers who are constrained by the typical limits on e-mail attachment size or who require additional security, auditing, and reporting for file attachments shared through e-mail.

CuteFTP was our original product. It is a file transfer program used mostly by individuals and small businesses that was first distributed in 1996 over the Internet. It remains popular today and generates revenue for us at a relatively low cost.

We also offer, both directly and through our partners, our software products in both a software-as-a-service, or SaaS, and cloud-based subscription solutions for information sharing. Our SaaS and cloud-based subscription solutions allow customers to reduce their upfront and total cost of ownership and achieve other recognized benefits of cloud-based solutions, including service elasticity and strong service level agreements for IT infrastructure reliability and performance. We intend for our managed, cloud-based subscription solutions to be an integral part of our future revenue because these solutions provide recurring revenue which potentially builds over time, as compared to sales of on-premises software licenses which must be reconstituted every period. We have the capability to deliver these services in North America as well as internationally in Europe and Latin America.

We began serving the secure content mobility market with the acquisition of our TappIn solutions in 2011. Secure content mobility provides users with the ability to easily and securely access and share data and information using a web-browser, tablet or other mobile device such as a smartphone. Secure content mobility integrates aspects of ad hoc file transfer, broader MFT capabilities, cloud services, and remote accessibility to address growing market demand for secure, 'anytime and anywhere', device-independent access to distributed content. We believe that the inclusion of secure content mobility capability in our portfolio, and specifically the introduction of the capability to enterprise-level organizations, will contribute to the future growth of our business due to the continuing adoption of tablet computers and smartphones.

Key Business Metrics

Key Business Metrics

We review a number of key business metrics on an ongoing basis to help us monitor our performance and to identify material trends which may affect our business. The significant metrics we review are described below.

Revenue Growth

We provide products and solutions to small, medium and large multinational corporations as well as to individual consumers. We have a broad product line that has allowed us to grow revenue through software products and solutions either installed at a customer's location or delivered through a hosted, SaaS model. We have grown our professional services capabilities to enhance our customers' implementation, training and overall user experience. Sales of our enterprise products, solutions, and services comprise a substantial majority of our revenue. While our CuteFTP software and other consumer products are a relatively minor component of our overall revenue, they are recognized brands in the marketplace that we believe continue to have a positive effect on our overall product offerings and corporate franchise.

We believe annual revenue growth is a key metric for monitoring our continued success in developing our business in future periods. Given our diverse solution portfolio, we review our revenue mix and changes in revenue, across all solutions, on a regular basis to identify key trends and adjust resource allocations. We believe our revenue growth is primarily dependent upon executing our business strategies described in the *Strategy* section above which include:

- Continuing innovation of core products and introducing enhanced collaboration and sharing tools.

- Enhancing marketing programs to expand solution awareness.

- Leveraging and expanding third party, channel distribution partnerships.

To support product innovation, we continue to enhance our software engineering group and our focus on optimizing the manner in which we assess the development of new technologies, our approach to managing those projects, and the timelines over which we do that work. We increased our research and development spending during 2014 to create and introduce new features, functions and capabilities for our products.

In sales and marketing, we have made and continue to make ongoing changes including:

- Increasing sales staff headcount as needed to address our markets.
- Aligning our sales group to enhance its industry and geographic focus.
- Implementing new sales and marketing campaigns.
- Using third party search engine optimization experts to enhance our efforts in that area.
- Using third party lead-generation experts to increase our sales staff's exposure to potential purchasers.
- Recruiting industry channel partners and enabling them to sell our products through training and orientation programs.

As part of growing revenue in total, we are focused on increasing license revenue both in terms of absolute dollars and as a percent of total revenue. When we sell our licensed products, we also typically create a recurring revenue stream from M&S since almost all purchasers of our licensed products, particularly EFT, also purchase an M&S contract. Our M&S contracts are typically for one year, with some customers buying two or three year contracts. The customer pays us the M&S fee for the entire term of the agreement at the time the contract begins. We recognize that amount as revenue ratably in future periods over the term of the contract. We typically experience a high renewal rate for M&S services so long as a customer continues using the licensed product they purchased from us. As a result, growing license revenue not only contributes to increasing revenue growth at the time the license is sold but also provides a foundation for future recurring revenue as the purchasers of our licensed products renew M&S agreements to support their ongoing product support needs. This pattern of activity can create a cumulative effect for M&S renewals as a result of the cumulative number of licensed software installations sold over multiple years that create M&S renewals in any single year predictably (and in line with our expectations) exceeding the number of new software licenses we sell in a single year. We expect this cumulative effect to continue to grow if we continue to increase software license revenue in future periods.

The trends in the profile of our revenue components are illustrated and discussed below under *Solution Perspective and Trends* as well as under *Comparison of the Statement of Operations for the Year Ended December 31, 2014 and 2013* and *Comparison of the Statement of Operations for the Year Ended December 31, 2014 and 2013.*

Bookings (Non-GAAP Measurement)

We consider business "booked" when we issue an invoice to a customer for their purchase of our products or services. Bookings consist of invoiced amounts for which we recognize revenue currently and invoiced amounts for which we defer revenue recognition to future periods. Our bookings trends and the reconciliation of bookings to revenue are as follows:

	Year Ended December 31, 2014	2013
Bookings	$ 30,774	$ 25,366
Change in deferred revenue	(4,004)	(1,027)
Revenue	$ 26,770	$ 24,339

Bookings is a business metric we use to measure the success of our sales and marketing programs and the effectiveness of our sales and marketing teams. Bookings is not a measure of financial performance under generally accepted accounting principles, or GAAP, and should not be considered a substitute for revenue. Bookings has limitations as an analytical tool and when assessing our operating performance. Bookings should not be considered in isolation or as a substitute for revenue or other income statement data prepared in accordance with GAAP.

Measurement of Income and Expense Excluding Infrequent Events (Non-GAAP Measurement)

We use supplemental measurements of income and expense excluding infrequent items to monitor the financial performance of our core operating activities prior to consideration of significant events that occur infrequently. These measurements of income and expense excluding infrequent items include:

- Operating expenses excluding infrequent items.
- Operating income excluding infrequent items.
- Net income excluding infrequent items.
- Earnings per share excluding infrequent items.

We exclude infrequent items from these income and expense measurements because we do not consider them part of our core operating results when assessing our ongoing operational performance, allocating resources to our business activities and preparing operating budgets. We believe that by comparing such income and expense measurements across historical periods, our operating results can be evaluated exclusive of the effects of certain infrequent items that may not be indicative of our core operations in the future.

Income and expense excluding infrequent items are not measures of financial performance under GAAP and should not be considered a substitute for the similar items that include infrequent items. While we believe these non-GAAP income and expense measures provide useful supplemental information, there are limitations associated with the use of these non-GAAP income and expense measures. These non-GAAP income and expense measures are not prepared in accordance with GAAP and may not be comparable to similarly titled measures of other companies since there is no standard for preparing these non-GAAP income and expense measures. Items excluded in preparing these non-GAAP income and expense measures individually and collectively can have a material impact on operating expenses, operating income, net income and earnings per share. As a result, these non-GAAP income and expense measures have limitations and should not be considered in isolation from, or as a substitute for, financial statements prepared in accordance with GAAP.

Income and expense excluding infrequent items are as follows (in thousands except per share data):

	Year Ended December 31 2014	2013	2012
Non-GAAP Operating Expenses			
GAAP total operating expenses	$ 22,155	$ 20,438	$ 24,766
Add: TappIn intangible asset impairment and earnout liability elimination	-	128	1,343
Less: Affiliated entity asset impairment	-	-	(3,264)
Operating expenses excluding infrequent items	$ 22,155	$ 20,566	$ 22,845
Non-GAAP (Loss) Income From Operations			
GAAP income (loss) from operations	$ 4,615	$ 3,901	$ (1,394)
Less: TappIn intangible asset impairment and earnout liability elimination	-	(128)	(1,343)
Add: Affiliated entity asset impairment	-	-	3,264
Operating income excluding infrequent items	$ 4,615	$ 3,773	$ 527
Non-GAAP Net Income (Loss)			
GAAP net income (loss)	$ 3,026	$ 3,840	$ (1,800)
Less: TappIn intangible asset impairment and earnout liability elimination	-	(1,341)	(1,343)
Add: Affiliated entity asset impairment	-	-	3,264
Net income (loss) excluding infrequent items	$ 3,026	$ 2,499	$ 121
Non-GAAP Earnings Per Share			
Net income excluding infrequent items	$ 3,026	$ 2,499	$ 121
Weighted average share outstanding:			
Basic	20,163	18,626	18,358
Diluted	20,693	19,082	19,016
Net income per common share excluding infrequent items:			
Basic	$ 0.15	$ 0.13	$ 0.01
Diluted	$ 0.15	$ 0.13	$ 0.01

Adjusted EBITDA Excluding Infrequent Items (Non-GAAP Measurement)

We utilize Adjusted EBITDA (Earnings Before Interest, Taxes, Total Other Income/Expense, Depreciation, Amortization, other than amortization of capitalized software development costs, and Share-Based Compensation Expense) Excluding Infrequent Items to measure profitability and cash flow from our core operating activities. We exclude infrequent items because they typically do not directly impact profitability and cash flow resulting from our core activities. We monitor and review cost of revenues, selling, general, and administrative, or SG&A, expenses and research and development, or R&D, expenses to assess conformance with established budget expectations and to identify specific variances. Identifying and, if necessary, addressing variances above budget is important for the purpose of staying within budget ceilings. However, even variances below budget may indicate imbalances in resource allocations or deviation of operating activities from established expectations.

Adjusted EBITDA Excluding Infrequent Items is not a measure of financial performance under GAAP and should not be considered a substitute for net income. Adjusted EBITDA Excluding Infrequent Items has limitations as an analytical tool and when assessing our operating performance. Adjusted EBITDA Excluding Infrequent Items should not be considered in isolation or as a substitute for net income or other income statement data prepared in accordance with GAAP.

During 2013, we modified our computation of Adjusted EBITDA Excluding Infrequent Items to exclude amortization of capitalized software development costs from the amortization amount we add to net income in this calculation. We made that change because amortization of capitalized software development costs is derived from expenditures that are part of our core operating activities related to the development and release of our products. We have recomputed Adjusted EBITDA Excluding Infrequent Items for 2013 from amounts previously reported for that period to exclude amortization of capitalized software development costs from the amortization amount we add to net income. This change resulted in Adjusted EBITDA Excluding Infrequent Items for 2013 being $87,000 less than the amount we previously reported for that period.

We compute Adjusted EBITDA Excluding Infrequent Items as follows ($ in thousands):

	Year Ended December 31		
	2014	**2013**	**2012**
Income (loss) from operations (before interest and taxes)	$ 4,615	$ 3,901	$ (1,394)
Add (subtract):			
Depreciation and amortization:			
Total depreciation and amortization	883	908	1,217
Amortization of capitalized software development costs	(577)	(174)	(87)
Stock-based compensation expense	521	666	915
Infrequent item:			
Affiliated entity asset impairment	-	-	3,264
TappIn intangible asset impairment and earnout liability elimination	-	(128)	(1,303)
Adjusted EBITDA Excluding Infrequent Items	$ 5,442	$ 5,173	$ 2,612

See *Comparison of the Statement of Operations for the Year Ended December 31, 2014 and 2013* and *Comparison of the Statement of Operations for the Year Ended December 31, 2013 and 2012* for discussion of the variances between periods in the components comprising Adjusted EBITDA Excluding Infrequent Items.

Solution Perspective and Trends

Our discussion of the business trends of our products is based on the following profile of our revenue components ($ in thousands):

	Revenue for the Year Ended December 31,					
	2014		2013		2012	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenue by Product						
EFT Enterprise and Standard	$ 21,353	79.8%	$ 19,254	79.1%	$ 18,109	77.5%
Wide Area File Services	1,448	5.4%	1,277	5.2%	1,577	6.7%
Professional Services	1,445	5.4%	1,479	6.1%	1,547	6.6%
CuteFTP	904	3.4%	1,205	5.0%	1,059	4.5%
Other	1,620	6.0%	1,124	4.6%	1,080	4.7%
Total Revenue	$ 26,770	100.0%	$ 24,339	100.0%	$ 23,372	100.0%
Revenue by Type						
Software licenses	$ 10,292	38.4%	$ 9,093	37.4%	$ 10,277	44.0%
M&S	15,033	56.2%	13,767	56.6%	11,352	48.6%
Professional services	1,445	5.4%	1,479	6.0%	1,743	7.4%
Total Revenue	$ 26,770	100.0%	$ 24,339	100.0%	$ 23,372	100.0%

We earn revenue from the following activities:

- License revenue from sales of our EFT and Mail Express products that we deliver as either (1) software installed at the customer's premises for which we earn the full amount of the license revenue at the time the licensed is delivered or (2) as a managed or hosted service under our MIX and Hosted EFT brands delivered using a SaaS model for which we earn monthly subscription revenue as these services are delivered over a contract period that is typically one year.

- License revenue from sales of our WAFS and CuteFTP products that are installed at the customer's premises for which we earn the full amount of the license revenue at the time the license is delivered.

- License revenue from delivery of our TappIn products using a SaaS model in which case we earn monthly subscription revenue as these services are delivered under typically month-to-month subscriptions.

- M&S revenue under contracts to provide ongoing product support and software updates to our customers who have purchased license software which we recognize ratably over the contractual period, which is typically one year, but can be up to three years.

- Professional services revenue from a variety of customization, implementation, and integration services, as well as delivery of education and training associated with our solutions, which we recognized as the services are performed and accepted by the client.

We have made and continue to make changes in our business to increase the rate of growth of our total revenue and, in particular, our revenue across all our product lines. With respect to our sales and marketing activities, those changes have included:

- Increasing sales staff headcount as needed to address our markets.
- Aligning our sales group to enhance its industry and geographic focus.
- Implementing new sales and marketing campaigns.

- Using third party search engine optimization experts to enhance our efforts in that area.
- Recruiting industry channel partners and enabling them to sell our products through training and orientation programs.

As a complement to these sales and marketing actions, we have continued to expand the capabilities of our software engineering group through increased headcount and improved skillsets to optimize the manner in which we assess the development of new technologies, our approach to managing those projects and the timelines over which we do that work. We have increased our research and development spending to create and introduce new features, functions and capabilities for our products.

Our total revenue increased 10% in 2014 compared to 2013. This overall increase was primarily a result of the changes we have made, and continue to make, in the sales, marketing and software engineering areas of our business as described above. In addition to those factors, our revenue from specific products changed for the following additional reasons:

- Our EFT Enterprise and Standard revenue increased 11% primarily due to our focusing a substantial portion of our resources and efforts on this product line that we believe offers the highest potential for future revenue growth.

- Our WAFS revenue increased 13% primarily due to ongoing improvements we made and continue to make to this product to support its functioning more effectively and efficiently across a broader range of environments. These improvements resulted in customers being able to use the WAFS product without encountering many of the legacy WAFS issues that were previously experienced. These improvements were included in WAFS Version 4.3 that we released in April 2014.

- CuteFTP revenue decreased 25% primarily a result of our decision to focus most of our attention and resources on the EFT and WAFS product lines which we believe have a higher potential for future growth.

- Professional services decreased 2%. In 2013, we earned a significant portion of our professional services revenue under a contract supporting the Standard Army Maintenance System-Enhanced logistics program. We completed the terms of the final option year of this contract in September 2013 such that we did not have this revenue from this source in 2014. We have been able to offset the effects of this event by continuing to increase deliveries of our higher margin, commercial (non-government) professional services primarily in connection with sales of our EFT products.

- Other revenue arises from sales of our Mail Express and TappIn products and increased 44% primarily due to an increase in TappIn revenue arising from OEM sales of the TappIn solution to storage device manufacturers.

M&S revenue continued its trend of increasing period-to-period. We are able to grow this revenue as a result of:

- Increased licenses sales since a majority of license sales, particularly those related to EFT, are accompanied by an M&S contract.

- Sustaining high renewal rates of M&S contracts by customers who initially purchased these services in earlier periods. We believe these renewals result from our programs designed to provide high-quality and responsive M&S services to our customers.

As illustrated in the table above, M&S revenue increased as a percent of our total revenue from 48.6% in 2012 to 56.6% in 2013 followed by a decrease to 56.2% of our total revenue in 2014. As part of growing revenue in total, we are focused on increasing license revenue both in terms of absolute dollars and as a percent of total revenue. When we sell our licensed products, we also typically create a recurring revenue stream from M&S since almost all purchasers of our licensed products, particularly EFT, also purchase an M&S contract. Our M&S contracts are typically for one year, with some customers buying two or three year contracts. The customer pays us the M&S fee for the entire term of the agreement at the time the contract begins. We recognize that amount as revenue ratably in future periods over the term of the contract. We typically experience a high renewal rate for M&S services so long as a customer continues using the licensed product they purchased from us. As a result, growing license revenue not only contributes to increasing revenue growth at the time the license is sold but also provides a foundation for future recurring revenue as the purchasers of our licensed products continually renew M&S agreements to support their ongoing product support needs. This pattern of activity can create a cumulative effect for M&S renewals as a result of the cumulative number of licensed software installations sold over multiple years that create M&S renewals in any single year predictably (and in line with our expectations) exceeding the number of new software licenses we sell in a single year. We expect this cumulative effect to continue to grow if we continue to increase software license revenue in future periods.

Liquidity and Capital Resources

Our cash and working capital positions were as follows (in thousands):

	December 31, 2014	December 31, 2013
Cash and cash equivalents	$ 11,358	$ 9,455
Long term investments	3,185	3,122
Total cash, cash equivalents and long term investments	$ 14,543	$ 12,577
Working capital	$ 4,072	$ 1,824
Deferred revenue, current portion	11,411	9,092
Working capital plus current deferred revenue (non-GAAP presentation)	$ 15,483	$ 10,916

During 2014, we repaid-in-full and retired our notes payable to a bank in order to reduce our interest expense. We made this payment using our available cash balances. As a result of the retirement of these notes payable, there is no longer a lien on our long term investments such that we can convert them to cash and cash equivalents at our discretion at any time to meet the needs of our business. There are no liens on any of our other assets.

Deferred revenue, unlike the other liability components of our working capital, is an obligation we will satisfy by providing services in the future to our customers as part of our ongoing operating activities from which we have historically generated cash flow. Our deferred revenue does not involve a disbursement of cash as a direct payment of that liability. Working capital plus deferred revenue is not a measure of financial position under GAAP, has limitations as an analytical tool and when assessing our financial position, and should not be considered a substitute for working capital computed in accordance with GAAP.

Our capital requirements principally relate to our need to fund our ongoing operating expenditures, which are primarily related to employee salaries and benefits. We make these expenditures to enhance our existing products, develop new products, sell those products in the marketplace and support our customers after the sale.

We rely on cash and cash flows from operations to fund our operating activities and believe those items will be our principal sources of capital for the foreseeable future. Because our principal sources of capital are cash on hand and cash flow from operations, to the extent that sales decline, our cash flow from operations could also decline. We plan to expend significant resources in the future for research and development of our products and expansion and enhancement of our sales and marketing activities. If sales decline or if our liquidity is otherwise under duress, we could substantially reduce personnel and personnel-related costs, reduce or substantially eliminate capital expenditures and/or reduce or substantially eliminate certain research and development and sales and marketing expenditures. We may also sell equity or debt securities or enter into credit arrangements in order to finance future acquisitions or licensing activities, to the extent available.

The agreement under which we purchased TappIn, Inc. provided for future milestone payments to the previous owners of that company upon the achievement of certain future events subsequent to the date of purchase. In 2012, the TappIn shareholders earned an additional milestone payment of $2.0 million of which we paid $1.5 million in 2012 and $500,000 in 2013 from our cash on hand. On December 31, 2014, our obligation to make any additional milestone payments expired with no additional milestone payments being due or payable.

Cash provided or used by our various activities consisted of the following ($ in thousands):

	Cash Provided (Used) During the Year Ended December 31,		
	2014	**2013**	**2012**
Operating activities	$ 8,463	$ 4,531	$ 3,844
Investing activities	(3,162)	(1,600)	(2,103)
Financing activities	(3,398)	(1,555)	(2,325)

Our cash provided by operating activities increased during 2014 compared to 2013 primarily due to:

- Net income after considering adjustments to reconcile net income to net cash provided by operating activities, as set forth on our Condensed Consolidated Statements of Cash Flow, increasing from $4.5 million in 2013 to $6.1 million in 2014. See the section below under *Comparison of the Statement of Operations for the Year Ended December 31, 2014 and 2013* for a discussion of the changes in the components of these amounts.
- Deferred revenue increasing $4.0 million during 2014 compared to increasing $1.0 million during 2013 primarily due to increased M&S sales for which we collect cash at the beginning of the period over which we provide M&S services to our customers and recognize the revenue in future periods as we deliver these services.
- Accrued expenses increasing $693,000 during 2014 compared to decreasing $455,000 during 2013 primarily due to higher bonuses payable to certain of our personnel as a result of our improved financial performance in 2014 compared to 2013.
- Accounts payable increasing $456,000 in 2014 compared to increasing $223,000 in 2013 primarily due to normal variations of the timing of payments to our vendors.

Offset by

- Accounts receivable increasing $2.6 million in 2014 compared to increasing $444,000 in 2013 primarily due to an increase in our sales of licenses and M&S agreements in 2014 compared to 2013.
- Prepaid expenses increasing $139,000 in 2014 compared to decreasing $77,000 in 2013 due to normal variations of the timing of payments to our vendors.

The increased use of cash for investing activities during 2014 compared to 2013 was primarily due to:

- An increase in capitalized software development costs due to enhanced product development programs resulting in a greater number of our software development projects having progressed to a stage of having a detailed program design or working prototype.
- An increase in purchases of property and equipment, and in particular computer equipment, to support the growth of our business.

Offset by:

- A $500,000 disbursement during 2013 to satisfy the payment of part of the TappIn earn-out liability, which is an event that did not occur in the 2014.

The increased use of cash for financing activities during 2014 compared to 2013 was primarily due to:

- The payment in full during 2014 of our notes payable to a bank.

  Offset by:

- An increase in cash received from the exercise of stock options primarily as a result of changes in management leadership in early 2014 that resulted in certain former employees exercising their stock options after the end of their employment.

Our primary obligations at December 31, 2014 were:

- An obligation to deliver services in the future to satisfy our right to earn our deferred revenue of $14.8 million. Those future services primarily relate to our obligations under M&S contracts for which we have received advance payment. We will recognize this deferred revenue as revenue over the remaining life of those contracts which generally ranges from one to three years. Deferred revenue, unlike the other liability components of our working capital, is an obligation we will satisfy through providing services in the future to our customers as part of our ongoing operating activities from which we have historically generated cash flow. Our deferred revenue does not involve a disbursement of cash as a direct payment of that liability.
- Trade accounts payable and accrued liabilities (which include our contractual obligations to pay software royalties to third parties), obligations under operating leases, and federal and state taxes all incurred in the normal course of business.

Loan Agreements

During 2014, we repaid-in-full and retired our notes payable to a bank. This payment eliminated the financial covenants and other terms and conditions of the related loan agreements. It also eliminated the lien on our long-term investments such that we can convert them to cash and cash equivalents at our discretion at any time to meet the needs of our business.

Contractual Obligations and Commitments

At December 31, 2014, our contractual obligations and commitments consisted primarily of the following items:

- Trade accounts payable and accrued liabilities which include our contractual obligations to pay software royalties to third parties that vary in amount based on our sales volume of products upon which royalties are payable.

- Operating leases for our office space.

- Federal and state taxes.

We plan to continue to expend significant resources on product development, sales and marketing in future periods which may require that we enter into additional contractual arrangements and use our cash to acquire or license technology, intellectual property, products, services or businesses related to our current business strategy.

Our non-cancellable, contractual obligations at December 31, 2014, consisted of the following (in thousands):

	Amounts Due for the Period			
	Fiscal Years			
	2015 - 2017	2018 - 2020	Thereafter	Total
Operating leases	$ 1,075	$ 480	$ -	$ 1,555

TappIn Intangible Assets and Earnout Liability – Reduction of Amounts During 2013

In December 2011, we acquired all of the issued and outstanding shares of TappIn. At the time of this acquisition, we allocated the total purchase price of this acquisition to assets and liabilities based on their estimated fair values at the acquisition date. That allocation resulting in us recording intangible assets consisting of the following (in thousands):

	Gross Carrying Amount	Accumulated Amortization Through September 30, 2013	Net Book Value as of September 30, 2013
Customer relationship	$ 1,863	$ (342)	$ 1,521
Developed technology	2,771	(726)	2,045
Total	$ 4,634	$ (1,068)	$ 3,566

Our acquisition of all of the issued and outstanding shares of TappIn provided for the possible payment of $4.5 million of contingent consideration to the former shareholders of TappIn if our TappIn product line achieved certain revenue milestones by no later than December 31, 2014. We made no such payments during 2014. As of December 31, 2014, our obligation to make any additional such payments expired. We have no future payment obligations related to our acquisition of TappIn.

During the quarter ended September 30, 2013, we evaluated input from our customers and the marketplace as a whole relative to the TappIn product line and concluded that our future emphasis would be on enhancing the TappIn technology and functionality by leveraging our existing enterprise capabilities to create a an enterprise-level application mobility solution. We concluded that offering the TappIn technology through this integration would maximize the return on our investment in this product line. While we decided to continue to offer TappIn as a standalone product in its Standard and Professional Editions, we concluded that revenue earned from the TappIn product line sold in those configurations would not be significant to our results of operations and financial position in the future.

For accounting and financial statement presentation purposes, the value assigned to the developed technology intangible asset as of the date we acquired TappIn and subsequent thereto related only to the TappIn Standard Edition developed technology that existed on the date we acquired TappIn. Under GAAP, none of the value of this intangible asset could be derived from the TappIn Professional Edition or from other uses of the TappIn technology. Specifically, none of the TappIn core technology, enabling technology or the migration of that technology, including the application of that technology to our enterprise capabilities as mentioned above, could be relied upon to ascribe value to the developed technology intangible asset. Since we concluded that revenue earned from the TappIn Standard Edition would not be significant to our results of operations and financial position in the future, we concluded it to be more-likely-than-not that the intangible asset arising from this developed technology was of nominal future value. Accordingly, we reduced its value to zero on our balance sheet as of September 30, 2013, and recorded a corresponding expense during the three and nine months ended September 30, 2013.

For accounting and financial statement purposes, the value assigned to the customer relationship intangible asset related to one contract with a third-party as it stood and was in place on the date we acquired TappIn. Under GAAP, none of the value of that intangible could be derived from future modifications of this contract or from other, subsequent customer relationships. The value of the contract that gave rise to this customer relationship intangible was dependent upon both continued shipments of that customer's products as they existed at the time we acquired TappIn and the purchasers of that customer's products subscribing to TappIn Professional Edition. We concluded that revenue earned from the activities upon which the value of the customer relationship intangible asset was derived would not be significant to our results of operations and financial position in the future. Our relationship with that customer remained in place relative to products they were currently selling that did not exist at the time we acquired TappIn and that were not part of determining the intangible value of this customer relationship at that time. We concluded it to be more-likely-than-not that the intangible asset arising from this customer relationship and the products it covered as they existed at the time we acquired TappIn were of nominal future value. Accordingly, we reduced its value to zero on our balance sheet as of September 30, 2013, and recorded a corresponding expense for the three and nine months ended September 30, 2013.

When we acquired TappIn in December 2011, we recorded a deferred tax liability resulting in our recording of the intangible assets described above as of the acquisition date for which there was no corresponding change in the tax basis of the TappIn common stock that we purchased. The balance of this deferred tax liability was $1.2 million as of September 30, 2013. Our reduction of the TappIn intangible assets to zero eliminated this deferred tax liability with a corresponding credit to federal income tax expense during the three and nine months ended September 30, 2013.

As of September 30, 2013, we evaluated the likelihood of the TappIn product lines achieving the revenue milestones by December 31, 2014, necessary for the contingent consideration described above to be paid. We concluded it remote and more-likely-than-not that those revenue milestones would be achieved and that the contingent consideration would not have to be paid. Accordingly, we reduced the TappIn earn out liability on our balance sheet to zero as of September 30, 2013 and recorded a corresponding credit to income during the three and nine months ended September 30, 2013.

The effects of the above items on our financial results for 2013 are summarized as follows (amounts in $000's):

Reduction of intangible assets:		
Customer relationship	$	(1,521)
Developed technology		(2,045)
Elimination of earn out liability		3,694
Net TappIn asset impairment and earnout liability elimination before taxes		128
Federal income taxes		1,213
Net TappIn asset impairment and earnout liability elimination after taxes	$	1,341

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09 entitled *Revenue from Contracts with Customers (Topic 606)*. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services. We are subject to this guidance effective with financial statements we issue for the year ending December 31, 2017, and the quarterly periods during that year. We do not expect the amounts or timing of revenue we report in those future periods under this guidance to be materially affected relative to current guidance.

In July 2013, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Update (ASU) No. 2013-11, *Income Taxes (Topic 740)-Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 2013-11 states that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward except under certain circumstances when one or more of these items is not available at the reporting date under the tax law of the applicable jurisdiction. ASU 2013-11 is applicable for fiscal years beginning after December 15, 2013. Our adoption of this ASU did not have a material impact on our financial statements.

In February 2013, the FASB issued FASB ASU No. 2013-04,*Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*. ASU 2013-04 provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements to the extent such obligations are not already addressed within existing guidance under GAAP. ASU 2013-04 is applicable for fiscal years beginning after December 15, 2013. Our adoption of this ASU did not have a material impact on our financial statements.

In July 2012, the FASB issued FASB ASU No. 2012-02, *Intangibles—Goodwill and Other (Topic 350)—Testing Indefinite-Lived Intangible Assets for Impairment*. ASU 2012-02 permits an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Subtopic 350-30. If an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then no further action is required. If an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test. ASU 2012-02 became effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Our adoption of this ASU did not have a material impact on our financial statements.

Critical Accounting Policies

Our financial statements and accompanying notes are prepared in accordance with GAAP applicable to public companies in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. We discuss our critical accounting areas and policies below, all of which we apply in accordance with GAAP.

Revenue Recognition

We develop, market and sell software products. We recognize revenue from a sale transaction when the following conditions are met:

- Persuasive evidence of an arrangement exists.
- Delivery has occurred or services have been rendered.
- The amount is fixed or determinable.
- Collection is reasonably assured.

For a sale transaction not meeting any one of these four criteria, we defer recognition of revenue related to that transaction until all the criteria are met.

We earn the majority of our software license revenue from software products sold under perpetual software license agreements. At the time our customers purchase these products, they typically also purchase a product maintenance and support, or M&S, agreement. These transactions are multiple element software sales for which we assess the presence of vendor specific objective evidence ("VSOE") of the fair value of the undelivered elements to determine the portion of these sales to recognize as revenue upon delivery of the software product and the portion of these sales to record as deferred revenue at the time the product is delivered. We amortize the deferred revenue component to revenue in future periods as we deliver the related future services to the customer. For transactions, if any, for which we cannot establish VSOE of fair value of the undelivered elements, we initially record the entire transaction as deferred revenue and amortize that amount to revenue in future periods as we deliver the related future services to the customer.

Our deferred revenue consists primarily of revenue to be earned in the future as we deliver services under M&S agreements. Certain of our customers will accept, and sometimes pay, our invoices for M&S services prior to the commencement of the M&S period. In such cases, we record accounts receivable and deferred revenue in the same amount at the time we submit an invoice to the customer and commence recognition of the deferred revenue as revenue only after the M&S period begins.

For our products delivered under a software-as-a-service transaction on a monthly or other periodic subscription basis, we recognize subscription revenue, including initial setup fees, on a monthly basis over the contractual term of the customer contract as we deliver our products and services. These amounts are reported in other revenue. Amounts invoiced or paid prior to this revenue recognition are presented as deferred revenue until earned.

We provide professional services to our customers consisting primarily of software installation support, operations support and training. We recognize revenue from these services as they are completed and accepted by our customers.

We collect sales tax on many of our sales. We do not include sales tax collected in our revenue. We record it as a liability payable to taxing authorities.

Property and Equipment

Property and equipment is comprised of furniture and fixtures, software, computer equipment and leasehold improvements which are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Furniture, fixtures and equipment generally have a useful life of 5 to 7 years, computer equipment and software generally have a life of 3 years and leasehold improvements are depreciated over the shorter of the term of the lease under which the improvements were made or the estimated useful life of the asset.

Expenditures for maintenance and repairs are expensed as incurred.

Goodwill

Goodwill is not amortized. On at least an annual basis, we test goodwill for impairment at the reporting unit level. We operate as a single reporting unit.

When testing goodwill, we first assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of our reporting unit is less than its carrying amount, including goodwill. In performing this qualitative assessment, we assess events and circumstances relevant to us including, but not limited to:

- Macroeconomic conditions.
- Industry and market considerations.
- Cost factors and trends for labor and other expenses of operating our business.
- Our overall financial performance and outlook for the future.
- Trends in the quoted market value and trading of our common stock.

In considering these and other factors, we consider the extent to which any adverse events and circumstances identified could affect the comparison of our reporting unit's fair value with its carrying amount. We place more weight on events and circumstances that most affect our reporting unit's fair value or the carrying amount of our net assets. We consider positive and mitigating events and circumstances that may affect our determination of whether it is more likely than not that the fair value of our reporting unit is less than its carrying amount. We evaluate, on the basis of the weight of the evidence, the significance of all identified events and circumstances in the context of determining whether it is more likely than not that the fair value of our reporting unit is less than its carrying amount.

If, after assessing the totality of these qualitative events and circumstances, we determine it is not more likely than not that the fair value of our reporting unit is less than its carrying amount, we conclude there is no impairment of goodwill and perform no further testing in accordance with GAAP. If we conclude otherwise, we proceed with performing the first step, and if necessary, the second step, of the two-step goodwill impairment test prescribed by GAAP.

As of December 31, 2014, after assessing the totality of the relevant events and circumstances, we determined it not more likely than not that the fair value of our reporting unit was less than its carrying amount. Accordingly, we concluded there was no impairment of goodwill as of that date.

Capitalized Software Development Costs

When we complete research and development for a software product and have completed a detail program design or a working model of that software product, we capitalize production costs incurred for that software product from that point forward until it is ready for general release to the public. Thereafter, we amortize capitalized software production costs to expense using the straight-line method over the estimated useful life of that product, which is generally three years.

Research and Development

We expense research and development costs as incurred.

Stock-Based Compensation

We measure the cost of share-based payment transactions at the grant date based on the calculated fair value of the award. We recognize this cost as an expense ratably over the recipient's requisite service period during which that award vests or becomes unrestricted.

For stock option awards, we estimate their fair value at the grant date using the Black-Scholes option-pricing model considering the following factors:

- We estimate expected volatility based on historical volatility of our common stock.
- We use primarily the simplified method to derive an expected term which represents an estimate of the time options are expected to remain outstanding. We use this method because our options are plain-vanilla options, and we believe our historical option exercise experience is not adequately indicative of our future expectations.
- We base the risk-free rate for periods within the contractual life of the option on the U.S. treasury yield curve in effect at the time of grant.

For restricted stock awards, we use the quoted price of our common stock on the grant date as the fair value of the award.

Income Taxes

We account for income taxes using the asset and liability method. We record deferred tax assets and liabilities based on the difference between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes, as measured by the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are carried on the balance sheet with the presumption that they will be realizable in future periods in which we generate taxable income.

We assess the likelihood that deferred tax assets will be realized from future taxable income. Based on this assessment, we provide any necessary valuation allowance on our balance sheet with a corresponding increase in the tax provision on our statement of operations. Any valuation allowances we establish are determined based upon a number of assumptions, judgments, and estimates, including forecasted earnings, future taxable income, and the relative proportions of revenue and income before taxes in the various domestic jurisdictions in which we operate.

We account for uncertainty in income taxes using a two-step process to determine the amount of tax benefit to be recognized. First, we evaluate the tax position to determine the likelihood that it will be sustained upon external examination. If the tax position is deemed "more-likely-than-not" to be sustained, we assess the tax position to determine the amount of benefit to recognize in the financial statements. The amount of the benefit we recognize is the largest amount that we believe has a greater than 50% likelihood of being realized upon ultimate settlement. Unrecognized tax benefits represent tax positions for which reserves have been established.

Earnings Per Share

We compute basic earnings per share using the weighted-average number of common shares outstanding during the periods. We compute diluted earnings per share using the weighted-average number of common shares outstanding plus the number of common shares that would be issued assuming conversion of all potentially dilutive common shares outstanding. Awards of non-vested options are considered potentially dilutive common shares for the purpose of computing earnings per common share. In applying the treasury stock method to non-vested options, the assumed proceeds include the amount the employee must pay to exercise the option plus the amount of unrecognized cost attributable to future periods less any expected tax benefits.

Results of Operations

Comparison of Year Ended December 31, 2014 to Year Ended December 31, 2013

	2014	2013	$ Change
		($ in thousands)	
Total revenues	$ 26,770	$ 24,339	$ 2,431
Cost of revenues	1,018	1,011	7
Selling, general and administrative	18,071	14,881	3,190
Research and development	2,183	3,766	(1,583)
TappIn intangible asset impairment and earnout liability elimination	-	(128)	128
Depreciation and amortization	883	908	(25)
Total operating expenses	22,155	20,438	1,717
Income from operations	4,615	3,901	714
Other income (expense), net	(42)	(165)	123
Income tax expense	1,547	(104)	1,651
Net Income	$ 3,026	$ 3,840	$ (814)

In the discussions below, we refer to the year ended December 31, 2014 as "2014" and the year ended December 31, 2013, as "2013". The percentage changes cited in our discussions below comparing our results of operations for the year ended December 31, 2014, to the year ended December 31, 2013, are based on 2014 amounts compared to 2013 amounts.

Revenue. We derive our revenue primarily from the following activities:

- License revenue from sales of our EFT and Mail Express products that we deliver as either software installed at the customer's premises for which we earn the full amount of the license revenue at the time the licensed is delivered or as a managed or hosted service under our MIX and Hosted EFT brands delivered using a SaaS model for which we earn monthly subscription revenue as these services are delivered over a contract period that is typically one year.
- License revenue from sales of our WAFS and CuteFTP products that are installed at the customer's premises for which we earn the full amount of the license revenue at the time the license is delivered.
- License revenue from delivery of our TappIn products using a SaaS model in which case we earn monthly subscription revenue as these services are delivered under typically month-to-month subscriptions.
- M&S revenue under contracts to provide ongoing product support and software updates to our customers who have purchased license software which we recognize ratably over the contractual period, which is typically one year, but can be up to three years.
- Professional services revenue from a variety of customization, implementation, and integration services, as well as delivery of education and training associated with our solutions, which we recognized as the services are performed and accepted by the client.

The components of our revenues are as follows ($ in thousands):

	Revenue for the Year Ended December 31, 2014		2013	
	Amount	Percent of Total	Amount	Percent of Total
Revenue by Product				
EFT Enterprise and Standard	$ 21,353	79.8%	$ 19,254	79.1%
Wide Area File Services	1,448	5.4%	1,277	5.2%
Professional Services	1,445	5.4%	1,479	6.1%
CuteFTP	904	3.4%	1,205	5.0%
Other	1,620	6.0%	1,124	4.6%
Total Revenue	$ 26,770	100.0%	$ 24,339	100.0%
Revenue by Type				
Software licenses	$ 10,292	38.4%	$ 9,093	37.4%
M&S	15,033	56.2%	13,767	56.6%
Professional services	1,445	5.4%	1,479	6.0%
Total Revenue	$ 26,770	100.0%	$ 24,339	100.0%

We have made and continue to make changes in our business to increase the rate of growth of our total revenue and, in particular, our license revenue across all our product lines. With respect to our sales and marketing activities, those changes have included:

- Increasing sales staff headcount as needed to address our markets.
- Aligning our sales group to enhance its industry and geographic focus.
- Implementing new sales and marketing campaigns.
- Using third party search engine optimization experts to enhance our efforts in that area.
- Recruiting industry channel partners and enabling them to sell our products through training and orientation programs.

As a complement to these sales and marketing actions, we have continued to expand the capabilities of our software engineering group through increased headcount and improved skillsets to optimize the manner in which we assess the development of new technologies, our approach to managing those projects and the timelines over which we do that work. We have increased our research and development spending to create and introduce new features, functions and capabilities for our products.

Our total revenue increased 10% in 2014 compared to 2013. In addition to the factors discussed above that affect all of our products, our revenue from specific products changed for the following additional reasons:

- Our EFT Enterprise and Standard revenue increased 11% primarily due to us focusing a substantial portion of our resources and efforts on this product line that we believe offers the highest potential for future revenue growth.

- Our WAFS revenue increased 13% primarily due to ongoing improvements we made and continue to make to this product to support it functioning more effectively and efficiently across a broader range of environments. These improvements resulted in customers being able to use the WAFS product without encountering many of the legacy WAFS issues that were previously experienced. These improvements were included in WAFS Version 4.3 that we released in April 2014.

- CuteFTP revenue decreased 25% primarily a result of our decision to focus most of our attention and resources on the EFT and WAFS product lines which we believe have a higher potential for future growth.

- Professional services decreased 2%. In 2013, we earned a significant portion of our professional services revenue under a contract supporting the Standard Army Maintenance System-Enhanced logistics program. We completed the terms of the final option year of this contract in September 2013 such that we did not have this revenue from this source in 2014. We have been able to offset the effects of this event by continuing to increase deliveries of our higher margin, commercial (non-government) professional services primarily in connection with sales of our EFT products.

- Other revenue arises from sales of our Mail Express and TappIn products and increased 31% primarily due to an increase in TappIn revenue arising from OEM sales of the TappIn solution to storage device manufacturers.

Software licenses revenue in total increased 13%. This increase was primarily due our focus on creating and introducing new features, functions and capabilities for our products, particularly EFT and WAFS, combined with the changes we have made in our sales and marketing activities as described above.

M&S revenue increased 9% primarily as a result of:

- Increased licenses sales since a majority of license sales, particularly those related to EFT, are accompanied by an M&S contract, and

- Sustaining high renewal rates of M&S contracts by customers who initially purchased these services in earlier periods. We believe these renewals result from our programs designed to provide high-quality and responsive M&S services to our customers.

M&S revenue remained substantially steady as a percent of total revenue in 2014 compared to 2013. As part of growing revenue in total, we are focused on increasing license revenue both in terms of absolute dollars and as a percent of total revenue. When we sell our licensed products, we also typically create a recurring revenue stream from M&S since almost all purchasers of our licensed products, particularly EFT, also purchase an M&S contract. Our M&S contracts are typically for one year, with some customers buying two or three year contracts. The customer pays us the M&S fee for the entire term of the agreement at the time the contract begins. We recognize that amount as revenue ratably in future periods over the term of the contract. We typically experience a high renewal rate for M&S services so long as a customer continues using the licensed product they purchased from us. As a result, growing license revenue not only contributes to increasing revenue growth at the time the license is sold but also provides a foundation for future recurring revenue as the purchasers of our licensed products continually renew M&S agreements to support their ongoing product support needs. This pattern of activity can create a cumulative effect for M&S renewals as a result of the cumulative number of licensed software installations sold over multiple years that create M&S renewals in any single year predictably (and in line with our expectations) exceeding the number of new software licenses we sell in a single year. We expect this cumulative effect to continue to grow if we continue to increase software license revenue in future periods.

Cost of Revenues. Cost of revenues consists primarily of royalties, a portion of our internet access costs, hosted service expenses for our products delivered as a SaaS offering, and expenses directly associated with professional services delivery. Cost of revenues remained relatively unchanged due to:

- Increased royalties of $142,000 due to increased sales of our licensed products,

  Offset by:

- Decreased hosted server expenses of $156,000 associated with the optimization of data centers utilized for our MIX and Hosted EFT Server product delivery solutions.

Selling, General and Administrative. These expenses increased 21.4% primarily due to the overall changes we made in our sales and marketing activities to increase the rate of growth of our revenue as described above in the discussion of our revenue trends. Changes in certain individual expenses that contributed to the overall increase in these expenses included:

- An increase in salaries, wages, sales commissions and management bonuses of $1.5 million as a result of adding sales and marketing personnel, increasing salaries and sales commissions for certain positions to attract more experienced and more qualified personnel and increases in management bonuses due to higher revenue and earnings before taxes that resulted in personnel participating in this bonus plan earning higher bonuses.
- An increase in sales and marketing expenses of $1.3 million resulting from new programs to identify third-party resellers for our products and establish relationships with them, new sales lead generation programs to increase exposure to potential customers for our products, and additional travel and entertainment expenses to support new, proactive outbound sales programs.

Research and Development. The overall profile of our research and development activities was as follows (in thousands):

	Year ending December 31,	
	2014	**2013**
R&D expenditures	$ 5,030	$ 4,665
R&D expenditures expensed	2,183	3,766
R&D expenditures capitalized	2,847	899

R&D expenditures increased 7.8% from $4.7 million to $5.0 million. This increase was primarily due to our enhanced activities to develop and introduce new features, functions and capabilities for our products, particularly EFT Standard and Enterprise Editions and WAFS. These increased expenses were in the form of increased salaries expense to support a larger software engineering staff and additional amounts paid to third parties for software development.

R&D expense decreased 42% from $3.8 million to $2.2 million, and R&D expenditures capitalized increased 317% from $899,000 to $2.8 million. Due to the increased quality of our products, there was a decrease in the amount of resources we expended for maintenance of our products after they were released for sale, which are expenditures that are expensed when incurred. A greater amount of our resources were focused on developing new features, functions and capabilities for products that had progressed beyond the R&D stage and had moved into preparation for production based on detailed program designs or working prototypes, which are expenditures that are capitalized when incurred. Capitalized software development costs are excluded from expenses at the time of capitalization but are included in expenses in subsequent periods through amortization when the products to which the capitalized costs relate are completed and ready for sale.

Total resources expended for R&D set forth above as R&D expenditures serves to illustrate our total corporate efforts to improve our existing products and to develop new products regardless of whether or not our expenditures for those efforts were expensed or capitalized. Total resources expended for R&D is not a measure of financial performance under GAAP and should not be considered a substitute for R&D expense and capitalized software development costs individually. While we believe the non-GAAP, total resources expended for R&D amount provides useful supplemental information regarding our overall corporate product improvement and new product creation activities, there are limitations associated with the use of this non-GAAP measurement. Total resources expended for R&D is a non-GAAP measure not prepared in accordance with GAAP and may not be comparable to similarly titled measures of other companies since there is no standard for preparing this non-GAAP measure. As a result, this non-GAAP measure of total resources expended for R&D has limitations and should not be considered in isolation from, or as a substitute for, R&D expense and capitalized software development cost individually.

TappIn Intangible Asset Impairment and Earnout Liability Elimination. This credit to expense in 2013 relates to the elimination of the TappIn intangible assets and earnout liability as discussed under Liquidity and Capital Resources above in the section titled *TappIn Intangible Assets and Earnout Liability – Reduction of Amounts During 2013*. This item is zero in 2014 because there was no similar event in that year.

Depreciation and Amortization. Depreciation and amortization expense decreased 2.8% primarily due to:

- Increased amortization of capitalized software development costs of $513,000 due to a greater number of our products for which development costs were capitalized being completed and brought to market in 2014 as compared to 2013,
- Increased fixed asset depreciation expense of $11,000 due to additional equipment purchases

Offset by:

- Decreased amortization of intangible assets of $549,000 due to there being no such expense in 2014 due to the elimination of the TappIn intangible assets during 2013.

Other Income (Expense), Net. Other income (expense) was lower in 2014 than in 2013 primarily due to lower interest expense as a result of our payment-in-full and retirement of our notes payable to a bank in 2014.

Income Taxes. For 2014, we had an effective tax rate of 33.8%, which differed from the statutory federal income tax rate of 34% primarily due to the domestic production tax credits and research and experimentation tax credits that totaled $80,000.

Comparison of Year Ended December 31, 2013 to Year Ended December 31, 2012

	2013	2012	$ Change
		($ in thousands)	
Total revenues	$ 24,339	$ 23,372	$ 967
Cost of revenues	1,011	1,296	(285)
Selling, general and administrative	14,881	16,761	(1,880)
Research and development	3,766	3,531	235
Affiliated entity asset impairment	0	3,264	(3,264)
TappIn earnout liability not earned	(128)	(1,303)	1,175
Depreciation and amortization	908	1,217	(309)
Total operating expenses	20,438	24,766	(4,328)
Income from operations	3,901	(1,394)	5,295
Other income, net	(165)	(189)	24
Income tax expense	(104)	217	(321)
Net Income	$ 3,840	$ (1,800)	$ 5,640

In the discussions below, we refer to the year ended December 31, 2013, as "2013" and the year ended December 31, 2012, as "2012". The percentage changes cited in our discussions below comparing our results of operations for are based on 2013 amounts compared to 2012 amounts.

Revenue. We derive our revenue primarily from the following activities:

- License revenue from sales of our EFT and Mail Express products that we deliver as either software installed at the customer's premises for which we earn the full amount of the license revenue at the time the licensed is delivered or as a managed or hosted service under our MIX and Hosted EFT brands delivered using a SaaS model for which we earn monthly subscription revenue as these services are delivered over a contract period that is typically one year.
- License revenue from sales of our WAFS and CuteFTP products that are installed at the customer's premises for which we earn the full amount of the license revenue at the time the license is delivered.
- License revenue from delivery of our TappIn products using a SaaS model in which case we earn monthly subscription revenue as these services are delivered under typically month-to-month subscriptions.
- M&S revenue under contracts to provide ongoing product support and software updates to our customers who have purchased license software which we recognize ratably over the contractual period, which is typically one year, but can be up to three years.
- Professional services revenue from a variety of customization, implementation, and integration services, as well as delivery of education and training associated with our solutions, which we recognized as the services are performed and accepted by the client.

The components of our revenues are as follows ($ in thousands):

	Revenue for the Year Ended December 31,			
	2013		2012	
	Amount	Percent of Total	Amount	Percent of Total
Revenue by Product				
EFT Enterprise and Standard	$ 19,254	79.1%	$ 18,109	77.5%
Wide Area File Services	1,277	5.2%	1,577	6.7%
Professional Services	1,479	6.1%	1,547	6.6%
CuteFTP	1,205	5.0%	1,059	4.5%
Other	1,124	4.6%	1,080	4.7%
Total Revenue	$ 24,339	100.0%	$ 23,372	100.0%
Revenue by Type				
Software licenses	$ 9,093	37.4%	$ 10,277	44.0%
M&S	13,767	56.6%	11,352	48.6%
Professional services	1,479	6.0%	1,743	7.4%
Total Revenue	$ 24,339	100.0%	$ 23,372	100.0%

Beginning in the second half of 2013, we began to make significant changes in our business to increase the rate of growth of our total revenues and, in particular, our license revenue across all product lines. We made changes in personnel leading our sales and marketing groups. Under this new leadership, we:

- Increased our sales staff headcount.
- Reconfigured the organization of our sales group to enhance their industry and geographic focus.
- Implemented new sales and marketing campaigns.
- Administered enhanced sales training programs.
- Engaged third party search engine optimization experts to redirect our efforts in that area.

- Launched a campaign to engage and leverage the resources of additional third-party resellers.
- Expanded our channel and distribution partner programs.

As a complement to these sales and marketing actions, we have continued to expand the capabilities of our software engineering group through increased headcount and improved skillsets to optimize the manner in which we assess the development of new technologies, our approach to managing those projects and the timelines over which we do that work. We have also increased our research and development spending to create and introduce new features, functions and capabilities for our products.

Our total revenue increased 4% in 2013 compared to 2012. In addition to the factors discussed above that affect all of our products, our revenue from specific products changed for the following additional reasons:

- EFT Enterprise and Standard revenue increased 6% primarily due to the cumulative effect of ongoing renewals of M&S contracts.

- WAFS decreased 19% primarily due to the continuation of our plan, implemented in prior periods, to more selectively sell this product in environments that could be configured to operate within the data transmission volume and stored file size operating specifications of the software which we found would allow customers to effectively use the WAFS product without encountering legacy WAFS issues.

- CuteFTP revenue increased 14% primarily as a result of our release in November 2012 of CuteFTP Version 9 with an improved feature set to better address the user's higher performance and security demands.

- Professional services revenue declined 4% primarily due to our earning a significant portion of this professional services revenue (15% in 2013 and 33% in 2012) under our contract supporting the Standard Army Maintenance System-Enhanced, or SAMS-E, logistics program for which we completed the terms of the final option year of this contract in September 2013.

- Other revenue increased by 4.1% due to our continued sales and marketing programs designed to increase the penetration in the marketplace of our Mail Express, MIX, Hosted EFT Server, and TappIn products and solutions.

Software license revenue in total declined 12% primarily as a result of:

- Unanticipated delays during 2013 in introducing to the market certain new product features and functionality related to our EFT product line.
- Lower lead generation during the second half of 2012 and into 2013 that had the unintended effect of temporarily slowing the flow of new customer leads from online marketing activities.

M&S revenue increased 21% primarily as a result of the cumulative effect of M&S contract renewals related to software licenses sold in prior years. M&S revenue as a percent of our total revenue was 57% in 2013 and 49% in 2012. M&S revenue continued its trend over recent years of becoming an increasing percentage of our total revenue. As part of growing revenue in total, we are focused on increasing license revenue both in terms of absolute dollars and as a percent of total revenue. When we sell our licensed products, we also typically create a recurring revenue stream from M&S since almost all purchasers of our licensed products, particularly EFT, also purchase an M&S contract. Our M&S contracts are typically for one year, with some customers buying two or three year contracts. The customer pays us the M&S fee for the entire term of the agreement at the time the contract begins. We recognize that amount as revenue ratably in future periods over the term of the contract. We typically experience a high renewal rate for M&S services so long as a customer continues using the licensed product they purchased from us. As a result, growing license revenue not only contributes to increasing revenue growth at the time the license is sold but also provides a foundation for future recurring revenue as the purchasers of our licensed products continually renew M&S agreements to support their ongoing product support needs. This pattern of activity can create a cumulative effect for M&S renewals as a result of the cumulative number of licensed software installations sold over multiple years that create M&S renewals in any single year predictably (and in line with our expectations) exceeding the number of new software licenses we sell in a single year. We expect this cumulative effect to continue to grow if we continue to increase software license revenue in future periods.

Cost of Revenues. Cost of revenues consists primarily of royalties, a portion of our bandwidth costs, hosted service expenses for our Managed Solutions, and expenses directly associated with professional services delivery. Cost of revenues decreased 22% primarily due to:

- Decreased labor costs of $216,000 associated with professional services under the MAT contract as a result of the reduction in our level of participation under that contract as described in our revenue discussions above.
- Decreased royalties of $42,000 on certain product sales due to a favorable renegotiation of the terms of certain royalty agreements.

Offset by:

- Increased hosted server expenses of $26,000 associated with the growth of MIX and Hosted EFT Server solutions.

Selling, General and Administrative. These expenses decreased 11.2% primarily due to the following decreases in expenses:

- Salaries and wages of $628,000 resulting primarily from the consolidation of our chief executive officer and president/chief operating officer positions and certain other officer and leadership positions being unfilled for a portion of 2013 while new personnel were being recruited.
- Stock-based compensation expense of $244,000 resulting from forfeitures of vested stock options held by certain former employees.
- Legal fees of $195,000 resulting from decreased patent litigation activities in 2013 compared to 2012.
- Health insurance of $168,000 resulting from the employees paying a higher portion of employee benefits expense in the 2013 period.
- Travel and entertainment expense of $102,000 due to increasing maturity of international sales relationships and enhanced general cost control policies resulting in less travel being required.
- Public relations expense of $138,000 due to increased use of in-house resources in 2013 as compared to the use of more expensive outside parties in 2012 and more focused and optimized spending in the areas of international and trade show outreach costs.
- Sales commission expense of $147,000 due primarily to a higher percentage of our sales being for M&S for which the commission rate is lower.
- Seminars and training expense of $78,000 due to enhanced general cost control policies.

Research and Development. The overall profile of our research and development activities was as follows (in thousands):

	Year ending December 31,	
	2013	**2012**
R&D expenditures	$ 4,665	$ 3,861
R&D expenditures expensed	3,766	3,531
R&D expenditures capitalized	899	330

R&D expenditures increased 20.8% from $3.9 million to $4.7 million. This increase was primarily due to our enhanced activities to develop and introduce new features, functions and capabilities for our products, particularly EFT Standard and Enterprise Editions and WAFS. These increased expenses were in the form of increased salaries expense to support a larger software engineering staff and additional amounts paid to third parties for software development.

Research and development expense increased 6.7% primarily due to:

- An increase of $541,000 for external research and development work performed primarily to upgrade the performance of our WAFS product.
- An increase of $478,000 in salaries due to the hiring of additional software engineers.
- An increase of $27,000 in recruiting expense incurred for assistance in finding experienced software engineers.

Offset by:

- An increase in capitalized software development costs of $569,000 resulting from development of enhanced versions of EFT Standard and Enterprise Editions. Capitalized software development costs are excluded from expenses at the time of capitalization but are included in expenses in subsequent periods through amortization when the products to which the capitalized costs relate are completed and ready for sale.

Our capitalized software development costs were $899,000 in 2013 and $330,000 in 2012. This increase was due to a greater number of our software development projects in 2013 compared to 2012 being related to product development through features and functionality development (as opposed to maintenance activities related to existing products) and having progressed to having a detailed program design or working prototype in place upon which to base our software product development work.

Affiliated Entity Asset Impairment. This expense in the 2012 relates to the elimination of the value of our investments in and notes receivable from CoreTrace Corporation due to that company selling a substantial portion of its assets to an unrelated third party and ceasing operations. There was no similar event in 2013.

TappIn Intangible Asset Impairment and Earnout Liability Elimination. This credit to expense in 2013 relates to the elimination of the TappIn intangible assets and earnout liability as discussed under Liquidity and Capital Resources above in the section titled TappIn Intangible Assets and Earnout Liability. This credit to expense in 2012 was due to TappIn revenue not being at least $3.0 million in 2012, which was a milestone that had to be achieved for the former TappIn shareholders to receive an earnout payment previously included in our liabilities in the amount of $1.34 million. Accordingly, we eliminated this liability as of December 31, 2012.

Depreciation and Amortization. Depreciation and amortization expense decreased 25.4% primarily due to:

- the 2012 amount including amortization of the software and customer list intangible assets arising from the Availl acquisition for that entire year while the 2013 period included amortization for only a portion of that year as a result of those intangible assets becoming fully amortized, and
- the elimination of the TappIn intangible assets during 2013 such that we incurred amortization expense related to those assets for a portion of 2013 while we incurred such expense for all of 2012.

Other Income (Expense), Net. Other income was lower during the 2013 period than during the 2012 period because the amount for the 2012 period included interest income from CoreTrace notes receivable that did not exist in 2013. Other expense was further affected in the 2013 period compared to the 2012 period by the decrease in interest expense as a result of the outstanding principle balance on our notes payable declining throughout the year as we made the scheduled payments of principle and interest.

Income Taxes. For 2013, we had an income tax benefit at an effective tax rate of 2.8%, which differed from the statutory federal income tax rate of 34% primarily due to:

- The elimination of a $1.3 million deferred tax liability as a result of the TappIn earnout liability of $3.7 million being eliminated.
- A domestic production activities credit of $99,000.
- A research and development tax credit of $95,000.

Offset by:

- State income taxes, net of the effect of their deduction for federal income tax purposes, of $57,000.

For 2012, we had an income tax benefit at an effective rate of 13.7% which differed from the statutory federal income tax rate of 34% primarily due to:

- The TappIn earn out liability not earned of $1.3 million in 2012 for which there is no associated income tax benefit which would have been $443,000 at the statutory income tax rate.
- The reserve of $125,000 provided in our financial statements related to research and development tax credits receivable currently under examination by the Internal Revenue Service.
- The valuation allowance of $1.1 million provided in our financial statements as a result of the affiliated entity asset impairment related to CoreTrace Corporation.

Item 8. Financial Statements and Supplementary Data

GlobalSCAPE, Inc.

Index to Consolidated Financial Statements

Years ending December 31, 2014, 2013 and 2012

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of GlobalSCAPE, Inc.

We have audited the accompanying consolidated balance sheet of GlobalSCAPE, Inc. and its subsidiary (collectively, the "Company") as of December 31, 2014, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2014 consolidated financial statements referred to above, present fairly, in all material respects, the financial position of GlobalSCAPE, Inc. and its subsidiary as of December 31, 2014, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Padgett, Stratemann & Co., L.L.P.,
a member of the McGladrey Alliance
San Antonio, Texas
March 30, 2015

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
GlobalSCAPE, Inc.

We have audited the accompanying consolidated balance sheets of GlobalSCAPE, Inc. (a Delaware corporation) and its wholly-owned subsidiary (the "Company") as of December 31, 2013 , and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GlobalSCAPE, Inc. and its wholly-owned subsidiary as of December 31, 2013, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Houston, Texas
March 27, 2014

GlobalSCAPE, Inc.
Consolidated Balance Sheets
(in thousands except share amounts)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 11,358	$ 9,455
Accounts receivable (net of allowance for doubtful accounts of $511 and $154 in 2014 and 2013, respectively)	5,938	3,765
Federal income tax receivable	-	113
Current deferred tax asset	402	184
Prepaid expenses	488	349
Total current assets	18,186	13,866
Fixed assets, net	616	744
Long term investments	3,185	3,122
Intangible assets, net	3,298	1,028
Goodwill	12,712	12,712
Deferred tax asset	290	1,476
Other assets	100	144
Total assets	$ 38,387	$ 33,092
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,111	$ 655
Accrued expenses	1,590	898
Deferred revenue	11,411	9,092
Income taxes payable	2	-
Long term debt, current portion	-	1,397
Total current liabilities	14,114	12,042
Deferred revenue, non-current portion	3,393	1,708
Long term debt, non-current portion	-	2,989
Other long term liabilities	52	60
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value $0.001 per share, 10,000,000 authorized, no shares issued or outstanding	-	-
Common stock, par value $0.001 per share, 40,000,000 authorized, 20,989,267 and 19,592,117 shares issued at December 31, 2014 and December 31, 2013, respectively	21	20
Additional paid-in capital	18,370	15,834
Treasury stock, 403,581 shares, at cost, at December 31, 2014 and December 31, 2013	(1,452)	(1,452)
Retained earnings	3,889	1,891
Total stockholders' equity	20,828	16,293
Total liabilities and stockholders' equity	$ 38,387	$ 33,092

The accompanying notes are an integral part of these consolidated financial statements.

GlobalSCAPE, Inc.
Consolidated Statements of Operations and Comprehensive Income (Loss)
(in thousands, except per share amounts)

	For the Year Ended December 31, 2014	2013	2012
Operating Revenues:			
Software licenses	$ 10,292	$ 9,093	$ 10,277
Maintenance and support	15,033	13,767	11,352
Professional services	1,445	1,479	1,743
Total revenues	26,770	24,339	23,372
Operating Expenses:			
Cost of revenues	1,018	1,011	1,296
Selling, general and administrative	18,071	14,881	16,761
Research and development	2,183	3,766	3,531
Affiliated entity asset impairment	-	-	3,264
TappIn intangible asset impairment and earnout liability elimination	-	(128)	(1,303)
Depreciation and amortization	883	908	1,217
Total operating expenses	22,155	20,438	24,766
Income (loss) from operations	4,615	3,901	(1,394)
Other income (expense):			
Interest expense	(105)	(227)	(289)
Interest income	63	62	100
Total other income (expense)	(42)	(165)	(189)
Income (loss) before income taxes	4,573	3,736	(1,583)
Provision for income taxes	1,547	(104)	217
Net income (loss)	$ 3,026	$ 3,840	$ (1,800)
Comprehensive income (loss)	$ 3,026	$ 3,840	$ (1,800)
Net income (loss) per common share - basic	$ 0.15	$ 0.21	$ (0.10)
Net income (loss) per common share - diluted	$ 0.15	$ 0.20	$ (0.10)
Weighted average shares outstanding:			
Basic	20,163	18,626	18,358
Diluted	20,693	19,082	18,358

The accompanying notes are an integral part of these consolidated financial statements.

GlobalSCAPE, Inc.
Consolidated Statements of Stockholders' Equity
(in thousands, except number of shares)

	Common Stock		Additional Paid-in	Treasury	Retained	
	Shares	Amount	Capital	Stock	Earnings	Total
Balance at December 31, 2011	18,691,947	$ 19	$ 13,478	$ (1,452)	$ 2,091	$ 14,136
Shares issued upon exercise of stock options	74,600	-	70	-	-	70
Tax (deficiency) from stock-based compensation	-	-	(28)	-	-	(28)
Stock-based compensation expense	-	-	915	-	-	915
Issuance of vested restricted stock	80,000	-	-	-	-	-
Common stock cash dividends	-	-	0	-	(1,289)	(1,289)
Net income (loss)	-	-	-	-	(1,800)	(1,800)
Balance at December 31, 2012	18,846,547	$ 19	$ 14,435	$ (1,452)	$ (998)	$ 12,004
Shares issued upon exercise of stock options	585,570	1	889	-	-	890
Tax (deficiency) from stock-based compensation	-	-	(156)	-	-	(156)
Stock-based compensation expense						
Stock options	-	-	527	-	-	527
Restricted stock	160,000	-	139	-	-	139
Common stock cash dividends	-	-	-	-	(951)	(951)
Net income	-	-	-	-	3,840	3,840
Balance at December 31, 2013	19,592,117	$ 20	$ 15,834	$ (1,452)	$ 1,891	$ 16,293
Shares issued upon exercise of stock options	1,317,150	1	2,242	-	-	2,243
Tax (deficiency) from stock-based compensation	-	-	(227)	-	-	(227)
Stock-based compensation expense						
Stock options	-	-	354	-	-	354
Restricted stock	80,000	-	167	-	-	167
Common stock cash dividends	-	-	-	-	(1,028)	(1,028)
Net income	-	-	-	-	3,026	3,026
Balance at December 31, 2014	20,989,267	$ 21	$ 18,370	$ (1,452)	$ 3,889	$ 20,828

The accompanying notes are an integral part of these consolidated financial statements.

GlobalSCAPE, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	For the Year Ended December 31,		
	2014	2013	2012
Operating Activities:			
Net income (loss)	$ 3,026	$ 3,840	$ (1,800)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Bad debt expense	445	29	68
Depreciation and amortization	883	908	1,217
Stock-based compensation	521	666	915
Deferred taxes	968	(948)	(377)
Excess tax deficiency from exercise of share based compensation	227	156	28
Affiliated entity asset impairment	-	-	3,264
TappIn intangible asset impairment and earnout liability elimination	-	(128)	(1,303)
Other	74	-	-
Subtotal before changes in operating assets and liabilities	6,144	4,523	2,012
Changes in operating assets and liabilities:			
Accounts receivable	(2,619)	(444)	(60)
CoreTrace receivable	-	-	(150)
Prepaid expenses	(139)	77	(187)
Federal income taxes	(112)	(315)	292
Other assets	44	(103)	(11)
Accounts payable	456	223	(159)
Accrued expenses	693	(455)	(43)
Deferred revenues	4,004	1,027	2,141
Other long-term liabilities	(8)	(2)	9
Net cash provided by (used in) operating activities	8,463	4,531	3,844
Investing Activities:			
Software development costs	(2,847)	(899)	(330)
Purchase of property and equipment	(252)	(139)	(213)
Purchase of TappIn, Inc. and earnout payments	-	(500)	(1,500)
Purchase of long-term investments	-	-	(60)
Interest on long term investments	(63)	(62)	-
Net cash provided by (used in) investing activities	(3,162)	(1,600)	(2,103)
Financing Activities:			
Proceeds from exercise of stock options	2,243	890	70
Tax deficiency (benefit) from stock-based compensation	(227)	(156)	(28)
Notes payable principal payments	(4,386)	(1,338)	(1,276)
Dividends paid	(1,028)	(951)	(1,289)
Net cash provided by (used in) financing activities	(3,398)	(1,555)	(2,523)
Net increase (decrease) in cash	1,903	1,376	(782)
Cash at beginning of period	9,455	8,079	8,861
Cash at end of period	$ 11,358	$ 9,455	$ 8,079
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	$ 117	$ 234	$ 294
Income taxes	$ 565	$ 1,161	$ 271

The accompanying notes are an integral part of these consolidated financial statements.

GlobalSCAPE, Inc.
Notes to Consolidated Financial Statements
December 31, 2014 and 2013

1. Nature of Business and Corporate Structure

We provide secure information exchange capabilities for enterprises and consumers through the development and distribution of software, delivery of managed and hosted solutions, and provisioning of associated services. Our solution portfolio facilitates transmission of critical information such as financial data, medical records, customer files, vendor files, personnel files, transaction activity, and other similar documents between diverse and geographically separated network infrastructures while supporting a range of information protection approaches to meet privacy and other security requirements. In addition to enabling secure, flexible transmission of critical information using servers, desktop and notebook computers, and a wide range of network-enabled mobile devices, our products also provide customers with the ability to monitor and audit file transfer activities. Our primary product is Enhance File Transfer, or EFT. We have other products that complement our EFT product.

Throughout these notes unless otherwise noted, our references to 2014, 2013 and 2012 refer to the years ended December 31, 2014, 2013 and 2012, respectively.

2. Significant Accounting Policies

Basis of Presentation

We follow accounting standards set by the Financial Accounting Standards Board. This board sets generally accepted accounting principles in the United States, or GAAP, that we follow in preparing financial statements that report our financial position, results of operations, and sources and uses of cash. We also follow the reporting regulations of the United States Securities and Exchange Commission, or SEC.

The preparation of financial statements in accordance with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of our financial statements. It is possible the actual results could differ from these estimates and assumptions and could have a material effect on the reported amounts of our financial position and results of operations.

Principles of Consolidation

The accompanying consolidated financial statements of GlobalSCAPE, Inc. and its wholly-owned subsidiary (collectively referred to as the "Company" or "we") are prepared in conformity with GAAP. All intercompany accounts and transactions have been eliminated.

Revenue Recognition

We develop, market and sell software products. We recognize revenue from a sale transaction when the following conditions are met:

- Persuasive evidence of an arrangement exists.
- Delivery has occurred or services have been rendered.
- The amount is fixed or determinable.
- Collection is reasonably assured.

For a sale transaction not meeting any one of these four criteria, we defer recognition of revenue related to that transaction until all the criteria are met.

We earn the majority of our software license revenue from software products sold under perpetual software license agreements. At the time our customers purchase these products, they typically also purchase a product maintenance and support, or M&S, agreement. These transactions are multiple element software sales for which we assess the presence of vendor specific objective evidence ("VSOE") of the fair value of the undelivered elements to determine the portion of these sales to recognize as revenue upon delivery of the software product and the portion of these sales to record as deferred revenue at the time the product is delivered. We amortize the deferred revenue component to revenue in future periods as we deliver the related future services to the customer. For transactions, if any, for which we cannot establish VSOE of fair value of the undelivered elements, we initially record the entire transaction as deferred revenue and amortize that amount to revenue in future periods as we deliver the related future services to the customer.

Our deferred revenue consists primarily of revenue to be earned in the future as we deliver services under M&S agreements. Certain of our customers will accept, and sometimes pay, our invoices for M&S services prior to the commencement of the M&S period. In such cases, we record accounts receivable and deferred revenue in the same amount at the time we submit an invoice to the customer and commence recognition of the deferred revenue as revenue only after the M&S period begins.

For our products licensed and delivered under a software-as-a-service transaction on a monthly or other periodic subscription basis, we recognize subscription revenue, including initial setup fees, on a monthly basis over the contractual term of the customer contract as we deliver our products and services. Amounts invoiced or paid prior to this revenue recognition are presented as deferred revenue until earned.

We provide professional services to our customers consisting primarily of software installation support, operations support and training. We recognize revenue from these services as they are completed and accepted by our customers.

We collect sales tax on many of our sales. We do not include sales tax collected in our revenue. We record it as a liability payable to taxing authorities.

Concentrations of Credit Risk and Significant Customers

Our cash, cash equivalents and long-term investments are on deposit in banks and are collectively insured by the Federal Deposit Insurance Corporation for $500,000. Our balances in excess of that amount are not insured. We may withdraw our cash deposits upon demand. We maintain our cash with multiple financial institutions of reputable credit to minimize our risk of loss.

We generally provide credit to our customers under typical invoice payment terms (for example, net 30) that gives rise to trade accounts receivable from those customers. We do not require collateral from our customers. We perform ongoing evaluations of the credit risk related to offering these payment terms. We provide an allowance for uncollectible accounts based on our historical collections experience and the profile of our accounts receivable.

In 2014, 2013 and 2012, no single customer accounted for more than 10% of revenues. One customer comprised 14% of our total accounts receivable at both December 31, 2014 and 2013, substantially all of which have been subsequently collected.

Other Concentrations

Sales in Foreign Markets. In 2014, 2013 and 2012, approximately 28%, 27% and 26%, respectively, of our revenues resulted from sales to customers in foreign countries. We received substantially all of our revenues from foreign customers in U.S. dollars resulting in limited exchange rate risks. Our foreign sales are concentrated mostly in Canada, Western Europe and Latin America.

Labor. We use software developers outside the United States to perform a portion of the coding for the development and maintenance of our software products. If we were unable to continue using these developers because of political or economic instability, we may have difficulty finding comparably skilled developers or may have to pay considerably more for the same work, which could have a material adverse impact on our financial position and results of operations.

Cash and cash equivalents

Cash and cash equivalents includes all cash and highly liquid investments with original maturities of three months or less. Our cash balance as of December 31, 2014, is insured by the Federal Deposit Insurance Corporation for $500,000.

Property and Equipment

Property and equipment is comprised of furniture and fixtures, software, computer equipment and leasehold improvements which are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Furniture, fixtures and equipment have a useful life of 5 to 7 years, computer equipment and software have a life of 3 years and leasehold improvements are depreciated over the shorter of the term of the lease under which the improvements were made or the estimated useful life of the asset.

Expenditures for maintenance and repairs are charged to operations as incurred.

Long Term Investments

Long-term investments consist of certificates of deposit held with financial institutions with contractual maturity dates greater than one year from the balance sheet date. The Company has the intent and ability to hold these investments until their maturity dates and therefore accounts for them as held-to-maturity. These certificates of deposit are stated at amortized cost, which approximates fair value of these investments.

Goodwill

Goodwill is not amortized. On at least an annual basis, we test goodwill for impairment at the reporting unit level. We operate as a single reporting unit.

When testing goodwill, we first assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of our reporting unit is less than its carrying amount, including goodwill. In performing this qualitative assessment, we assess events and circumstances relevant to us including, but not limited to:

- Macroeconomic conditions.
- Industry and market considerations.
- Cost factors and trends for labor and other expenses of operating our business.
- Our overall financial performance and outlook for the future.
- Trends in the quoted market value and trading of our common stock.

In considering these and other factors, we consider the extent to which any adverse events and circumstances identified could affect the comparison of our reporting unit's fair value with its carrying amount. We place more weight on events and circumstances that most affect our reporting unit's fair value or the carrying amount of our net assets. We consider positive and mitigating events and circumstances that may affect our determination of whether it is more likely than not that the fair value of our reporting unit is less than its carrying amount. We evaluate, on the basis of the weight of the evidence, the significance of all identified events and circumstances in the context of determining whether it is more likely than not that the fair value of our reporting unit is less than its carrying amount.

If, after assessing the totality of these qualitative events and circumstances, we determine it is not more likely than not that the fair value of our reporting unit is less than its carrying amount, we conclude there is no impairment of goodwill and perform no further testing in accordance with GAAP. If we conclude otherwise, we proceed with performing the first step, and if necessary, the second step, of the two-step goodwill impairment test prescribed by GAAP.

As of December 31, 2014, after assessing the totality of the relevant events and circumstances, we determined it not more likely than not that the fair value of our reporting unit was less than its carrying amount. Accordingly, we concluded there was no impairment of goodwill as of that date.

Capitalized Software Development Costs

When we complete research and development for a software product and have completed a detail program design or a working model of that software product, we capitalize production costs incurred for that software product from that point forward until it is ready for general release to the public. Thereafter, we amortize capitalized software production costs to expense using the straight-line method over the estimated useful life of that product, which is generally three years.

Intangible Assets – Patent, Customer Relationships and Developed Technology

During a portion of 2013 and all of 2012, we had intangible assets, other than goodwill, consisting of a patent, customer relationships and developed technology that we acquired through the purchase of other companies. We determined the value of those intangible assets at the time of acquisition through discounted cash flow and other similar valuation methods. We amortized these intangible assets on straight-line basis over their estimated useful lives that range from seven to eighteen years. As of December 31, 2013, the balance of these intangible assets had been reduced to zero as a result of the combination of this amortization and a determination that the unamortized portion of these intangible assets was of nominal value.

Research and Development

We expense research and development costs as incurred.

Advertising Expense

We expense advertising costs as incurred as a component of our selling, general and administrative expenses. Advertising expense was $1.4 million, $729,000 and $493,000 in 2014, 2013 and 2012, respectively.

Share-Based Compensation

We measure the cost of share-based payment transactions at the grant date based on the calculated fair value of the award. We recognize this cost as an expense ratably over the recipient's requisite service period during which that award vests or becomes unrestricted.

For stock option awards, we estimate their fair value at the grant date using the Black-Scholes option-pricing model considering the following factors:

- We estimate expected volatility based on historical volatility of our common stock.
- We use primarily the simplified method to derive an expected term which represents an estimate of the time options are expected to remain outstanding. We use this method because our options are plain-vanilla options, and we believe our historical option exercise experience is not adequately indicative of our future expectations.
- We base the risk-free rate for periods within the contractual life of the option on the U.S. treasury yield curve in effect at the time of grant.

For restricted stock awards, we use the quoted price of our common stock on the grant date as the fair value of the award.

Income Taxes

We account for income taxes using the asset and liability method. We record deferred tax assets and liabilities based on the difference between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes, as measured by the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are carried on the balance sheet with the presumption that they will be realizable in future periods in which we generate taxable income.

We assess the likelihood that deferred tax assets will be realized from future taxable income. Based on this assessment, we provide any necessary valuation allowance on our balance sheet with a corresponding increase in the tax provision on our statement of operations. Any valuation allowances we establish are determined based upon a number of assumptions, judgments, and estimates, including forecasted earnings, future taxable income, and the relative proportions of revenue and income before taxes in the various domestic jurisdictions in which we operate.

We account for uncertainty in income taxes using a two-step process to determine the amount of tax benefit to be recognized. First, we evaluate the tax position to determine the likelihood that it will be sustained upon external examination. If the tax position is deemed "more-likely-than-not" to be sustained, we assess the tax position to determine the amount of benefit to recognize in the financial statements. The amount of the benefit we recognize is the largest amount that we believe has a greater than 50% likelihood of being realized upon ultimate settlement. Unrecognized tax benefits represent tax positions for which reserves have been established.

Earnings Per Share

We compute basic earnings per share using the weighted-average number of common shares outstanding during the periods. We compute diluted earnings per share using the weighted-average number of common shares outstanding plus the number of common shares that would be issued assuming conversion of all potentially dilutive common shares outstanding. Awards of non-vested options are considered potentially dilutive common shares for the purpose of computing earnings per common share. In applying the treasury stock method to non-vested options, the assumed proceeds include the amount the employee must pay to exercise the option plus the amount of unrecognized cost attributable to future periods less any expected tax benefits. Below is a reconciliation of the numerators and denominators of basic and diluted earnings per share for each of the following years (in thousands except net income (loss) per share amounts):

	Year ended December 31,		
	2014	**2013**	**2012 (1)**
Numerators			
Numerator for basic and diluted earnings per share:			
Net income (loss)	$ 3,026	$ 3,840	$ (1,800)
Denominators			
Denominators for basic and diluted earnings per share:			
Weighted average shares outstanding - basic	20,163	18,626	18,358
Dilutive potential common shares			
Stock options and awards	530	456	-
Denominator for diluted earnings per share	20,693	19,082	18,358
Net income (loss) per common share - basic	$ 0.15	$ 0.21	$ (0.10)
Net income (loss) per common share – diluted	$ 0.15	$ 0.20	$ (0.10)

(1) For the year ended December 31, 2012, options to purchase 531,634 shares and all of the warrants outstanding at that date have been excluded in computing dilutive shares as the effect would be anti-dilutive.

Recent accounting pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09 entitled *Revenue from Contracts with Customers (Topic 606)*. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services. We are subject to this guidance effective with financial statements we issue for the year ending December 31, 2017, and the quarterly periods during that year. We do not expect the amounts or timing of revenue we report in those future periods under this guidance to be materially affected relative to current guidance.

In July 2013, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Update (ASU) No. 2013-11, *Income Taxes (Topic 740)-Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 2013-11 states that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward except under certain circumstances when one or more of these items is not available at the reporting date under the tax law of the applicable jurisdiction. ASU 2013-11 is applicable for fiscal years beginning after December 15, 2013. Our adoption of this ASU did not have a material impact on our financial statements.

In February 2013, the FASB issued FASB ASU No. 2013-04,*Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*. ASU 2013-04 provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements to the extent such obligations are not already addressed within existing guidance under GAAP. ASU 2013-04 is applicable for fiscal years beginning after December 15, 2013. Our adoption of this ASU did not have a material impact on our financial statements.

In July 2012, the FASB issued FASB ASU No. 2012-02, *Intangibles—Goodwill and Other (Topic 350)—Testing Indefinite-Lived Intangible Assets for Impairment*. ASU 2012-02 permits an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Subtopic 350-30. If an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then no further action is required. If an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test. ASU 2012-02 became effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Our adoption of this ASU did not have a material impact on our financial statements.

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company's financial statements. It is possible that the actual results could differ from these estimates and assumptions, which could have a material effect on the reported amounts of the Company's financial position and results of operation.

Reclassifications

Amounts previously reported as other revenue in the Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2013 and 2012, have been reclassified to software licenses revenue to conform to the presentation for the year ended December 31, 2014.

4. Accounts Receivable

Accounts receivable are presented net of an allowance for doubtful accounts. The activity in the Company's allowance for doubtful accounts has been as follows ($ in thousands):

	Year Ended December 31,		
	2014	2013	2012
Balance, beginning of period	$ 154	$ 171	$ 170
Provision for doubtful accounts	445	29	68
Accounts written off	(88)	(46)	(67)
Balance, end of period	$ 511	$ 154	$ 171

5. Fixed Assets

Fixed assets, at cost, consist of the following ($ in thousands):

	December 31,	
	2014	2013
Furniture and equipment	$ 620	$ 648
Software	634	788
Equipment	1,075	939
Leasehold improvements	559	590
	2,888	2,965
Less accumulated depreciation	(2,272)	(2,221)
Fixed assets, net	$ 616	$ 744

6. Capitalized Software Development Costs

Our capitalized software development costs profile is as follows: ($ in thousands):

	December 31,	
	2014	2013
Gross capitalized cost	$ 4,077	$ 1,229
Accumulated amortization	(779)	(201)
Net balance	$ 3,298	$ 1,028

	Year Ended December 31,		
	2014	2013	2012
Amount capitalized	$ 2,847	$ 889	$ 330
Amortization expense	(577)	(174)	(27)

	Released Products	Unreleased Products
Gross capitalized amount at December 31, 2014	$ 2,620	$ 1,457
Future amortization expense for the year ending December 31,		
2015	$ 846	
2016	699	
2017	296	
Total	$ 1,841	

We include capitalized software development costs in intangible assets on our balance sheet. The future amortization expense of the gross capitalized software development costs related to unreleased products will be determinable at a future date when those products are ready for general release to the public.

7. Notes Payable

During 2014, we repaid-in-full and retired our notes payable to a bank. This payment eliminated the financial covenants and other terms and conditions of the related loan agreements and also eliminated the lien on our long-term investments such that we can convert them to cash and cash equivalents at our discretion at any time to meet the needs of our business.

8. Stock Options, Restricted Stock and Share-Based Compensation

We have stock-based compensation plans under which we have granted, and may grant in the future, incentive stock options, non-qualified stock options, and restricted stock to employees and non-employee members of the Board of Directors. Our share-based compensation expense was as follows ($ in thousands):

	Year Ended December 31,		
	2014	2013	2012
Share-based compensation expense	$ 521	$ 666	$ 915

Stock Options

The GlobalSCAPE, Inc. 2010 Employee Long-Term Equity Incentive Plan is our current stock-based incentive plan for our employees. Provisions and characteristics of this plan include the following:

- It authorizes the issuance of up to three million shares of common stock for stock-based incentives including stock options and restricted stock awards.
- The exercise price, term and other conditions applicable to each stock option or stock award granted are determined by the Compensation Committee of the Board of Directors.
- The exercise price of stock options is set on the grant date and may not be less than the fair market value per share of our stock at market close on that date.
- Stock options we issue generally become exercisable ratably over a three year period and expire ten years from the date of grant.
- We issued no restricted stock awards under this plan in 2014, 2013 or 2012.
- As of December 31, 2014, stock-based incentives for up to 1,341,640 shares remained available for issuance in the future under this plan.

During a portion of 2010 and in earlier years, we issued stock options under the GlobalSCAPE, Inc. 2000 Stock Option Plan. We no longer issue stock options under this plan.

Our stock option activity has been as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms	Aggregate Intrinsic Value
			(Years)	(000's)
Outstanding at December 31, 2011	4,058,320	$ 1.91	6.39	$ 540
2012				
Granted	422,000	$ 1.93		
Forfeitures	(755,625)	$ 4.09		
Exercised	(74,600)	$ 0.94		
Outstanding at December 31, 2012	3,650,095	$ 1.91	6.14	$ 300
2013				
Granted	424,740	$ 1.66		
Forfeitures	(371,520)	$ 2.17		
Exercised	(585,570)	$ 1.52		
Outstanding at December 31, 2013	3,117,745	$ 1.92	4.46	$ 1,808
2014				
Granted	394,500	$ 2.40		
Forfeitures	(172,920)	$ 2.33		
Exercised	(1,317,150)	$ 1.70		
Outstanding at December 31, 2014	2,022,175	$ 2.12	6.07	$ 710
Exercisable at December 31, 2014	1,348,475	$ 2.14	4.76	$ 553

Additional information about our stock options is as follows:

	2014	2013	2012
Weighted average fair value of options granted during the year	$ 1.30	$ 0.87	$ 1.09
Intrinsic value of options exercised during the year	$ 1,160,000	$ 239,000	$ 64,000
Cash received from stock options exercised during the year	$ 2,243,000	$ 889,000	$ 70,000
Number of options that vested during the year	295,670	519,175	382,772
Fair value of options that vested during the year	$ 304,000	$ 632,000	$ 737,000
Unrecognized compensation expense related to non-vested options at end of year	$ 560,000	$ 526,000	$ 963,000
Weighted average years over which non-vested option expense will be recognized	1.93	1.97	1.84

As of December 31, 2014

		Options Outstanding		Options Exercisable	
Range of Exercise Prices	**Underlying Shares Outstanding**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**	**Number of Underlying Shares**	**Weighted Average Exercise Price**
$ 0.15 - $0.33	133,640	3.49	$ 0.77	133,640	$ 0.77
$ 0.85 - $1.41	252,035	5.1	$ 1.42	213,015	$ 1.42
$ 1.43 - $2.16	797,300	6.97	$ 1.83	533,300	$ 1.87
$ 2.18 - $4.10	839,200	5.93	$ 2.82	468,520	$ 3.16
Total options	2,022,175			1,348,475	

We used the following assumptions to determine compensation expense for our stock options using the Black-Scholes option-pricing model:

	Year Ended December 31,		
	2014	**2013**	**2012**
Expected volatility	56%	55%	63%
Expected annual dividend yield	0	0	0
Risk free rate of return	1.91%	1.48%	0.98%
Expected option term (years)	6.00	6.00	6.00

Restricted Stock Awards

The 2006 Non-Employee Directors Long Term Incentive Plan provides for the issuance of either stock options or restricted stock awards for up to 500,000 shares of our common stock. Provisions of this plan included the following:

- The exercise price, term and other conditions applicable to each stock option or stock award granted are determined by the Compensation Committee of the Board of Directors.
- Restricted stock awards are initially issued with a legend restricting transferability of the shares until the recipient satisfies the vesting provision of the award, which is generally continuing service for one year subsequent to the date of the award.
- We issued no stock options under this plan in 2014, 2013 or 2012.
- As of December 31, 2014, stock-based incentives for up to 148,500 shares remained available for issuance in the future under this plan.

Our restricted stock awards activity has been as follows:

	Number of Shares	Grant Date Fair Value Per Share	Total Fair Value of Shares That Vested
Restricted Shares Outstanding at December 31, 2011	80,000	$ 2.16	
2012			
Shares granted with restrictions	80,000	$ 1.97	
Shares vested and restrictions removed	(80,000)	$ 2.16	$ 158,000
Restricted Shares Outstanding at December 31, 2012	80,000	$ 1.97	
2013			
Shares granted with restrictions	80,000	$ 1.65	
Shares vested and restrictions removed	(80,000)	$ 1.97	$ 133,600
Restricted Shares Outstanding at December 31, 2013	80,000	$ 1.65	
2014			
Shares granted with restrictions	80,000	$ 2.32	
Shares vested and restrictions removed	(80,000)	$ 1.65	$ 189,600
Restricted Shares Outstanding at December 31, 2014	80,000	$ 2.32	

At December 31, 2014, we had $77,000 of unrecognized compensation expense related to non-vested restricted stock awards. We expect to recognize that expense in the future over a weighted-average period of five months.

9. Common Stock Purchase Warrants

We had a securities purchase agreement with certain accredited investors under which we granted them warrants to purchase 1,352,000 shares of our common stock at an exercise price of $3.15 per share. These warrants expired unexercised in May 2012.

10. Income Taxes

The components of our income tax expense (benefit) are as follows ($ in thousands):

	2014			2013			2012		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
Federal	$ 733	$ 739	$ 1,472	$ 898	$ (1,090)	$ (192)	$ (574)	$ 741	$ 167
State	93	(18)	$ 75	85	3	88	55	(5)	50
Total	$ 826	$ 721	$ 1,547	$ 983	$ (1,087)	$ (104)	$ (519)	$ 736	$ 217

Deferred income taxes on our balance sheet reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred tax assets and liabilities are as follows ($ in thousands):

	As of December 31,	
	2014	**2013**
Deferred tax assets:		
Capital loss carryforward	$ 1,099	$ 1,099
Share-based compensation	654	1,005
Deferred revenue	581	503
Net operating loss carryforward	210	270
Compensation and benefits	128	84
Allowance for doubtful accounts	174	52
Other	24	2
Total gross deferred tax assets	2,870	3,015
Valuation allowance	(1,099)	(1,099)
Net deferred tax assets	1,771	1,916
Deferred tax liabilities:		
Intangible assets	1,028	193
Depreciation	51	63
Total gross deferred tax liabilities	1,079	256
Net deferred tax assets	$ 692	$ 1,660
Presentation on balance sheet:		
Current deferred tax asset	$ 402	$ 184
Deferred tax asset, non-current	290	1,476
Total net deferred tax assets	$ 692	$ 1,660

As of December 31, 2014, we had federal income tax net operating loss carry forwards of $619,000 available to offset future federal taxable income, if any. These carry forwards arose from TappIn operations before we purchased TappIn, Inc. and became available to us at the time we acquired that company. These carry forwards expire in 2030 and 2031.

In assessing the realizability of deferred tax assets, we consider whether it is more-likely-than-not that a deferred tax asset will not be realized. Our assessment of the likelihood of having sufficient taxable income in the future to support deduction or utilization of the items giving rise to our deferred tax assets indicates it is more-likely-than-not that we will realize the deferred tax assets listed in the table above with the exception of the $1.1 million deferred tax asset related to the capital loss carry forward resulting from the reduction to zero of our investments in and notes receivable from CoreTrace Corporation in 2012. We can realize this capital loss carry forward deferred tax asset to the extent we have capital gains in future periods against which this capital loss can be deducted. We believe it uncertain that we will have sufficient capital gains in the future to support this deduction and have recorded a valuation allowance of $1.1 million for the capital loss carry forward deferred tax asset.

We claimed research and experimentation tax credits, or R&D tax credit, on certain of our tax returns and have included the effect of those credits in our provision for income taxes. Certain of those returns, and in particular the R&D tax credit claimed on those returns, are under routine examination by the Internal Revenue Service. We believe it more-likely-than-not this examination could result in $125,000 of such credits we claimed not being allowed by the Internal Revenue Service. During 2012, we recorded a valuation allowance for this amount due to the uncertainty of this item.

The R&D tax credit for 2012 was extended by legislation passed in 2013. GAAP requires that this credit related to 2012 be recorded in the year in which this legislation passed (i.e. 2013). Accordingly, the effects of the R&D credit related to 2012 are included in our 2013 financial statements, and our 2012 financial statements do not include an R&D credit. The effects of the R&D tax credit for 2013 and 2014 are including in the financial statements for those years.

The aggregate changes in the balance of our gross unrecognized tax benefits were as follows ($ in thousands):

	2014	2013
Balance, beginning of year	$ 125	$ 125
Increases for tax positions related to the current year	-	-
Increases for tax positions related to prior years	-	-
Decreases for tax positions related to prior years	-	-
Reductions due to lapsed statute of limitations	-	-
Balance, end of year	$ 125	$ 125

Our federal income tax returns for 2010 and prior years are no longer subject to examination by the Internal Revenue Service except for the R&D tax credit component of our 2008, 2009 and 2010 federal income tax returns. The R&D component of our 2008, 2009 and 2010 federal income tax returns is under routine examination by the Internal Revenue Service with the results of that examination not yet finalized by the Internal Revenue Service.

To the extent they arise, we record interest and penalty expense related to income taxes as an other expense in our statement of operations. We incurred no such expenses in 2014, 2013 or 2012.

We file state tax returns in various states. The taxes resulting from these filings are included in income tax expense. Taxes we pay to these states are not material to our results of operations or financial position.

Our income tax expense (benefit) reconciles to an income tax expense resulting from applying an assumed statutory federal income rate of 34% to income before income taxes as follows ($ in thousands):

	Year Ended December 31,		
	2014	2013	2012
Income tax expense (benefit) at federal statutory rate	$ 1,555	$ 1,270	$ (538)
Increase (decrease) in taxes resulting from:			
State taxes, net of federal benefit	43	57	32
Other	29	20	(16)
Capital loss carryforward valuation allowance	-	-	1,099
R&D tax credit uncertain tax position	-	-	125
Share-based compensation	0	(1)	1
Research and development credit	(50)	(95)	-
Domestic production activities deduction	(30)	(99)	(43)
Tappin earnout liability not earned	-	(1,256)	(443)
Income tax expense (benefit) per the statement of operations	$ 1,547	$ (104)	$ 217

11. Employee Benefit Plan

We provide our employees a 401(k) plan under which we make employer matching contributions in amounts determined by our Board of Directors. Our matching contributions were $92,000, $111,000, and $102,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

12. Acquired Intangible Assets and TappIn Earnout Liability

Intangible assets resulting from our acquisition of Availl, Inc. in 2006 and TappIn, Inc. in 2011 consisted of the following ($ in thousands):

	Life (Years)	December 31, 2013 Gross	December 31, 2013 Accumulated Amortization	December 31, 2013 Reduction to Zero	December 31, 2013 Net	December 31, 2012 Gross	December 31, 2012 Accumulated Amortization	December 31, 2012 Net
TappIn, Inc.								
Customer relationship	10	$ 1,863	$ (342)	$ (1,521)	$ -	$ 1,863	$ (202)	$ 1,661
Developed technology	7	2,771	(726)	(2,045)	-	2,771	(429)	2,342
Availl, Inc.								
Software	5	1,775	(1,775)	-	-	1,775	(1,775)	0
Customer List	5	180	(180)	-	-	180	(180)	-
Patent	18	7	(7)	-	-	7	(4)	3
Total		$ 6,596	$ (3,030)	$ (3,566)	$ -	$ 6,596	$ (2,590)	$ 4,006

We amortize acquired intangible assets on a straight-line basis over their weighted average lives. This amortization expense was zero, $614,000 and $895,000 in 2014, 2013 and 2012, respectively. There is no future amortization expense associated with these acquired intangibles.

When we acquired TappIn in December 2011, we allocated the total purchase price of this acquisition to assets and liabilities based on their estimated fair values at the acquisition date. That allocation resulted in the TappIn intangible assets set forth in the table above. In 2013, we evaluated input from our customers and the marketplace as a whole relative to the TappIn product line and concluded that our future emphasis would be on merging the TappIn technology and functionality with our EFT Standard Edition and EFT Enterprise Edition products to create an enterprise-level secure content mobility solution. We concluded that offering the TappIn technology through this integration would maximize the return on our investment in this product line. While we decided to continue to offer TappIn as a standalone product in its Standard and Professional Editions, we concluded that revenue earned from the TappIn product line sold in those configurations would not be significant to our results of operations and financial position in the future.

For accounting and financial statement presentation purposes, the value assigned to the developed technology intangible asset as of the date we acquired TappIn and subsequent thereto related only to the TappIn Standard Edition developed technology that existed on the date we acquired TappIn. Under GAAP, none of the value of this intangible asset could be derived from the TappIn Professional Edition or from other uses of the TappIn technology. Specifically, none of the TappIn core technology, enabling technology or the migration of that technology, including the application of that technology to our EFT Standard Edition and EFT Enterprise Edition product lines as mentioned above, could be relied upon to ascribe value to the developed technology intangible asset. Since we concluded revenue earned from the TappIn Standard Edition would not be significant to our results of operations and financial position in the future, we concluded it to be more-likely-than-not that the intangible asset arising from this developed technology is of nominal future value. Accordingly, we reduced its value to zero on our balance sheet as of December 31, 2013, and recorded a corresponding expense for the year ended December 31, 2013.

For accounting and financial statement purposes, the value assigned to the customer relationship intangible asset relates to one contract with a third-party as it stood and was in place on the date we acquired TappIn. Under GAAP, none of the value of this intangible could be derived from future modifications of this contract or from other, subsequent customer relationships. The value of the contract that gave rise to this customer relationship intangible was dependent upon both continued shipments of that customer's products as they existed at the time we acquired TappIn and the purchasers of that customer's products subscribing to TappIn Professional Edition. We concluded that revenue earned from the activities upon which the value of the customer relationship intangible asset was derived would not be significant to our results of operations and financial position in the future. Our relationship with that customer remains in place relative to products it is currently selling that did not exist at the time we acquired TappIn and that were not part of determining the intangible value of this customer relationship at that time. We concluded it to be more-likely-than-not that the intangible asset arising from this customer relationship and the products it covered as they existed at the time we acquired TappIn were of nominal future value. Accordingly, we reduced its value to zero on our balance sheet as of December 31, 2013, and recorded a corresponding expense for the year ended December 31, 2013.

Our acquisition of TappIn provided for the possible payment of $4.5 million of contingent consideration to the former shareholders of TappIn for which our balance sheet prior to December 31, 2103, had included a liability of $3.7 million. We concluded as of December 31, 2013, that the likelihood of those revenue milestones being achieved was remote and that the contingent consideration would not have to be paid. Accordingly, we reduced the TappIn earn out liability on our balance sheet to zero as of December 31, 2013 and recorded a corresponding credit to income in 2013. Our obligation to make any such contingent payment expired on December 31, 2014, with no additional contingent payments being paid or due.

When we acquired TappIn in December 2011, we recorded a deferred tax liability resulting from our recording of the intangible assets described above as of the acquisition date for which there was no corresponding change in the tax basis of the TappIn common stock that we purchased. The balance of this deferred tax liability was $1.2 million as of December 31, 2012. Our reduction of the TappIn intangible assets to zero eliminated this deferred tax liability with a corresponding credit to federal income tax expense during the year ended December 31, 2013.

The effects of the above items were recorded in our financial statements as of December 31, 2013, and for the year then ended and are summarized as follows ($ in thousands):

Reduction of intangible assets:		
Customer relationship	$	(1,521)
Developed technology		(2,045)
Elimination of earnout liability		3,694
Net TappIn asset impairment and earnout liability elimination before taxes		128
Federal income taxes		1,213
Net TappIn asset impairment and earnout liability elimination after taxes	$	1,341

13. Investment in and Notes Receivable From Affiliated Entity

During 2012 and prior years, we had an investment as a shareholder in and notes receivable from CoreTrace Corporation. We also had a joint development and reseller agreement with CoreTrace for our appShield product. In 2012, CoreTrace sold a substantial portion of its assets to an unrelated third party and ceased operations. As a result of that event, the value of our investment in and notes receivable from CoreTrace was eliminated. Accordingly, we reduced to zero the carrying value of those assets related to CoreTrace and recorded a corresponding affiliated entity asset impairment expense of $3.3 million during 2012.

14. Commitments and Contingencies

Minimum rental commitments under operating leases at December 31, 2014, are as follows ($ in thousands):

Year Ending December 31,		
2015	$	355
2016		360
2017		360
2018		360
2019		120
Total	$	1,555

Rent expense under operating leases was $458,000 in 2014, $473,000 in 2013 and $468,000 in 2012. We had a deferred rent credit of $52,000 at December 31, 2014, that we amortize as a credit to rent expense on a straight-line basis over the remaining life of the applicable lease.

We have agreements with key personnel that provide for severance payments to them in the event of a change in control of the Company, as defined in those agreements, and their employment is terminated in connection with that change in control. In such event, our aggregate severance payments to those employees would be $951,000.

15. Quarterly Consolidated Financial Information (unaudited)

	Fiscal Year 2014			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total revenues	$ 5,728	$ 6,686	$ 6,490	$ 7,866
Total operating expenses	$ 4,921	$ 5,913	$ 5,226	$ 6,095
Other income (expense)	$ (20)	$ (27)	$ (11)	$ 16
Net income (loss) before provision for income taxes	$ 787	$ 746	$ 1,253	$ 1,787
Net income (loss)	$ 534	$ 488	$ 782	$ 1,222
Net income (loss) per share:				
Basic	$ 0.03	$ 0.02	$ 0.04	$ 0.06
Diluted	$ 0.03	$ 0.02	$ 0.04	$ 0.06
Weighted average shares outstanding				
Basic	19,534	20,071	20,487	20,487
Diluted	20,394	20,622	20,890	20,859

	Fiscal Year 2013			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total revenues	$ 5,879	$ 5,925	$ 6,337	$ 6,197
Total operating expenses	$ 5,132	$ 5,297	$ 4,802	$ 5,207
Other income (expense)	$ (47)	$ (43)	$ (39)	$ (35)
Net income (loss) before provision for income taxes	$ 700	$ 585	$ 1,496	$ 955
Net income (loss)	$ 517	$ 381	$ 2,287	$ 655
Net income (loss) per share:				
Basic	$ 0.03	$ 0.02	$ 0.12	$ 0.04
Diluted	$ 0.03	$ 0.02	$ 0.12	$ 0.03
Weighted average shares outstanding				
Basic	18,444	18,502	18,761	18,873
Diluted	18,982	18,955	19,158	19,461

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our President and Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

No system of controls, no matter how well designed and operated, can provide absolute assurance that the objectives of the system of controls are met. No evaluation of controls can provide absolute assurance that the system of controls has operated effectively in all cases. Our disclosure controls and procedures are designed to provide reasonable assurance that the objectives of disclosure controls and procedures are met.

As of the end of the period covered by this report, our President and Chief Executive Officer and Chief Financial Officer evaluated, with the participation of management, the effectiveness of our disclosure controls and procedures. Based on the evaluation, our President and Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that the objectives of disclosure controls and procedures are met.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(e). Under the supervision and with the participation of our management, including our President and Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2014, based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organization of the Treadway Commission in 1992 (COSO). Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2014.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to audit by our independent registered public accounting firm pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act signed into law on July 21, 2010 that permits us to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

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

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to GlobalSCAPE's Proxy Statement for its 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2014.

GlobalSCAPE has adopted a Code of Ethics that applies to all its employees, including its President and Chief Executive Officer and its Chief Financial Officer. GlobalSCAPE will provide a copy of its Code of Ethics to any person without charge upon written request to:

James W. Albrecht, Jr.
Chief Financial Officer
GlobalSCAPE, Inc.
4500 Lockhill-Selma, Suite 150
San Antonio, Texas 78249

Item 11. Executive Compensation

The information required by this item is incorporated by reference to GlobalSCAPE's Proxy Statement for its 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2014.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to GlobalSCAPE's Proxy Statement for its 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2014.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to GlobalSCAPE's Proxy Statement for its 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2014.

Item 14. Principal Accountant Fees and Services.

The information required by this item is incorporated by reference to GlobalSCAPE's Proxy Statement for its 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2014.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) Financial Statements and Schedules

The following financial statements of GlobalSCAPE, Inc. are included in Item 8:

- Consolidated Balance Sheets — December 31, 2014 and 2013
- Consolidated Statements of Operations — Years ended December 31, 2014, 2013 and 2012
- Consolidated Statements of Stockholders' Equity — Years ended December 31, 2014, 2013 and 2012
- Consolidated Statements of Cash Flows — Years ended December 31, 2013, 2012 and 2011
- Notes to Consolidated Financial Statements — December 31, 2014 and 2013

(2) Schedules not listed above have been omitted because they are not applicable or required, or the information required to be set forth therein is included in the Financial Statements or Notes thereto.

(3) Exhibits

Exhibit Number	**Description**
3.1	Amended Restated Certificate of Incorporation (Filed as Exhibit 3.1 to Form 8-K filed November 17, 2006).
3.2	Amended and Restated Bylaws of the Company effective as of October 30, 2008 (Filed as Exhibit 3.2 to Form 8-K filed November 5, 2008).
4.1	Specimen of Stock Certificate (Filed as Exhibit 4.1 to Form 10-K filed April 2, 2001).
*10.1	1998 Stock Option Plan as amended May 13, 1999 (Filed as Exhibit 4.2 to Form 10-K filed May 12, 2000).
*10.2	2000 Stock Option Plan dated May 8, 2000 (Filed as Exhibit 4.3 to Form 10-K filed May 12, 2000).
*10.3	Form of 1998 Stock Option Plan Rights Termination Letter Agreement of Directors to Agree Not to Claim Any Right of Adjustment dated February 4, 2000 (Filed as Exhibit 4.6 to Form 10 filed May 12, 2000).
*10.4	Form of 1998 Stock Option Plan Rights Termination Letter Agreement for Employees and Consultants to Cancel Options dated February 8, 2000 (Filed as Exhibit 4.7 to Form 10, filed May 12, 2000).
*10.5	Form of 1998 Stock Option Plan Rights Termination Letter of Officer to Agree Not to Claim Any Right of Adjustment dated February 8, 2000 (Filed as Exhibit 4.8 to Form 10 filed May 12, 2000).
*10.6	Form of 1998 Stock Option Plan Rights Termination Letter Agreement of Officer to Agree Not to Exercise Options dated February 8, 2000 (Filed as Exhibit 4.9 to Form 10 filed May 12, 2000).
*10.7	Form of 1998 Stock Option Plan Reinstatement and Adjustment Letter for Employees dated December 19, 2000 (Filed as Exhibit 10.17 to Annual Report on Form 10-K filed April 2, 2001).
*10.8	Form of Release and Indemnity Agreement between GlobalSCAPE, Inc. and Employees dated December 19, 2000 (Filed as Exhibit 10.18 to Form 10-K filed April 2, 2001).
*10.9	Form of Incentive Stock Option Agreement under GlobalSCAPE, Inc. 2000 Stock Option Plan (Filed as Exhibit 10.21 to Form 10-K filed April 1, 2002).

*10.10	Form of Non-Qualified Stock Option Agreement under the GlobalSCAPE, Inc. 2000 Stock Option Plan (Filed as Exhibit 10.2 to Form 10-Q filed November 13, 2006)
*10.11	GlobalSCAPE, Inc. 2006 Non-Employee Directors Long-Term Equity Incentive Plan (Filed as Exhibit 10.1 to Form 8-K filed June 5, 2007).
*10.12	Form of Non-Statutory Stock Option Agreement under GlobalSCAPE, Inc. 2006 Non-Employee Directors Long-Term Equity Incentive Plan (Filed as Exhibit 10.1 to Form 10-Q filed November 14, 2007).
*10.13	Form of Employment Agreement for Executive Officers at Vice President-level and above (Filed as Exhibit 10.1 to Form 8-K filed August 19, 2009).
*10.14	GlobalSCAPE, Inc. 2010 Employee Long Term Equity Incentive Plan dated June 3, 2010 (Filed as Appendix A to the Definitive Proxy Statement filed April 22, 2010).
*10.15	Form of Non-Qualified Stock Option Agreement under GlobalSCAPE, Inc. 2010 Employee Long-Term Equity Incentive Plan dated June 3, 2010 (Previously filed as Exhibit 10.1 to Form 8-K filed on February 10, 2015).
10.16	Employment Agreement dated as of September 9, 2013 by and between GlobalSCAPE and Matthew Goulet (Previously filed as Exhibit 10.17 to Form 10-K filed on March 27, 2014).
14.1	Code of Ethics (Filed as Exhibit 14.1 to Form 10-K filed March 27, 2008)
21.1	Subsidiaries of GlobalSCAPE, Inc. (Filed as Exhibit 21.1 to Form 10-K filed March 29, 2012).
23.1	Consent of Grant Thornton LLP (Filed herewith).
23.2	Consent of Padgett, Stratemann & Co., L.L.P. (Filed herewith).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith).
32.1	Certification of Chief Executive and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
101	Interactive Data File.

* Management Compensatory Plan or Agreement

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, in San Antonio, Texas on March 30, 2015.

GlobalSCAPE, Inc.

By: /s/ James L. Bindseil
James L. Bindseil
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on March 30, 2015.

Signature	Title
/s/ James L. Bindseil James L. Bindseil	President and Chief Executive Officer and Director (Principal Executive Officer)
/s/ James W. Albrecht, Jr. James W. Albrecht, Jr.	Chief Financial Officer (Principal Finance and Accounting Officer)
/s/ Thomas W. Brown Thomas W. Brown	Chairman of the Board and Director
/s/ David L. Mann David L. Mann	Director
/s/ Frank M. Morgan Frank M. Morgan	Director
/s/ Phillip M. Renfro Phillip M. Renfro	Director

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 27, 2014, with respect to the consolidated financial statements included in the Annual Report of GlobalSCAPE, Inc. on Form 10-K for the year ended December 31, 2014. We hereby consent to the incorporation by reference of said report in the Registration Statements of GlobalSCAPE, Inc. on Forms S-8 (File No. 333-61180, effective May 17, 2001; File No 333-61160, effective May 17, 2001, File No. 333-145771, effective August 29,2007, and File No. 333-168871, effective August 16, 2010).

/s/ Grant Thornton LLP

Houston, Texas
March 30, 2015

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 30, 2015, with respect to the consolidated financial statements included in the Annual Report of GlobalSCAPE, Inc. on Form 10-K for the year ended December 31, 2014. We hereby consent to the incorporation by reference of said report in the Registration Statements of GlobalSCAPE, Inc. on Forms S-8 (File No. 333-61180, effective May 17, 2001; File No 333-61160, effective May 17, 2001, File No. 333-145771, effective August 29, 2007, and File No. 333-168871, effective August 16, 2010).

/s/ Padgett, Stratemann & Co., L.L.P.,
a member of the McGladrey Alliance
San Antonio, Texas
March 30, 2015

EXHIBIT 31.1

CERTIFICATIONS

I, James L. Bindseil, certify that:

1. I have reviewed this annual report on Form 10-K of GlobalSCAPE, 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 annual 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 year 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 controls 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: March 30, 2015

/s/James L. Bindseil
James L. Bindseil
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, James W. Albrecht, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of GlobalSCAPE, 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 annual 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 year 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 controls 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: March 30, 2015

/s/James W. Albrecht, Jr.
James W. Albrecht, Jr.
Chief Financial Officer

Exhibit 32.1

CERTIFICATE 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 Annual Report of GlobalSCAPE, Inc. on Form 10-K for the period ending December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, James L. Bindseil, Chief Executive Officer and James W. Albrecht, Jr., Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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 GlobalSCAPE, Inc.

March 30, 2015

/s/ James L. Bindseil
James L. Bindseil
President and Chief Executive Officer

/s/ James W. Albrecht, Jr.
James W. Albrecht, Jr.
Chief Financial Officer