Notice of 2016
Annual Meeting
of Stockholders

Proxy Statement
And
Form 10-K

For the year ended December 31, 2015

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

To Our Stockholders,

I remain extremely proud of the accomplishments of the GlobalSCAPE team in 2015. Due to the efforts of everyone in the Company and our world-class collection of partners, we achieved record revenues during 2015 as a whole surpassing $30M for the first time in company history as well as 23% year over year growth in new client bookings. These accomplishments are a direct result of our people meeting a number of goals that included:

James Bindseil
(President and CEO)

- Continued innovation of our core product lines while continuing to invest in emerging technologies for future benefit

- Enhanced sales and marketing efforts focused on demand generation and the maturation of our North America channel program

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

The GlobalSCAPE team has been focused not only on the short term financial objectives, but also on putting the pieces in place that will enable even greater future growth. Our 2015 fiscal year and Q4 performance once again demonstrates the momentum and predictability that we are working to achieve at GlobalSCAPE. All of us with GlobalSCAPE consider 2015 to have been very successful and we remain pleased that the changes we have made in our sales, marketing and product development activities are working as expected. We believe that the investments that we have made over the last two years continue to show their value and will continue to further mature in future periods.

Throughout 2016, we will work to continue to build on our momentum in both legacy as well as emerging technologies and continue growing in both our customer facing and partner facing programs. These pillars will remain at the forefront of all our activities while continuing to deliver world-class support and services that our loyal customers have come to expect.

I am proud to serve as the President and CEO of GlobalSCAPE. I remain confident that the world-class technologies we develop, combined with the efforts of all of our internal and partner teams, make GlobalSCAPE second to none. Our team is focused and continues to execute on our strategic plans as we work to identify all possible paths to accelerate growth in the year ahead and beyond. As we approach our 20th anniversary as a company, we believe the best is yet to come.

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 5, 2016.

Sincerely,

James L. Bindseil
President and Chief Executive Officer

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

March 23, 2016

Dear Stockholders:

You are cordially invited to attend the 2016 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 Thursday, May 5, 2016, 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 two directors who will serve for a term of three years.
- Ratification of the selection of Padgett, Stratemann & Co., L.L.P. as our independent registered public accounting firm for the year ending December 31, 2016.
- Advisory votes on executive compensation and the frequency of such votes in the future.

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 5, 2016

To the Stockholders of GlobalSCAPE, Inc.:

The 2016 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 5, 2016, at 9:00 a.m., local time, for the following purposes:

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

   Frank M. Morgan

   Thomas E. Hicks

2. 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, 2016.

3. To approve, by advisory vote, a resolution on executive compensation.

4. To recommend, by advisory vote, the frequency of future advisory votes on executive compensation.

5. 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 11, 2016, 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.

March 23, 2016
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 5, 2016

This Proxy Statement, the form of proxy card and our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, including financial statements, are available on the Internet at www.proxyvote.com.

GlobalSCAPE, Inc.

Proxy Statement
For
Annual Meeting of Stockholders
To Be Held Thursday, May 5, 2016

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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 2016 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 March 23, 2016. 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 2016 Annual Meeting of Stockholders will be held at 9:00 a.m., Central Daylight Time, on May 5, 2016, 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 11, 2016, 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 21,028,726 shares of GlobalSCAPE common stock outstanding, which were held by approximately 1,831 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 (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.

- Proposal 3 (advisory vote on executive compensation) is an advisory vote and must receive the affirmative vote of the holders of a majority of the total votes cast on the proposal in order to be approved. Broker non-votes are not considered votes cast "for" or "against" this proposal and will have no effect.

- Proposal 4 (frequency of future advisory votes on executive compensation) is an advisory vote and must receive the affirmative vote of the holders of a majority of the total votes cast on the proposal in order to be approved. Broker non-votes are not considered votes cast "for" or "against" this proposal and will have no effect.

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, www.proxyvote.com, and following the instructions for Internet voting.

- **Vote by telephone.** Please call the number printed on your voting document.

- **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 4, 2016. 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 directors.
- "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, 2016.
- "FOR" approval, on an advisory basis, of the compensation of GlobalSCAPE's executives named in the Summary Compensation Table in this Proxy Statement.
- "FOR" a frequency of three (3) years for future advisory votes on executive compensation.

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.

Ratification of Appointment of Independent Registered Public Accounting Firm

With respect to Proposal Two, 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 2016.

Advisory Vote on Executive Compensation

With respect to Proposal Three, the advisory vote on executive compensation, an abstention from voting will have the same effect as a vote against this proposal, and broker non-votes will have no effect on the outcome of this proposal. Brokers, as nominees for the beneficial owner, may not exercise discretion in voting on this matter and may only vote on this proposal as instructed by the beneficial owner of the shares. The outcome of this proposal is advisory in nature and is non-binding.

Advisory Vote on Frequency of Future Advisory Votes on Executive Compensation

With respect to Proposal Four, the frequency of future advisory votes on executive compensation, an abstention from voting will have the same effect as a vote against this proposal, and broker non-votes will have no effect on the outcome of this proposal. Brokers, as nominees for the beneficial owner, may not exercise discretion in voting on this matter and may only vote on this proposal as instructed by the beneficial owner of the shares. The outcome of this proposal is advisory in nature and is non-binding.

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 in the advisory votes on executive compensation and the frequency of such votes in the future. **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, two Class I directors are to be elected for a term of three years, to hold office until the expiration of their term in 2019, or until a successor shall have been qualified and elected. The nominees are Frank M. Morgan and Thomas E. Hicks. Mr. Morgan is currently a Class I director. Dr. Hicks is not currently a director. Neither Mr. Morgan nor Dr. Hicks is an officer of GlobalSCAPE.

Assuming the presence of a quorum, the nominees for director who receive 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 each of the nominees 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 each of the nominees 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 nominees to the Board of Directors.

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

Name	**Age**	
Frank M. Morgan	67	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 first became a director of GlobalSCAPE in 2006. His current term as director of GlobalSCAPE expires in 2016.
Dr. Thomas E. Hicks	67	Dr. Hicks has 46 years of experience as an educator in the computer science field. He is currently an Associate Professor of Computer Science at Trinity University in San Antonio, Texas. He has served in that position since 1983. He is responsible for all of the software engineering courses at Trinity University where he also teaches courses in database design, networking and data communications, advanced website design and cloud computing. He has over 100 publications and/or conference presentations to his credit. Dr. Hicks is a graduate of West Virginia University where he received a Bachelor of Science in Secondary Education-Comprehensive Mathematics, a Masters of Science-Secondary and Elementary Mathematics Education, and an Educational Doctorate in Mathematics Education-Concentrations in Mathematics and Computer Science. Dr. Hicks' extensive experience in the computer science field and software engineering will provide valuable technical insight to our board.

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

Directors with Terms Expiring in 2017 and 2018

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.

Name	Age	
David L. Mann	66	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.
James L. Bindseil	51	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.
Thomas W. Brown	72	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 2018.

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.

Name	Age	Position	
James L. Bindseil	51	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.

Name	Age	Position	
			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.	61	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 40 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.
Matthew C. Goulet	43	Chief Operating Officer and Senior Vice President of Sales and Marketing	Mr. Goulet has served as GlobalSCAPE's Chief Operating Officer since October 2015 and its 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 18 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.
Greg T. Hoffer	44	Vice President of Engineering	Mr. Hoffer has served as GlobalSCAPE's Vice President of Engineering since July 2015. From January 2014 to June 2015, he was GlobalSCAPE's Director of Engineering. From September 2012 to December 2013, he was Director of Software R&D at Trinity Millennium Group. During 2011 and 2012, he pursued a Ph.D. in Computer Science at The University of Texas at San Antonio. Mr. Hoffer previously served in various engineering roles at GlobalSCAPE from 2000 to 2010. He has more than 18 years of experience in developing and delivering commercial software products related to security, networking, and storage. Mr. Hoffer received a Master's degree in Computer Science from the University of Texas at San Antonio and a Bachelor's degree in Computer Science with a major in economics and a minor in mathematics from Trinity University.

Board Meetings and Attendance

During the fiscal year ended December 31, 2015, the Board of Directors held five meetings and also acted by unanimous written consent three times. Separate from the full Board of Directors' meetings, there were five Audit Committee meetings and five Compensation Committee meetings. During 2015, each director, except for Phillip M. Renfro, attended at least 75% of all Board and applicable Committee meetings. During 2015, 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 2015 Annual Meeting, all members of the Board were present other than Mr. Renfro.

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 Messers. Mann and Morgan and Dr. Hicks 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 2015. Mr. Mann was the chairman of this committee during 2015. This committee met five times during 2015. 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 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. 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 2015. Mr. Morgan was chairman of this committee during 2015. This committee met five times during 2015. 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 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.

GlobalSCAPE does not currently have a nominating committee. The Board of Directors does not believe that it is appropriate to have a separate nominating committee because of the small size of the Board and that the Board consists of a majority of independent directors. All directors participate in the consideration of director nominees.

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 2015. No member of the Compensation Committee was at any time during 2015, 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 2015.

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 2016 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 areas 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 11, 2016, 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 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 21,028,726 shares of common stock outstanding at March 11, 2016. 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 11, 2016.

With respect to the beneficial owners listed in the table below, the address of Wellington Management Group LLP is 280 Congress Street, Boston, Massachusetts, 02210. The address of all other beneficial owners 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 11, 2016

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 11, 2016 (# of shares)	Total Beneficial Ownership (# of shares)	Percentage of Class
Thomas W. Brown	5,560,393 (1) (2)	60,000	5,620,393	-	5,620,393	26.65%
Wellington Management Group LLP	1,816,900 (3)	-	1,816,900	-	1,816,900	8.64%
David L. Mann	1,606,971 (2)	60,000	1,666,971	-	1,666,971	7.90%
Phillip M. Renfro	99,495 (2)	60,000	159,495	-	159,495	0.76%
Frank M. Morgan	127,875 (2)	20,000	147,875	-	147,875	0.70%
James L. Bindseil	-	224,000	224,000	-	224,000	1.05%
James W. Albrecht, Jr.	-	174,750	174,750	-	174,750	0.82%
Matthew C. Goulet	2,000 (4)	90,750	92,750	-	92,750	0.44%
Greg Hoffer	100	33,000	33,100	-	33,100	0.16%
All directors and executive officers as a group (7 persons)			8,084,234	-	8,084,234	38.45%

(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/A filed dated February 16, 2016 (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, which was an investment adviser to these clients as of December 31, 2015. 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, Micro Cap Equity Portfolio
WTC-CTF Micro Cap Equity

(4) Includes 2,000 shares owned by Mr. Goulet's minor children.

Equity Compensation Plan Information

The following table provides aggregate information regarding grants under all equity compensation plans of GlobalSCAPE through December 31, 2015.

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	2,091,325	$ 2.45	1,345,590

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 except that David Mann reported a sale of 16,551 shares on November 5, 2015, on a Form 4 filed on November 10, 2015, which was late by one day.

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 2015

Robert Langenbahn, an Enterprise Sales Manager, earned $279,376 in base salary and commissions in 2015. Mr. Langenbahn is the son-in-law of Thomas W. Brown, our Chairman of the Board. Mr. Langenbahn's compensation plan is comparable to that of others in our sales and marketing organization.

We did not have any other related-party transactions in 2015.

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, sales commissions, 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 2015, 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:

- 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 2015 was approximately 2%.

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 2015, Messrs. Bindseil and Albrecht were eligible for annual bonuses equal to 35% of their base salaries. Mr. Goulet was eligible for an annual bonus equal to 15% of his base salary. 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 2015, the Company achieved 100% of the revenue target and 127% of the income target as both are defined and set forth in the annual bonus plan. Based on these results, the Compensation Committee approved and the Company paid bonuses for 2015 of $106,304 to Mr. Bindseil, $101,874 to Mr. Albrecht and, $12,090 to Mr. Goulet.

Mr. Goulet is also paid a sales commission each month. The amount of the commission is based upon sales bookings quotas consisting of certain bookings of sales of licenses, maintenance and support and professional services as established by our CEO and approved by the Compensation Committee. During 2015, he was eligible to be paid a sales commission of $43,750 upon achieving the prescribed sales bookings quotas. If he did not achieve those quotas, that sales commission amount was subject to a prorata reduction based on the achieved percentage of the sales bookings quota. If he exceeded the sales bookings quotas, he was eligible to be paid commissions equal to $43,750 plus an additional amount on sales bookings above the quota computed at two times the rate at which he was paid commissions up to the sales bookings quota. For 2015, Mr. Goulet was paid sales commissions of $247,271, which was 1.35% of the total sales bookings for which he was eligible to be paid sales commissions.

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 executive officers for the fiscal years ended December 31, 2015 and 2014.

		Salary	Bonus	Option Awards (1)	Non-Equity Incentive Plan Compensation	All Other Compensation (3)	Total
James L. Bindseil	2015	$ 247,700	$ -	$ 104,654	$ 106,304	$ 22,362	$ 481,020
President and Chief Executive Officer	2014	240,000	-	62,165	123,268	19,651	445,084
James W. Albrecht, Jr.	2015	236,900	-	104,654	101,874	23,900	467,328
Chief Financial Officer	2014	230,000	-	-	118,132	19,439	367,571
Mathew C. Goulet							
Senior Vice President of Sales	2015	206,542	-	104,654	259,361 (2)	23,329	593,884
and Marketing	2014	171,154	-	31,174	171,855 (2)	40,093	414,276

(1) These amounts represent the aggregate grant date fair value of stock option awards for fiscal years 2015 and 2014 calculated as described in our Consolidated Financial Statements included in our Form 10-K as of December 31, 2015, and for the two years then ended filed with the Securities and Exchange Commission. See specifically footnote 2, Accounting Policies, and footnote 8, Stock Options, Restricted Stock and Share-Based Compensation for a discussion of all assumptions made in the calculation of this amount. These amounts do not necessarily represent the actual amounts paid to or realized by the named executive officer for these awards during fiscal years 2015 or 2014. 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) Mr. Goulet's non-equity incentive compensation for 2015 consists of $12,090 earned under our annual incentive bonus plan described above and $247,271 of sales commissions. For 2014, this amount consisted only of sales commissions.

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

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 2015.

Executive	Percentage of Salary to Total Compensation	Percentage of Annual Cash Incentive Payment to Total Compensation(1)
James L. Bindseil	51.5%	22.1%
James W. Albrecht, Jr.	50.7%	21.8%
Matthew C. Goulet	34.8%	43.7%

(1) Includes non-equity incentive plan compensation and sales commissions.

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 March 31, 2017. 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 the occurrence of any of the following:

- 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.

- Any person or group makes a tender offer or an exchange offer for 50% or more of the combined voting power of the Company's then outstanding securities.

- 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 other than death 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 beneficially own, immediately after the effective time of such transaction, less than 50% of the combined voting power of the outstanding securities of the entity resulting from such a transaction.

- 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:

- Employee substantially fails to 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.

- 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.

- The Company commits a material breach of any of the covenants, representations, terms or provisions of the employment agreement, 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 the employment 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.
- 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, 2015.

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	177,043
James W. Albrecht, Jr.	Severance			236,900
Chief Financial Officer	Option Acceleration	(1)	not applicable	60,750
Matthew C. Goulet	Severance		-	210,000
Vice President of Sales	Option Acceleration	(1)	not applicable	151,285

(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 $4.01 on December 31, 2015, 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 2015. 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 ($) (1)			All Other Option Awards: Number of Securities Underlying	Per Share Exercise or Base Price of Option	Grant date fair value of stock and option
	Grant Date	Threshold	Target	Maximum	Options	Awards ($)	awards ($)(2)
James L. Bindseil	3/24/2015	-	$ 86,520	Unlimited	-	-	-
James L. Bindseil	2/9/2015	n/a	n/a	n/a	75,000	$ 3.20	$ 104,654
James W. Albrecht, Jr.	3/24/2015	-	$ 82,915	Unlimited	-	-	-
James W. Albrecht, Jr.	2/9/2015	n/a	n/a	n/a	75,000	$ 3.20	$ 104,654
Matthew C. Goulet	3/24/2015	$ -	$ 7,700 (3)	Unlimited	-	-	-
Matthew C. Goulet	2/9/2015	n/a	n/a	n/a	75,000	$ 3.20	$ 104,654

(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) These amounts represent the aggregate grant date fair value of stock option awards for fiscal years 2015 and 2014 calculated as described in our Consolidated Financial Statements included in our Form 10-K as of December 31, 2015, and for the two years then ended filed with the Securities and Exchange Commission. See specifically footnote 2, Accounting Policies, and footnote 8, Stock Options, Restricted Stock and Share-Based Compensation for a discussion of all assumptions made in the calculation of this amount. These amounts do not necessarily represent the actual amounts paid to or realized by the named executive officer for these awards during fiscal years 2015 or 2014. 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.

(3) Does not include sales commissions for which no threshold, target or maximum amounts are paid.

Outstanding Equity Awards at Fiscal Year-End

The table below contains certain information concerning outstanding option awards at December 31, 2015, 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
	40,000	-	$ 1.70	1/3/2022
	49,500	25,500	$ 1.65	6/10/2023
	8,250	16,750	$ 2.35	1/2/2024
	8,250	16,750	$ 2.32	12/5/2024
	-	75,000	$ 3.20	2/9/2025
James W. Albrecht, Jr.				
Chief Financial Officer	150,000	-	$ 2.10	7/10/2022
	-	75,000	$ 3.20	2/9/2025
Matthew C. Goulet				
Chief Operating Officer	49,500	25,500	$ 1.55	9/9/2023
	8,250	16,750	$ 2.35	1/2/2024
	-	75,000	$ 3.20	2/9/2025

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. 2015 Non-Employee Directors Long-Term Equity Incentive Plan, or the 2015 Directors Plan, and previously under the 2006 GlobalSCAPE, Inc. Non-Employee Directors Long-Term Incentive Plan, or the 2006 Directors Plan. Under the 2015 Directors Plan, a maximum of 500,000 shares of GlobalSCAPE common stock may be awarded. As of March 11, 2016, options to purchase a total of 140,000 shares were outstanding under the 2006 Directors Plan and 60,000 shares were outstanding under the GlobalSCAPE, Inc. 2000 Stock Option Plan. As of March 11, 2016, 80,000 shares of restricted common stock were issued and outstanding under the 2015 Directors Plan for which the restrictions lapse in May 2016 provided the owner of those restricted shares meets the continuing service requirement at that time.

The 2015 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 2015 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 2015, 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 his being an employee of the Company. The restrictions on this restricted stock lapse in May 2016 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, 2015 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	$ 60,000	$ 66,800	$ 13,335	$ 140,135
David L. Mann	$ 51,000	$ 66,800	$ 13,335	$ 131,135
Frank M. Morgan	$ 51,000	$ 66,800	$ 658	$ 118,458
Phillip M. Renfro	$ 25,000	$ 66,800	$ 6,172	$ 97,972

(1) These amounts represent the aggregate grant date fair value of restricted stock awards for the fiscal year 2015 calculated as described in our Consolidated Financial Statements included in our Form 10-K as of December 31, 2015, filed with the Securities and Exchange Commission. See specifically footnote 2, Accounting Policies, and footnote 8, Stock Options, Restricted Stock and Share-Based Compensation for a discussion of all assumptions made in the calculation of this amount. These amounts do not necessarily represent the actual amounts paid to or realized by the directors for the 2015 award. These amounts are recognized as an expense in our financial statements over the period of service required for the grant to become unrestricted which is generally continuing service for one year subsequent to the date of the award.

(2) Health insurance premiums.

As of December 31, 2015, 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	20,000	20,000
Phillip M. Renfro	60,000	20,000

PROPOSAL TWO
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, 2016. 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. A representative of Padgett Stratemann will not be present at the annual meeting.

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, 2016.

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 2015, and for the years then ended and for their reviews of the condensed financial statements included in our Quarterly Reports on Form 10-Q during the years ended December 31, 2014 and 2015, were $149,000 and $181,000 respectively. 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.

Audit-Related Fees. There were no fees paid to Padgett Stratemann or Grant Thornton in 2014 or 2015 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 2015.

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, 2015.

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 firm 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, 2015, 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

PROPOSAL THREE
ADVISORY VOTE ON EXECUTIVE COMPENSATION

GlobalSCAPE asks that you indicate your support for our executive compensation policies and practices as described in our Compensation Discussion and Analysis, accompanying tables and related narrative contained in this Proxy Statement. Your vote is advisory and will not be binding on the Board of Directors; however, the Board of Directors will review the voting results and take them into consideration when making future decisions regarding executive compensation.

The Compensation Committee is responsible for executive compensation and works to structure a compensation plan that reflects GlobalSCAPE's underlying compensation philosophy of aligning the interests of our executive officers with those of our 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.

The Board of Directors recommends a vote "FOR" the following resolution:

RESOLVED: That the stockholders approve, on an advisory basis, the compensation of GlobalSCAPE's executives named in the Summary Compensation Table, as disclosed in this Proxy Statement pursuant to the executive compensation disclosure rules of the Securities and Exchange Commission, which disclosure includes the Compensation Discussion and Analysis, the compensation tables and other executive compensation disclosures and related material set forth in this Proxy Statement.

PROPOSAL FOUR
FREQUENCY OF FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires us to provide an advisory stockholder vote to determine how often to present the advisory stockholder vote to approve the compensation of our named executive officers (the "say-on-pay vote"). We must solicit your advisory vote on whether to have the say-on-pay vote every 1, 2, or 3 years. Stockholders may vote as to whether the say-on-pay vote should occur every 1, 2 or 3 years, or may abstain from voting on the matter. The frequency (every 1, 2 or 3 years) that receives the highest number of votes will be deemed to be the choice of the stockholders.

We value the opinion of our stockholders and welcome communication regarding our executive compensation policies and practices. After taking into account various considerations described below, we believe that a triennial vote will provide stockholders with the ability to express their views on our executive compensation policies and practices while providing us with an appropriate amount of time to consult with our stockholders and to consider their input.

Our executive compensation is administered by our Compensation Committee, as described in this Proxy Statement. Compensation decisions are complex and, with respect to our named executive officers, are disclosed in our Proxy Statement. We believe that establishing a three-year time frame for holding stockholder advisory votes on executive compensation will both enhance stockholder communication and provide the Compensation Committee time to consider, engage with and respond to stockholders' expressed concerns or other feedback. In addition, we also believe that a triennial vote is consistent with our long-term business strategy and gives the Compensation Committee sufficient time to measure long-term performance.

Although, as an advisory vote, this proposal is not binding upon GlobalSCAPE or its Board of Directors, the Board will carefully consider the stockholder vote on this matter.

While you have the opportunity to vote for every 1, 2 or 3 years, or abstain from voting on the frequency of future say-on-pay votes, the Board of Directors recommends that you vote for a frequency of every 3 years.

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 November 23, 2016. 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 4, 2017; and

- Not later than the close of business on March 6, 2017.

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, 2015, 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

March 23, 2016
San Antonio, TX

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, 2015

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	**NYSE MKT, LLC**
(Title of Class)	(Name of exchange on which registered)

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 if 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. ☐ Yes ☒ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See 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, 2015, 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 $43,818,079 based on the closing sale price as reported on the NYSE MKT.

As of February 18, 2016, there were 21,014,206 shares of common stock outstanding.

Documents Incorporated by Reference

Portions of the Registrant's Proxy Statement for the 2016 Annual Meeting of Stockholders to be held on May 5, 2016, are incorporated by reference in Part III hereof.

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Preliminary Notes

GlobalSCAPE®, CuteFTP®, CuteFTP Pro®, CuteBackup®, DMZ Gateway®, , Enhanced File Transfer®, Enhanced File Transfer Server®, GlobalSCAPE Securely Connected®, CuteSendIt®, and Mail Express® are registered trademarks of GlobalSCAPE, Inc.

Secure FTP Server™, Wide Area File Services™, WAFS™, CDP™, Advanced Workflow Engine™, AWE™, EFT Cloud Services™, EFT Server™, Secure Ad Hoc Transfer™, SAT™, EFT Server Enterprise™, Enhanced File Transfer Server Enterprise ™, Desktop Transfer Client™, DTC™, Mobile Transfer Client™, MTC™, Web Transfer Client™, WTC™, Content Integrity Control™, and scConnect™ 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.

Other trademarks and trade names in this Annual Report are the property of their respective owners.

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.

"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 uses cryptography to encrypt data between the web server and the web browser.

Forward-Looking Statements

This Annual Report on Form 10-K contains "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 "will", "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 cloud-based solutions, and provisioning of associated services. We have sold our products to thousands of enterprises and more than one million individual consumers throughout the world.

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 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.

scConnect is our on-premises, enterprise file synchronization and sharing solution. It provides users with secure content mobility and the ability to share and access data anytime on any device. At the same time, scConnect provides information technology department administrators with the tools necessary to maintain the security of sensitive enterprise information and to control and monitor user access and activity. Designed to replicate today's cloud experience without the risk, reliability or confidentiality concerns of shared infrastructures, scConnect enables secure collaboration and content mobility without involving third-party servers. Created with both the information technology team and end user in mind, scConnect offers benefits that we believe exceed many cloud-based, file sharing services. Secure content mobility integrates aspects of ad hoc file transfer, broader MFT capabilities, cloud services, and remote accessibility to address the 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 this capability to enterprise-level organizations, will contribute to the future growth of our business due to the continuing adoption of tablet computers and smartphones.

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, thereby allowing users to access their data at higher speeds than possible with most 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 as a cloud-based subscription solution. This solution allows 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 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. Along with our partners, we have the capability to deliver these services in North America as well as internationally in Europe and Latin America.

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

- In 2015:
    - Listed as a Champion in the Ad-Hoc Mid-Market category and a Leader in the Ad-Hoc Enterprise use case by Info-Tech Research Group within its Managed File Transfer Vendor Landscape report. This is the second consecutive time that Info-Tech Research Group has named GlobalSCAPE a Champion within this report.
    - Named one of the best places to work in the information technologies small business category by *Computerworld* for the fourth time.
    - Named as one of San Antonio's best places to work by the *San Antonio Business Journal* for the fifth time in the medium size category.
    - Received a 5-Star rating in The Channel Company's *CRN* 2015 Partner Program Guide.
    - Named by *Texas Monthly* magazine as one of the best companies to work for in Texas for the fifth year in a row with a ranking of #3 in the medium size category.
    - Named to the *San Antonio Business Journal's* 2015 Fast Track list for companies with $10 million or more in revenue.
    - Named by the *San Antonio Express News* as the #1 Top Workplace for 2015 in the small company category, and recognized as one of the Top Workplaces for the fifth time.
    - Two members of the channel leadership team recognized as The Channel Company's 2015 *CRN* Channel Chiefs.
    - Two channel team members named to The Channel Company's 2015 *CRN* Women of the Channel list.
    - Recognized by the Golden Bridge Business and Innovation Awards as a Gold Winner in the Managed File Transfer – Innovations category for EFT Workspaces.
    - Recognized by the Info Security Products Guide's Global Excellence Awards as a Gold Winner within the Compliance category for Enhanced File Transfer (EFT) and as a Bronze Winner within the Email Security and Management category for Mail Express.
    - Recognized by the Network Products Guide awards as a Gold Winner in Compliance Data Centers for EFT v7.0 and a Silver Winner in Email, Security and Management with Mail Express v4.

- In 2014:
    - Recognized by the Info Security Product Guide's Global Excellence Awards as a Gold Winner within the Latin America category for Wide Area File Services (WAFS), as a Bronze Winner within the Email Security and Management category for Mail Express, and as a Bronze Winner within the SaaS/Cloud Solutions category for TappIn.
    - Recipient of a Cisco Developer-Preferred Solution Award.
    - Named one of the best companies to work for in Texas for the fourth 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 one of San Antonio's top employers in the Top Workplaces survey conducted by the *San Antonio Express-News*.
    - Received Info Security Product Guide Global Excellence Gold and Bronze Awards.
    - CISCO Developer-Preferred Solution Award.

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 that 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 including smartphones and tablets. We also believe the content delivery model will include solutions such as our scConnect product 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 2016, our strategic focus consists of:

- Ongoing innovation of our core products expanding into broader segments of the market.
- Expansion and creation of emerging technologies into existing and adjacent market spaces.
- Continued evolution of enhanced demand generation including marketing, customer facing and partner facing programs.

Ongoing Innovation of Our Core Products Expanding Into Broader Segments of the Market

We seek to continue to improve and enhance our core technology, primarily in the managed file transfer space, in both breadth and depth. By focusing on the breadth of the product, we will be pursuing different segments of the market to ensure that we have offerings that meet the needs of small and medium businesses, or SMGs, but also scale to meet the demands of the largest enterprises. This will require new features and packages to be released to these audiences. Increasing the depth of our products by adding new features that further enhance the product will allow us to increase sales to our existing client base by helping them solve additional problems within their organization. Examples of innovation in our core technology for the 2015 fiscal year included EFT Workspaces, which permits end users to collaborate more effectively in a peer-to-peer relationship without having to rely on central administrators, and EFT Event Rule Enhancements, which expanded our capabilities with workflow optimization and enhanced automation. We will continue to focus on our core technology to ensure its continued success.

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. Its 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. We believe that these capabilities are helping underpin the consistent growth in revenue from the EFT solution suite since they enable additional sales to existing clients and enhance the appeal of our software solutions to prospective, new clients.

With MFT capabilities increasingly being integrated into B2B gateways, data integration, service oriented architecture, and other technical solutions, we believe that 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 our 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.

Expansion and Creation of Emerging Technologies Into Existing and Adjacent Market Spaces

The second area of strategic focus continues with product innovation but extends beyond pure MFT into adjacent segments and technologies. We have made investments in several opportunities with emerging technologies such as Mail Express and scConnect and will be focusing during 2016 on determining which areas of our business will contribute to our future growth in their current state, need additional investment to contribute in the desired manner, or require further analysis to determine their future strategy.

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. We will also remain alert for attractive opportunities to collaborate with others or perhaps combine other revenue-producing technologies with ours to expand our product offerings and reach.

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 WAFS and Mail Express solutions, our EFT Cloud offerings, our secure content mobility products, such as scConnect, and our professional services. We believe the addition of secure content mobility capability to our portfolio potentially has profound implications due to the continuing growth in sales of tablet computers and smartphones 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 products, such as scConnect, potentially can provide or contribute to that functionality. Therefore, we intend to expand and enhance these capabilities and the appeal to enterprise customers through actions such as 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.

Continued Evolution of Enhanced Demand Generation Including Marketing, Customer Facing and Partner Facing Programs

We intend to continue to seek world class execution of our demand generation involving marketing, direct sales and the channel. We have mature proactive and reactive lead generation programs in place that helped us to achieve the record revenues and bookings for 2015. During 2016, our channel efforts will continue to focus on enabling our channel partners and engaging their customers and prospects. We will enhance our partner program to reward our partners who participate in our sales and technical certifications and drive new opportunities for us. We believe that our marketing, sales and channel demand generation programs will continue to be a primary growth driver for GlobalSCAPE in 2016 and beyond.

We will continue to emphasize ongoing initiatives to elevate our product and corporate profiles and awareness under the GlobalSCAPE brand. We believe that 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 and communications professionals to support this work.

We conduct 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 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 provides 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 maintain and expand the exposure for our products in the marketplace in a manner that would probably take several years for us to accomplish on our own.

We believe this channel sales program helps us establish and maintain 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.

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

We earn most of our software license revenue from sales of our suite of EFT products and solutions which was a Gold Winner in the Compliance category of the 2015 Info Security Products Guide Global Excellence Awards. 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 the past several quarters, we have released new versions of our EFT platform which added several enhancements and capabilities including, among others:

- Workspaces, which is a file-sharing module within EFT that allows employees to create their own groups and assign permissions for those groups, much like a virtual data room, to provide access to files for which they themselves have access on the EFT server. This functionality is accomplished without compromising the security, control, and governance of those files.

- Active-active high availability, or HA, which maximizes uptime and performance of critical information technology systems.
- Enhanced compatibility of web transfer client 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.
- Enhanced and expanded event rule functionality which improves the ability to integrate our products with client business processes and backend systems

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 through both our ongoing development of this product line, which has continued to enhance its appeal in the marketplace, and our delivery of quality service and support for these products. We are maintaining our focus on EFT 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 EFT

If a customer prefers to have our EFT products and solutions delivered to them as a cloud-based service, they can subscribe to our EFT Cloud Services. The features, functions and capabilities of our EFT products delivered in this manner are equivalent to those of our licensed EFT products discussed above.

These cloud-based offerings provide a flexible continuum of services that give the customer the ability to pick and choose the extent to which they want to own or outsource the capabilities of our EFT products. EFT Cloud Services gives organizations the flexibility of either a hybrid cloud or virtual environment with the security of an on-premises managed file transfer solution. Users of EFT Cloud Services have the option to work with a variety of top hosting providers that best fit their needs. We offer flexible subscription pricing under one, two, and three-year contracts that can help our customers minimize or eliminate upfront capital expenditures and reduce their ongoing operating costs. This subscription revenue provides us with a 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.

Secure Content Mobility Solutions

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 software-as-service, or 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.

scConnect is our on-premises enterprise file synchronization and sharing solution that we introduced to the market in April 2015. scConnect provides users secure content mobility and the ability to share and access data anytime on any device. At the same time, scConnect provides information technology department administrators with the tools necessary to maintain the security of sensitive enterprise information and to control and monitor user access and activity. Designed to replicate today's cloud experience without the risk, reliability or confidentiality concerns of shared infrastructures, scConnect enables secure collaboration and content mobility without involving third-party servers. Created with both the information technology team and end user in mind, scConnect offers benefits that we believe exceed many cloud-based, file sharing services, including:

For End Users:

- Provides a familiar cloud "drive"-like interface, allowing for ease of use.
- Offers access to everything from individual files and folders to full desktops and network shares without requiring any data to be copied or uploaded to the cloud.
- Imposes no software limitations on storage space that can be accessed and no limitations on file sizes that can be uploaded.
- Allows for sharing with users and groups both internal and external to the organization.

For Administrators:

- Enables administrators to give users greater control of information sharing without losing oversight or requiring trust in third-party tools and security architectures.
- Integrates with Active Directory/ Lightweight Directory Access Protocol (LDAP) thereby aligning access with the organization's established policies for access security and data governance.
- Allows administrators to apply the chosen security tools that best fit the organization in terms of two-factor authentication, anti-virus and data loss prevention.
- Offers fully encrypted file transfer and role-based access, as well as a comprehensive and granular dashboard for real-time, centralized user management and detailed audit trails.

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. The software uses intelligent byte-level differencing technology to instantly update changes to files by multiple remote users with minimal impact on network bandwidth while also ensuring that files are never overwritten, even if opened by other remote users. Other key features of WAFS include native file locking, replication to multiple locations simultaneously, 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 that we can introduce it to a continuously broader spectrum of the marketplace and increase our revenue from this product.

We introduced WAFS 5.0 in December 2015. This release simplifies enterprise collaboration and decreases bandwidth usage thereby providing secure, near real-time data access to both on-premises and cloud-based files located anywhere in the world. It also includes enhancements to stability, performance, and security including:

- Upload performance up to eight times faster, download performance up to 10 times faster and copy speed performance up to 90 times faster.
- Increased transparency of file replication activities between servers and desktops which facilitates checking for errors and ensuring delivery success.
- Increased system reliability, especially during periods of network instability.
- Reduced bandwidth utilization which helps ensure data transfers do not prevent mission-critical traffic from flowing in and out of the network.
- Enhanced synchronization engine to ensure easy, secure file collaboration.

We believe WAFS will be competitive in the marketplace for the foreseeable future as a product for file sharing, collaboration, and replication solutions 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 was a Bronze Winner in the Email Security and Management category of the 2015 Info Security Products Guide Global Excellence Awards.

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 which allow e-mail administrators and end users to configure specific parameters for handling e-mail attachments in accordance with corporate policy.

Our most recent update of Mail Express introduced new features that included:

- Optional encrypted transmission of the message body in addition to attachments.
- 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.
- New elements to facilitate improved integration with our EFT product suite.
- Additional international language support.
- A dashboard allowing additional administrator visibility into all connected clients.

We can deliver Mail Express as software installed on the customer's premises or as a SaaS, cloud-based solution. 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.

Consumer-Based File Transfer Solution

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 which allows for 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 those offered in free alternatives. We believe CuteFTP will be competitive in the marketplace for the foreseeable future.

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.

To facilitate self-help for common inquiries and issues, we also provide free self-service support via user-managed searchable knowledge bases and forums on our website for those customers who prefer to assist themselves or for those without an active M&S contract.

Sales and Marketing

We emphasize developing our direct sales staff and reseller channel 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 channel 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.

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

We have sold our solutions throughout the world to individuals and enterprises ranging from SMBs to Fortune 100 companies. In order to leverage the resources of third parties, we make our products available for purchase by end users through third-party, channel resellers even though those end users can also purchase those products directly from us. During 2015 and 2014, we earned approximately 11% and 10%, respectively, of our revenue from such sales through our largest, third party, channel reseller. Although we believe that we are not substantially dependent on this distributor, if it were to experience a significant disruption with its business or if our relationship with them were to significantly deteriorate, it is possible that our ability to sell to end users would be, at least temporarily, negatively impacted. We believe that such termination would not have a material adverse effect on us because we have engaged or believe that we would be able to engage alternative distributors, resellers and other distribution channels to deliver our products to end-customers shortly following the termination of any agreement with any distributor.

We derive a significant portion of our revenue from risk averse and/or regulated commercial customers in North America and throughout the world. 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, SMBs and 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 its testing and quality assurance. 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 research and development, or 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,	
	2015	2014
R&D expenditures capitalized	$ 1,967	$ 2,847
R&D expenditures expensed	2,562	2,183
Total R&D expenditures	$ 4,529	$ 5,030

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

Our total research and development expenditures decreased 10% in 2015 compared to 2014. While the scope and magnitude of our software development activities has continued to grow between these periods, the cost of performing that work was less in 2015 compared to 2014 due to:

- Increased use of our employees as an internal resource to do this work in 2015 compared to 2014 when we relied more on the use of higher cost, third-party software developers.
- Enhancement of relationships with third-party developers we continue to use by replacing legacy arrangements carrying higher costs and lower value with more cost effective and efficient arrangements.

Total resources expended for R&D set forth above as total R&D expenditures serves to illustrate our total corporate efforts to improve our existing products and to develop new products regardless of whether 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.

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 that there are low barriers to entry into the software market and that 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 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 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 historically has been 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 which 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, Zix, 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 EFT Cloud solutions compete with MFT SaaS solutions. We believe our primary competitors are Ipswitch, Axway, IBM-Sterling, Thru, Inc. and Accellion. EFT Cloud has the advantage of leveraging cost effective, secure hosting and cloud infrastructures, as well as EFT management services provided by GlobalSCAPE experts.

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 these regulations 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 laws, U.S. and state regulations, and 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 agreements 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®, Enhanced File Transfer®, Enhanced File Transfer Server®, CuteSendIt®, GlobalSCAPE Securely Connected® and Mail Express® are registered trademarks of GlobalSCAPE, Inc.

- Secure FTP Server™, Wide Area File Services™, WAFS™, CDP™, Advanced Workflow Engine™, AWE™, EFT Cloud Services™, EFT Server™, Secure Ad Hoc Transfer™, SAT™, EFT Server Enterprise™, Enhanced File Transfer Server Enterprise ™, Desktop Transfer Client™, DTC™, Mobile Transfer Client™, MTC™, Web Transfer Client™, WTC™, Content Integrity Control™, and scConnect™ 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. We have obtained United States copyright registrations for all but the most recent versions of our software applications. We have two patents in the United States.

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 February 18, 2016, we had 126 full-time employees organized as follows:

Department	**Number of Employees**
Sales and Marketing	46
Engineering	25
Professional Services	14
Customer Support	22
Management and Administration	19
Total	126

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 stockholders.

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 54% and 56% of our total revenue in 2015 and 2014, 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, but may also be for two or three years. 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 do not 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 M&S revenue growth rates. Should customers migrate away 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 periods. As a result, if there is a decline in renewed M&S agreements in any particular period, it is possible that only a small portion of the decline will be reflected in our M&S revenue recognized in that period and the remainder will be reflected in our M&S revenue recognized in subsequent periods. A decline in renewed M&S agreements may also result in a decrease in deferred revenue on our balance sheet as of the end of the period in which the decline in renewals occurred. For more information, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

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, M&S, and professional services revenue from this product line was responsible for 88% of our total revenue in 2015 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 be adversely affected by a decline in demand for the EFT solution suite.

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 for use by our end customers, 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 fail to manage our sales and distribution channels effectively, our operating results could be adversely affected.

We sell our software products both directly to end-users and through a network of distributors and resellers. Sales through these different channels involve distinct risks. 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.
- 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.

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.

Sales through third-party distributors and resellers involve 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.

For 2015 and 2014, approximately 34% and 38%, respectively, of our revenue was derived from indirect channel sales through distributors and resellers. We expect that a significant portion of our revenue will continue to be derived from indirect channel sales in the future. Our ability to effectively distribute our products through those channels depends in part upon the financial and business condition of our distributor and reseller network. Computer software distributors and resellers typically are not highly capitalized, have previously experienced difficulties during times of economic contraction, and have experienced difficulties during the past several years. If our distributors and resellers were not be able to sustain their business at a level necessary to sell our products or provide customer support services, our business and revenue could be negatively impacted.

We rely upon major distributors and resellers in both the U.S. and international regions. Our largest distributor accounted for 11% and 10% of our total revenues in 2015 and 2014, respectively. Although we believe that we are not substantially dependent on this distributor, if it were to experience a significant disruption with its business or if our relationship with it were to significantly deteriorate, it is possible that our ability to sell to end users would be, at least temporarily, negatively impacted. This could, in turn, negatively impact our financial results.

Over time, we have modified and will continue to modify aspects of our relationship with our distributors and resellers, such as their incentive programs, pricing to them and our distribution model, to motivate and reward them for aligning their businesses with our strategy and business objectives. Changes in these relationships and underlying programs could negatively impact their business and/or harm our business. In addition, the loss of or a significant reduction in business with those distributors or resellers or the failure to achieve anticipated levels of sell-through with any one of our major international distributors or large resellers could harm our business. In particular, if one or more of such distributors or resellers were unable to meet their obligations with respect to our accounts receivable from them, we could be forced to write off such accounts receivables and may be required to delay the recognition of revenue on future sales to these customers. These events could have a material adverse effect on our financial 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 will continue to 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 solutions. 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 thereby adversely affecting our competitive position, or we may not be successful in future attempts to achieve disruptive innovation.

Our executive management team must act quickly, continuously and with vision due to 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, the rapid evolution of cloud computing, mobile devices, and new computing platforms, and the creation of other new technologies. Although we have adopted 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 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. Such circumstances could adversely affect our business and financial performance.

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

Revenue from our products and services other than our EFT solution accounted for 19% of our total revenue in 2015, which is a decline from 20% in 2014. Improving, and possibly even sustaining, our financial results is dependent upon achieving additional success in the marketplace with our Mail Express, WAFS, CuteFTP, and TappIn products. These solutions involve serving markets that in some ways differ from the markets we encounter when selling licenses and M&S related to our EFT solutions. Gaining additional traction in such markets will require that we market, sell, and support these solutions effectively. Each of these activities 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. 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 research and development of new products by our employees, we engage third parties from time-to-time 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 involve our reliance 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 of endeavors that we may undertake in the future differ materially from original and ongoing expectations, our business, operating results and financial position could be harmed.

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 longer to develop certain products and product upgrades and at a higher cost.

Seasonality may cause fluctuations in our revenue.

We believe there are notable 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 products, is typically three to nine months but can be more than a year. If our competitors offer or develop products that our prospective customers may want to compare to our products, that situation could cause our average sales cycle to become longer. 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 to a potential customer. As a result, large individual sales have, in some cases, occurred in periods subsequent to those periods in which we anticipated they would occur or have not occurred at all. The loss or delay of one or more large transactions in a period could impact our results of operations for that period and any future periods 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 particular 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 period, which could cause the price of our common stock to decline.

Reliance on delivery of our products near or 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 orders from our customers and generated a substantial portion of revenue during the last few weeks of each period. A significant interruption in our IT systems, which manage critical functions such as order processing, trade compliance reviews, delivery of our products, billings, collections, revenue recognition, and financial reporting, among others, could result in delayed order fulfillment and decreased revenue for that period. If expected revenue at the end of any period 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 period-end to fulfill purchase orders received near the end of the period, our inability to release new products on schedule, any failure of our systems related to order review and processing, or any delays in product delivery based on trade compliance requirements, our revenue for that period 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 subscription services, such as our EFT Cloud Services, may impact our revenue trends as some opportunities that otherwise would have materialized as software license sales for on-premises installation at our customers' sites could potentially shift to subscription-based sales.

Much of our revenue growth in recent years has been attributable to license and M&S 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. On the other hand, subscription services 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 period results from the recognition of deferred revenue relating to subscription agreements entered into during previous periods. 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 periods. 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 software-as-a-service (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 additional 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 cloud service as opposed to traditional on-premises 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-premises 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 we 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 in lieu of on-premises 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 the desired 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, our business, results of operations and financial condition could be adversely affected.

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, M&S, and professional services. Because they are relatively labor intensive, professional services typically have substantially lower margins than software license sales, M&S and subscription services. 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 7% of our total revenue in 2015. 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, M&S, 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 those labor-intensive services as compared to software license, subscription, and M&S 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 or professional services that will be delivered over an extended period of time), generally accepted accounting principles require that vendor specific objective evidence ("VSOE") of fair value 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 of fair value cannot be established, recognition of the software license revenue must be 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 or professional services contract. We currently have established VSOE of selling price 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 of fair value 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 if we had established VSOE of fair value. 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 create 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 that 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, Panzura, and Peer Sync. Our scConnect product 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 defects 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.

We may acquire from others new products, capabilities or entire business enterprises in the future that could give rise to risks and challenges that could adversely affect our future financial results.

Acquisitions of new products, capabilities or entire business enterprises 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 products, capabilities or entire business enterprises 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 related to the acquired products and/or 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-based products and 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.

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.

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

Our future success depends on the continued services of our employees. If employees leave, it can be difficult to replace them because of the intense competition in the marketplace for people with the skillsets we need to operate our business. New employees 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 domestically and internationally as well as information technology departments supporting larger businesses all of whom strive to recruit and hire employees 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, equity-based compensation, and other employee benefits including medical insurance and healthcare plans. 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 threats that develop and emerge in ways that are sometimes unpredictable. Third parties may breach our systems 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-premises 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 may 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 a 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.
- 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 or from regulatory actions of 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 could 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 and, as such, with advance notice as provided in the license agreements, these third parties could terminate these licenses. Even with advance notice, termination of these 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 identities of 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 or possible claims against us for damages.

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 the customer's 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, changes in the list of countries to which we cannot export, or 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, a 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 being penalized 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 on our 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, 2015, approximately 24% 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 that 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 their 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 our 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.
- Reserves for uncertain tax positions.

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 38% of our outstanding common stock as of December 31, 2015. These stockholders would have the ability to substantially control our operations and direct our 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 as a result of the exercise of stock options, thereby affecting the value of the stock.

There were options to purchase 2,091,325 shares of our common stock outstanding under our employee and director stock option plans as of December 31, 2015, of which 1,291,409 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 our products in a manner that may include licensing technologies from others. 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 our 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

GlobalSCAPE has been named as one of a number of defendants in a patent infringement suit filed by Digital Reg of Texas, LLC in the United States District Court for the Eastern District of Texas, Tyler Division. The complaint alleges that we infringed on a patent that regulates access to digital content. We believe we have meritorious defenses to the plaintiff's claims and intend to defend the lawsuit vigorously. While we are early in this process such that it is not possible to reasonably determine the outcome of this lawsuit with any certainty, we believe any loss we could incur would be immaterial to our financial position and results of operations. The case is currently stayed while the Federal Court of Appeals in the District of Columbia determines the validity of Digital Reg's patents.

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.

	2015		2014	
	High	Low	High	Low
First Quarter (ending March 31)	$ 3.73	$ 2.11	$ 3.90	$ 2.15
Second Quarter (ending June 30)	$ 3.49	$ 3.07	$ 2.63	$ 2.05
Third Quarter (ending September 30)	$ 3.63	$ 3.13	$ 2.66	$ 2.29
Fourth Quarter (ending December 31)	$ 4.33	$ 3.15	$ 2.60	$ 2.22
Annual	4.33	2.11	3.90	2.05

On February 18, 2016, the last reported sales price of our common stock on the NYSE MKT Exchange was $3.64 per share. As of February 18, 2016, we had approximately 1,834 stockholders of record of our common stock.

We paid a special cash dividend of $.05 per share on December 3, 2014, to stockholders of record as of the close of business on November 19, 2014. We paid quarterly dividends of $.015 per share on June 3, 2015, September 3, 2015 and December 8, 2015, to stockholders of record as of the close of business on May 19, 2015, August 24, 2015 and November 24, 2015, respectively. The timing and amount of dividends to be paid, if any, in subsequent quarters will be determined on future dates by the Board of Directors.

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)

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Total revenues	$ 30,841	$ 26,770	$ 24,339	$ 23,372	$ 20,894
Income (loss) from operations	$ 6,417	$ 4,615	$ 3,901	$ (1,394)	$ 791
Net income (loss)	$ 4,598	$ 3,026	$ 3,840	$ (1,800)	$ 635
Net income (loss) per common share - basic	$ 0.22	$ 0.15	$ 0.21	$ (0.10)	$ 0.04
Net income (loss) per common share - diluted	$ 0.22	$ 0.15	$ 0.20	$ (0.10)	$ 0.03
Cash dividends declared per share	$ 0.045	$ 0.050	$ 0.050	$ 0.070	$ -

Balance Sheet Data:
($ in thousands)

	2015	2014	2013	2012	2011
Total assets	$ 44,213	$ 38,387	$ 33,092	$ 33,588	$ 38,378
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, 2015 and 2014, 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 cloud-based solutions, and provisioning of associated services. We have sold our products to thousands of enterprises and more than one million individual consumers throughout the world.

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 securely addresses data and information management, movement, 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 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.

scConnect is our on-premises, enterprise file synchronization and sharing solution. It provides users with secure content mobility and the ability to share and access data anytime on any device. At the same time, scConnect provides information technology department administrators with the tools necessary to maintain the security of sensitive enterprise information and to control and monitor user access and activity. Designed to replicate today’s cloud experience without the risk, reliability or confidentiality concerns of shared infrastructures, scConnect enables secure collaboration and content mobility without involving third-party servers. Created with both the information technology team and end user in mind, scConnect offers benefits that we believe exceed many cloud-based, file sharing services. Secure content mobility integrates aspects of ad hoc file transfer, broader MFT capabilities, cloud services, and remote accessibility to address the 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 this capability to enterprise-level organizations, will contribute to the future growth of our business due to the continuing adoption of tablet computers and smartphones.

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, thereby allowing users to access their data at higher speeds than possible with most 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 as a cloud-based subscription solution. This solution allows 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 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. Along with our partners, we have the capability to deliver these services in North America as well as internationally in Europe and Latin America.

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 SMBs 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 cloud-based model. We have also 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:

- Ongoing innovation of our core products expanding into broader segments of the market.
- Expansion and creation of emerging technologies into existing and adjacent market spaces.
- Continued evolution of enhanced demand generation including marketing, customer facing and partner facing programs.

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.

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

- Increasing sales staff capacity 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 enterprise products also purchase an M&S contract. Our M&S contracts are typically for one year with a growing trend toward customers buying two year 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 for our enterprise products 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 enterprise 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 Year Ended December 31, 2015 to Year Ended December 31, 2014.*

Bookings (Non-GAAP Measurement)

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 arise from sales of software licenses, M&S, and professional services to our customers that consist of:

- Invoiced amounts for which we recognize revenue currently.
- Invoiced amounts for products and services sold for which we will recognize revenue in future periods.
- Statements of work under which customers have engaged us to deliver professional services which we will invoice in the future as we complete that work.

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.

Our bookings trends and the reconciliation of bookings to revenue are as follows ($ in thousands):

	Year Ended December 31	
	2015	**2014**
Bookings	$ 32,409	$ 30,774
Products and services sold for which we will recognize revenue at a future date when the goods and services are delivered to and accepted by the customer	(20,034)	(21,012)
Products and services delivered to and accepted by the customer for which revenue recognition had been deferred at the time of booking	18,466	17,008
Revenue	$ 30,841	$ 26,770

Bookings during the year ended December 31, 2015, increased compared with bookings during the year ended December 31, 2014, primarily due to new sales and marketing campaigns that began in late 2014 from which we began to realize increased bookings during 2015.

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 the ongoing profitability and cash flow resulting from our core activities. We monitor and review cost of revenues, selling, general, and administrative, or G&A, expenses and research and development, or R&D, expenses to assess conformance with established budget expectations and to identify specific variances.

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.

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

	Year Ended December 31	
	2015	**2014**
Income from operations	$ 6,417	$ 4,615
Add (subtract):		
Depreciation and amortization:		
Total depreciation and amortization	1,553	883
Amortization of capitalized software development costs	(1,283)	(577)
Stock-based compensation expense	647	521
Infrequent items	-	-
Adjusted EBITDA Excluding Infrequent Items	$ 7,334	$ 5,442

See *Comparison of Year Ended December 31, 2015 to Year Ended December 31, 2014* 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,			
	2015		**2014**	
	Amount	**Percent of Total**	**Amount**	**Percent of Total**
Revenue by Product				
EFT Enterprise and Standard	$ 27,064	87.8%	$ 22,798	85.2%
Wide Area File Services	1,030	3.3%	1,448	5.4%
CuteFTP	826	2.7%	904	3.4%
Other	1,921	6.2%	1,620	6.0%
Total Revenue	$ 30,841	100.0%	$ 26,770	100.0%
Revenue by Type				
Software licenses	$ 12,023	39.0%	$ 10,292	38.4%
M&S	16,595	53.8%	15,033	56.2%
Professional services	2,223	7.2%	1,445	5.4%
Total Revenue	$ 30,841	100.0%	$ 26,770	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 revenue across all our product lines. With respect to our sales and marketing activities, those changes have included:

- Increasing sales staff capacity 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 ongoing enhancement of our organizational structure and adding resources as required. As a result, we are able to optimize the manner in which we assess the development of new technologies, enhance our approach to managing those projects and shorten the timelines required to accomplish our objectives.

Our total revenue increased 15% in 2015 compared to 2014. When comparing our revenue by type in 2015 to 2014, software license revenue increased 17%, M&S revenue increased 10%, and professional services revenue increased 54%. In general, these increases were due to the changes in our business we have made as discussed above. For a more complete discussion of our overall revenue trends and mix among products, services and M&S, see *Comparison of Year Ended December 31, 2015 to Year Ended December 31, 2014.*

Liquidity and Capital Resources

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

		December 31, 2015		December 31, 2014
Cash and cash equivalents	$	15,885	$	11,358
Short term investments		3,254		-
Long term investments		-		3,185
Total cash, cash equivalents, short and long term investments	$	19,139	$	14,543
Working capital	$	11,162	$	3,670
Deferred revenue, current portion		12,000		11,411
Working capital plus current deferred revenue (non-GAAP presentation)	$	23,162	$	15,081

We have a certificate of deposit that matures in December 2016. Since that maturity date is within a year of December 31, 2015, that certificate of deposit is presented as short term investments and as part of working capital at December 31, 2015. That same certificate of deposit is presented as long term investments and not as part of working capital at December 31, 2014, since its maturity date was more than one year beyond that date.

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. The payment of that note eliminated a lien on the certificate of deposit discussed in the previous paragraph. 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 and/or our expenses increase, 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.

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

	Cash Provided (Used) During the Year Ended December 31,	
	2015	2014
Operating activities	$ 7,090	$ 8,463
Investing activities	$ (2,188)	$ (3,162)
Financing activities	$ (375)	$ (3,398)

Our cash provided by operating activities decreased during 2015 compared to 2014 primarily due to:

- Deferred revenue increasing $808,000 during 2015 compared to increasing $4.0 million during 2014. During 2014, we successfully migrated a number of customers with expiring, one-year M&S contracts to renewed M&S contracts with terms of two or three years based on our objective of achieving a longer-term revenue commitment from those customers. Since at its inception a multi-year M&S contracts yields a larger cash payment than a single year contract, our deferred revenue increased more during 2014 than we had typically experienced in the past. Since those multi-year contracts were not due for renewal during 2015, there was no similar increase in deferred revenue during 2015.
- Accounts payable decreasing $272,000 in 2015 compared to increasing $456,000 during 2014 primarily due to an increased emphasis during 2015 on paying invoices in accordance with vendor terms to ensure continued optimized relationships with our service providers.
- Accrued expenses increasing $303,000 in 2015 compared to increasing $693,000 in 2014 due primarily to normal variations in the timing of our payroll payment dates relative to the date of the balance sheet presented as part of our financial statements.

Offset by

- Net income after considering adjustments to reconcile net income to net cash provided by operating activities, as set forth on our Consolidated Statements of Cash Flow, increasing from $6.1 million in 2014 to $6.6 million in 2015. See the section below under *Comparison of Year Ended December 31, 2015 to Year Ended December 31, 2014* for a discussion of the changes in the components of these amounts.
- Accounts receivable increasing $205,000 during 2015 compared to increasing $2.6 million during 2014 with that smaller increase primarily due to our enhanced efforts to collect timely payments from our customers.

The decreased use of cash for investing activities during 2015 compared to 2014 was primarily due to a decrease in our software development costs that were capitalized. While the scope and magnitude of our software development activities were substantially the same between these periods, the cost of that work was less in 2015 compared to 2014 due to increased use of our employees to do this work in 2015 compared to 2014 when we relied more on the use of higher cost, third-party software developers.

The decreased use of cash for financing activities during 2015 compared to 2014 was primarily due to:

- A decrease in cash received from the exercise of stock options due to the amount of cash received from stock option exercises during 2014 being a result of changes in management leadership during that period which is an event that did not occur during 2015.
- A change in the tax benefit from stock-based compensation that is a result of the decrease in stock option exercise activity as described above.
- No principal payments on notes payable during 2015 since our notes payable that were outstanding during 2014 were paid-in-full during 2014.

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 certificate of deposit reported as short term investments at December 31, 2015, and as long term investments at December 31, 2014.

Contractual Obligations and Commitments

At December 31, 2015, our contractual obligations and commitments consisted primarily of the following items:

- An obligation to deliver services in the future to satisfy our right to earn our deferred revenue of $15.6 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.

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, 2015, consisted of the following (in thousands):

	Amounts Due for the Period			
	Fiscal Years			
	2016	**2017 - 2019**	**Thereafter**	**Total**
Operating leases	$ 360	$ 840	$ -	$ 1,200

Recent Accounting Pronouncements

In November 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-17, *Income Tax: Balance Sheet Classification of Deferred Taxes*. ASU 2015-07 requires that all deferred tax assets and liabilities for a tax jurisdiction, along with any related valuation allowance, be classified as noncurrent on the balance sheet. We have implemented this ASU in the accompanying financial statements in the manner described in the footnotes to those financial statements.

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.

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 of the sale is fixed or determinable.
- Collection of the sale amount 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. 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.

Short Term Investments

Short-term investments consist of certificates of deposit held with financial institutions with contractual maturity less 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.

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 five to seven years, computer equipment and software generally have a useful life of three 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, 2015, 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. There have been no material events or changes in circumstances since that time indicating that the carrying amount of goodwill may exceed its fair market value and that interim testing needed to be performed.

Capitalized Software Development Costs

When we complete research and development for a software product and have in place 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. We periodically assess the carrying value of capitalized software development costs relative to our estimates of realizability through sales of products in the marketplace.

Research and Development

We expense research and development costs as incurred.

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.
- We estimate a dividend yield based on our historical and expected future dividend payments.

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. We apply the treasury stock method to non-vested options under which 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, 2015 to Year Ended December 31, 2014

	2015	2014	$ Change
		($ in thousands)	
Total revenues	$ 30,841	$ 26,770	$ 4,071
Cost of revenues	5,669	3,784	1,885
Gross profit	25,172	22,986	2,186
Operating expenses			
Sales and marketing	10,025	10,012	13
General and administrative	6,168	6,176	(8)
Research and development	2,562	2,183	379
Total operating expenses	18,755	18,371	384
Income from operations	6,417	4,615	1,802
Other income (expense), net	78	(42)	120
Provision for income taxes	1,897	1,547	350
Net Income	$ 4,598	$ 3,026	$ 1,572

In the discussions below, we refer to the year ended December 31, 2015 as “2015” and the year ended December 31, 2014, as “2014”. The percentage changes cited in our discussions below comparing our results of operations for the year ended December 31, 2015, to the year ended December 31, 2014, are based on 2015 amounts compared to 2014 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 license is delivered, or as a cloud-based service under our EFT Cloud Services brand 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.
- 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 were as follows ($ in thousands):

	Revenue for the Year Ended December 31, 2015		2014	
	Amount	Percent of Total	Amount	Percent of Total
Revenue by Product				
EFT Enterprise and Standard	$ 27,064	87.8%	$ 22,798	85.2%
Wide Area File Services	1,030	3.3%	1,448	5.4%
CuteFTP	826	2.7%	904	3.4%
Other	1,921	6.2%	1,620	6.0%
Total Revenue	$ 30,841	100.0%	$ 26,770	100.0%
Revenue by Type				
Software licenses	$ 12,023	39.0%	$ 10,292	38.4%
M&S	16,595	53.8%	15,033	56.2%
Professional services	2,223	7.2%	1,445	5.4%
Total Revenue	$ 30,841	100.0%	$ 26,770	100.0%

Our total revenue increased 15% in 2015 compared to 2014. This overall increase was primarily a result of changes we have made, and continue to make, in our business to increase the rate of growth of our total revenue and, in particular, our revenue across all of our product lines. With respect to our sales and marketing activities, those changes have included:

- Increasing sales staff capacity 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 ongoing enhancement of our organizational structure and adding resources as required. As a result, we are able to optimize the manner in which we assess the development of new technologies, enhance our approach to managing those projects and shorten the timelines required to accomplish our objectives.

Our revenue from specific products changed for the following additional reasons:

- Our EFT Server revenue increased 19% primarily due to our continued focus of a substantial portion of our resources and efforts on this product line since we believe it offers the highest potential for future growth, development of a more experienced and capable sales team, and recruitment and integration of third-party channel resellers.
- Our WAFS revenue decreased 29% primarily due to the marketplace anticipating the release of our next version of this product. In December 2015, we released WAFS 5.0 with additional features and functionality as described above under *Business-Software Products and Services*.
- CuteFTP revenue decreased 9% 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.
- Other revenue increased 19% primarily due to increased interest in the marketplace in procuring our managed file transfer solutions though EFT Cloud Services and increased deliveries of Mail Express due to enhancements to this product during 2014 that were available throughout 2015.

License revenue increased by 17%. This increase was primarily due to:

- The introduction of new products or new versions of products as described above under *Business-Software Products and Services*.
- The changes made in our sales, marketing and engineering activities as described above under *Business-Solution Perspective and Trends.*
- Our focus on leveraging the changes to our sales and marketing activities described above toward new customers who may not have previously used our products. While sales to existing customers often consist primarily of new modules added to existing software licenses, new customers present the potential for higher license sales since they typically need to purchase a license for our core products in addition to licenses for additional modules.

M&S revenue increased 10% primarily as a result of:

- Increased license sales since a majority of license sales are accompanied by an M&S contract. The percentage increase in M&S revenue typically lags behind the related percentage increase in license revenue because license sales are recognized as revenue in full in the period the license is delivered while the related M&S revenue is recognized in future periods as those services are delivered.
- 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.

License revenue increased as a percent of our total revenue from 38% in 2014 to 39% in 2015. 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 also purchase an M&S contract. In general, and depending upon the level of M&S a customer purchases, this recurring revenue stream is 20% to 30% per year of the price of the underlying software license to which the M&S relates.

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 for our enterprise products 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 enterprise software license revenue in future periods.

Professional services revenue increased 54% due to the increase in sales of our EFT Server products with which our professional services are most closely associated, an increase in the frequency of sales of professional services when licenses are sold either directly or through third-party channel resellers, and an enhanced focus on managing our queue of professional services projects to be delivered in order to sustain a high level of customer service.

Cost of Revenues. These expenses are associated with the production, delivery and support of the products and services we sell.

Cost of license revenue consists primarily of:

- Amortization of capitalized software development costs we incur when producing our software products. This amortization begins when a product is ready for general release to the public.
- Royalties we pay to use software developed by others for certain features of our products.
- Fees we pay to third parties who provide services supporting our SaaS and cloud-based subscription solutions.

Cost of M&S revenue and cost of professional services revenue consist primarily of salaries and related costs of our employees and third parties we use to deliver these services.

Cost of revenue for software licenses as a percent of software license revenue was 20% in 2015 compared to 15% in 2014. In years prior to 2014, a larger portion of our software engineering work related to maintenance and error corrections (for which costs are not capitalized) instead of the creation of new products and features (for which costs are capitalized and amortized to expense in future periods) with the opposite generally being the case in 2014 and 2015. As a result, as new products, features and functions for which development costs were capitalized were introduced during 2014 and 2015, the amortization of capitalized software development costs increased thereby increasing cost of revenue related to our software license sales.

Cost of revenue for M&S as a percent of M&S revenue was 9% in 2015 compared to 10% in 2014. This decrease was a result of our work to streamline the delivery of these services so that our M&S resources could be leveraged across a larger number of customers.

Cost of revenue for professional services as a percent of professional services revenue was 80% in 2015 as compared to 54% in 2014. This increase was a result of increased demand for our professional services that caused us to supplement our employees with more expensive third-party contractors in order to continue delivery of these services in a timely manner.

In preparing our financial statements for the year ended December 31, 2015, we refined our determination of the expenses we classify as cost of revenues in response to the evolution of our business and the resulting changes in the scope and nature of certain expenses we incur. As a result, we reclassified to cost of revenues certain expenses we had previously classified as part of selling, general and administrative expenses and depreciation and amortization. The effects of those reclassifications are presented in the *Notes to Consolidated Financial Statements* below.

Sales and Marketing. These expenses increased due to an increase in sales commissions as a percent of sales as a result of providing enhanced incentives to our sales force. This increase was offset by a decrease in expenses for sales leads generation and recruiting and enrolling third-party channel resellers due to start-up expenses for those initiatives in 2014 that did not have to be repeated in 2015.

General and Administrative. These expenses decreased slightly primarily due to:

- Lower contract labor expense due to replacing temporary personnel with permanent employees at a lower cost.
- Lower bad debt expense in 2015 compared to 2014 due to enhanced accounts receivable collection activities.

Offset by

- Increased salaries and wages for personnel, particularly software engineers, due to competitive demands in the marketplace increasing compensation rates for these skills.
- Increased recruiting fees paid to identify and hire qualified personnel in a competitive marketplace.

Research and Development. The overall profile of our research and development activities was as follows (in thousands):

	Year ending December 31,	
	2015	**2014**
R&D expenditures capitalized	$ 1,967	$ 2,847
R&D expenditures expensed	2,562	2,183
Total R&D expenditures	$ 4,529	$ 5,030

While the scope and magnitude of our software development activities measured in hours of effort has continued to grow between these periods, the cost of performing that work decreased 10% in 2015 compared to 2014 due to:

- Increased use of our employees as an internal resource to do this work in 2015 compared to 2014 when we relied more on the use of higher cost, third-party software developers.
- Enhancement of relationships with third-party developers we continued to use by replacing legacy arrangements carrying higher costs with more cost effective and efficient arrangements.

Total resources expended for R&D set forth above as total 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.

Other Income (Expense), Net. Other income/expense was a net expense in 2014 was due to interest expense related to the note payable we paid-in-full during the third quarter of 2014. Since we had no such interest expense during 2015, we had other income consisting primarily of interest income earned on short and long term investments.

Income Taxes.

Our effective tax rate was 29.2% for 2015 and 33.8% for 2014. These rates differed from a federal statutory tax rate of 34% primarily due to:

- The domestic production activities deduction taken on our federal income tax return that is not an expense for financial statement purposes.
- Research and development tax credits.

Offset by:

- Certain expenses in our financial statements, such as a portion of meals and entertainment expenses, that are not deductible on our federal income tax return.
- State income taxes included in income tax expense in our financial statements.

Our effective tax rate for 2015 was lower than our effective tax rate for 2014 due to the research and development tax credit provided in our 2014 financial statements being less than the amount of that credit ultimately claimed on our 2014 federal income tax return. This resulted from additional factors affecting the credit becoming known to us at the time the 2014 federal tax return was prepared. We recorded the difference between those amounts in our 2015 financial statements.

Item 8. Financial Statements and Supplementary Data

GlobalSCAPE, Inc.

Index to Consolidated Financial Statements

Years ending December 31, 2015 and 2014

Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of GlobalSCAPE, Inc.

We have audited the accompanying consolidated balance sheets of GlobalSCAPE, Inc. and its subsidiary (collectively, the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for the years 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 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 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 audits provide a reasonable basis for our opinion.

In our opinion, 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, 2015 and 2014, and the results of their operations and their cash flows for the years 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 RSM Alliance
San Antonio, Texas
March 3, 2016

GlobalSCAPE, Inc.
Consolidated Balance Sheets
(in thousands except share amounts)

	December 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 15,885	$ 11,358
Short term investments	3,254	-
Accounts receivable (net of allowance for doubtful accounts of $325 and $511 in 2015 and 2014, respectively)	6,081	5,938
Federal income tax receivable	290	-
Prepaid expenses	511	488
Total current assets	26,021	17,784
Property and equipment, net	498	616
Long term investments	-	3,185
Capitalized software development costs	3,982	3,298
Goodwill	12,712	12,712
Deferred tax asset	940	692
Other assets	60	100
Total assets	$ 44,213	$ 38,387
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 839	$ 1,111
Accrued expenses	1,893	1,590
Deferred revenue	12,000	11,411
Income taxes payable	127	2
Total current liabilities	14,859	14,114
Deferred revenue, non-current portion	3,612	3,393
Other long term liabilities	44	52
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, 21,383,467 and 20,989,267 shares issued at December 31, 2015 and December 31, 2014, respectively	21	21
Additional paid-in capital	19,583	18,370
Treasury stock, 403,581 shares, at cost, at December 31, 2015 and December 31, 2014	(1,452)	(1,452)
Retained earnings	7,546	3,889
Total stockholders' equity	25,698	20,828
Total liabilities and stockholders' equity	$ 44,213	$ 38,387

The accompanying notes are an integral part of these consolidated financial statements.

GlobalSCAPE, Inc.
Consolidated Statements of Operations and Comprehensive Income
(in thousands, except per share amounts)

	For the Year Ended December 31, 2015	2014
Operating revenues:		
Software licenses	$ 12,023	$ 10,292
Maintenance and support	16,595	15,033
Professional services	2,223	1,445
Total revenues	30,841	26,770
Costs of revenues		
Software licenses	2,428	1,508
Maintenance and support	1,466	1,491
Professional services	1,775	785
Total costs of revenues	5,669	3,784
Gross Profit	25,172	22,986
Operating expenses		
Sales and marketing	10,025	10,012
General and administrative	6,168	6,176
Research and development	2,562	2,183
Total operating expenses	18,755	18,371
Income from operations	6,417	4,615
Other income (expense):		
Interest expense	(4)	(105)
Interest income	82	63
Total other income (expense)	78	(42)
Income before income taxes	6,495	4,573
Provision for income taxes	1,897	1,547
Net income	$ 4,598	$ 3,026
Comprehensive income	$ 4,598	$ 3,026
Net income per common share - basic	$ 0.22	$ 0.15
Net income per common share - diluted	$ 0.22	$ 0.15
Weighted average shares outstanding:		
Basic	20,824	20,163
Diluted	21,366	20,693

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, 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
Shares issued upon exercise of stock options	314,200	-	508	-	-	508
Tax benefit (deficiency) from stock-based compensation	-	-	58	-	-	58
Stock-based compensation expense						
Stock options	-	-	400	-	-	400
Restricted stock	80,000	-	247	-	-	247
Common stock cash dividends of $0.045 per share	-	-	-	-	(941)	(941)
Net income	-	-	-	-	4,598	4,598
Balance at December 31, 2015	21,383,467	$ 21	$ 19,583	$ (1,452)	$ 7,546	$ 25,698

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, 2015	For the Year Ended December 31, 2014
Operating Activities:		
Net income	$ 4,598	$ 3,026
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt expense	62	445
Depreciation and amortization	1,553	883
Stock-based compensation	647	521
Deferred taxes	(248)	968
Excess tax deficiency from exercise of share based compensation	(58)	227
Other	-	74
Subtotal before changes in operating assets and liabilities	6,554	6,144
Changes in operating assets and liabilities:		
Accounts receivable	(205)	(2,619)
Prepaid expenses	(23)	(139)
Federal income taxes	(107)	(112)
Other assets	40	44
Accounts payable	(272)	456
Accrued expenses	303	693
Deferred revenues	808	4,004
Other long-term liabilities	(8)	(8)
Net cash provided by (used in) operating activities	7,090	8,463
Investing Activities:		
Software development costs	(1,967)	(2,847)
Purchase of property and equipment	(152)	(252)
Interest on long term investments	(69)	(63)
Net cash provided by (used in) investing activities	(2,188)	(3,162)
Financing Activities:		
Proceeds from exercise of stock options	508	2,243
Tax deficiency (benefit) from stock-based compensation	58	(227)
Notes payable principal payments		(4,386)
Dividends paid	(941)	(1,028)
Net cash provided by (used in) financing activities	(375)	(3,398)
Net increase (decrease) in cash	4,527	1,903
Cash at beginning of period	11,358	9,455
Cash at end of period	$ 15,885	$ 11,358
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ -	$ 117
Income taxes	$ 2,146	$ 565

The accompanying notes are an integral part of these consolidated financial statements.

GlobalSCAPE, Inc.
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

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 2015 and 2014 refer to the years ended December 31, 2015 and 2014, 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 of the sale is fixed or determinable.
- Collection of the sale amount 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 the 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.

Reclassification of Expenses

Cost of revenue

Cost of revenue consists of expenses associated with the production, delivery and support of the products and services we sell. Cost of license revenue consists primarily of amortization of the capitalized software development costs we incur when producing our software products, royalties we pay to use software developed by others for certain features of our products, and fees we pay to third parties who provide services supporting our SaaS and cloud-based subscription solutions. Cost of M&S revenue and cost of professional services revenue consist primarily of salaries and related costs of our employees and third parties we use to deliver these services.

In preparing our financial statements for the year ended December 31, 2015, we refined our determination of the expenses we classify as cost of revenues in response to the evolution of our business and the resulting changes in the scope and nature of certain expenses we incur. As a result, we reclassified to cost of revenues certain expenses we had previously classified as part of selling, general and administrative expenses and depreciation and amortization.

Depreciation and Amortization

After making the cost of revenue reclassifications described above, the amount remaining in depreciation and amortization expense was related to sales and marketing and general and administrative activities. Accordingly, we reclassified that remaining depreciation and amortization expense to sales and marketing and general and administrative expense and eliminated the depreciation and amortization line in our statement of operations.

Sales and marketing and general and administrative expenses

We have revised the manner in which we present these expenses by separating them into separate lines for each of sales and marketing expenses and general and administrative expenses.

Effect of reclassification of expenses

These expense reclassifications occurred only within and between cost of revenues and operating expenses. These reclassifications had no effect on revenues, income from operations, income before income taxes, net income or earnings per share as previously reported. The following table illustrates the effects of these changes on previously reported amounts for the year ended December 31, 2014 ($ in thousands):

	Year Ended December 31, 2014						
		Reclassification of Previously Reported Amounts					
	As Previously Reported	Cost of Revenues	Capitalized Software Cost Amortization	Personnel Costs	Depreciation	Selling, General & Administrative	As Now Reported
Operating Revenues:							
Software licenses	$ 10,292						$ 10,292
Maintenance and support	15,033						15,033
Professional services	1,445						1,445
Total revenues	26,770						26,770
Cost of Revenues:							
Software licenses		931	577				1,508
Maintenance and support				1,491			1,491
Professional services		87		698			785
Total cost of revenues	-						3,784
Gross profit							22,986
Operating Expenses							
Sales and marketing	-					10,012	10,012
General and administrative	-				306	5,870	6,176
Cost of Revenues	1,018	(1,018)					-
Selling, general and administrative	18,071			(2,189)		(15,882)	-
Research and development	2,183						2,183
Depreciation and amortization	883		(577)		(306)		-
Total operating expenses	22,155						18,371
Income from operations	4,615						4,615
Other income (expense), net	(42)						(42)
Income before income taxes	4,573						4,573
Income tax expense	1,547						1,547
Net income	$ 3,026						$ 3,026
Comprehensive income	$ 3,026						$ 3,026
Net income per common share -							
Basic	$ 0.15						$ 0.15
Diluted	$ 0.15						$ 0.15

Cash and cash equivalents

Cash and cash equivalents includes all cash and highly liquid investments with original maturities of three months or less.

Short Term Investments

Short-term investments consist of certificates of deposit held with financial institutions with contractual maturity dates less 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.

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 five to seven years, computer equipment and software have a useful life of three years and leasehold improvements have a useful life that is 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, 2015, 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. There have been no material events or changes in circumstances since that time indicating that the carrying amount of goodwill may exceed its fair market value and that interim testing needed to be performed.

Capitalized Software Development Costs

When we complete research and development for a software product and have in place 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. We periodically assess the carrying value of capitalized software development costs relative to our estimates of realizability through sales of products in the marketplace.

Research and Development

We expense research and development costs as incurred.

Advertising Expense

We expense advertising costs as incurred as a component of our sales and marketing expenses. Advertising expense was $1.6 million and $1.4 million in 2015 and 2014, 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.
- We estimate a dividend yield based on our historical and expected future dividend payments.

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. We apply the treasury stock method to non-vested options under which 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.

Recent accounting pronouncements

In November 2015, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update (ASU) No. 2015-17, *Income Tax: Balance Sheet Classification of Deferred Taxes*. ASU 2015-07 requires that all deferred tax assets and liabilities for a tax jurisdiction, along with any related valuation allowance, be classified as noncurrent on the balance sheet. We have implemented this ASU in the accompanying financial statements in the manner described in the Note 9 below.

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, 2018, 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.

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.

3. 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,	
	2015	2014
Balance, beginning of period	$ 511	$ 154
Provision for doubtful accounts	55	445
Accounts written off	(241)	(88)
Balance, end of period	$ 325	$ 511

4. Property and Equipment

Property and equipment, at cost, consist of the following ($ in thousands):

	December 31, 2015	December 31, 2014
Furniture and fixtures	$ 620	$ 620
Software	638	634
Equipment	1,218	1,075
Leasehold improvements	559	559
	3,035	2,888
Less accumulated depreciation	(2,537)	(2,272)
Property and equipment, net	$ 498	$ 616

5. Capitalized Software Development Costs

Our capitalized software development costs profile is as follows: ($ in thousands):

	December 31, 2015	December 31, 2014
Gross capitalized cost	$ 5,714	$ 4,077
Accumulated amortization	(1,732)	(779)
Net balance	$ 3,982	$ 3,298

	Year Ended December 31, 2015	Year Ended December 31, 2014
Amount capitalized	$ 1,967	$ 2,847
Amortization expense	$ (1,283)	$ (577)

	Released Products	Unreleased Products
Gross capitalized amount at December 31, 2015	$ 4,651	$ 1,063

Future amortization expense for the year ending December 31,	
2016	$ 1,486
2017	1,083
2018	350
Total	$ 2,919

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.

6. Commitments and Contingencies

Minimum rental commitments under operating leases at December 31, 2015, are as follows ($ in thousands):

Year Ending December 31,		
2016	$	360
2017		360
2018		360
2019		120
Total	$	1,200

Rent expense under operating leases was $347,000 in 2015 and $458,000 in 2014. We had a deferred rent liability of $44,000 at December 31, 2015, which we amortize 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 $1.2 million.

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. It also eliminated the lien on our short-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,	
	2015	2014
Share-based compensation expense	$ 647	$ 521

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 2015 or 2014.
- As of December 31, 2015, stock-based incentives for up to 925,590 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, 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, 2013	2,022,175	$	2.12	6.07	$	710
2015						
Granted	538,000	$	3.21			
Forfeitures	(154,650)	$	2.49			
Exercised	(314,200)	$	1.61			
Outstanding at December 31, 2015	2,091,325	$	2.45	6.09	$	3,277
Exercisable at December 31, 2015	1,291,409	$	2.22	4.40	$	2,330

Additional information about our stock options is as follows:

		2015		2014
Weighted average fair value of options granted during the year	$	1.40	$	1.30
Intrinsic value of options exercised during the year	$	532,224	$	1,160,000
Cash received from stock options exercised during the year	$	507,289	$	2,243,000
Number of options that vested during the year		306,834		295,670
Fair value of options that vested during the year	$	334,788	$	304,000
Unrecognized compensation expense related to non-vested options at end of year	$	780,059	$	560,000
Weighted average years over which non-vested option expense will be recognized		2.03		1.93

As of December 31, 2015

	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
$ 0.55 - $1.43	204,350	3.94	$	1.14	185,569	$	1.11
$ 1.47 - $2.26	652,125	5.98	$	1.80	574,965	$	1.82
$ 2.27 - $3.42	1,079,850	6.97	$	2.86	400,875	$	2.67
$ 3.50 - $4.21	155,000	3.30	$	4.05	130,000	$	4.10
Total options	2,091,325				1,291,409		

We used the following assumptions to determine compensation expense for our stock options using the Black-Scholes option-pricing model:

	Year Ended December 31, 2015	Year Ended December 31, 2014
Expected volatility	57%	56%
Expected annual dividend yield	2.4%	0
Risk free rate of return	1.58%	1.91%
Expected option term (years)	6.00	6.00

Restricted Stock Awards

In May 2015, we adopted the 2015 Non-Employee Directors Long Term Incentive Plan ("2015 Directors Plan"). This plan provides for the issuance of either stock options or restricted stock awards for up to 500,000 shares of our common stock. Provisions and characteristics of this plan include 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.
- As of December 31, 2015, stock based incentives for up to 420,000 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, 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	
2015			
Shares granted with restrictions	80,000	$ 3.34	
Shares vested and restrictions removed	(80,000)	$ 2.32	$ 267,200
Restricted Shares Outstanding at December 31, 2015	80,000	$ 3.34	

We have not issued any stock options under the 2015 Directors Plan.

The 2015 Directors Plan replaced the 2006 Non-Employee Directors Long Term Incentive Plan. We will not issue any additional stock or stock options under the 2006 plan.

9. Income Taxes

The components of our income tax expense (benefit) are as follows ($ in thousands):

	2015			2014		
	Current	Deferred	Total	Current	Deferred	Total
Federal	$ 1,993	$ (243)	$ 1,750	$ 733	$ 739	$ 1,472
Foreign	50	-	50	-	-	-
State	102	(5)	97	93	(18)	75
Total	$ 2,145	$ (248)	$ 1,897	$ 826	$ 721	$ 1,547

Current taxes per our federal income tax return are presented in these financial statements as follows:

	2015	2014
Current federal income tax expense in the statement of operations	$ 1,993	$ 733
Tax (deficiency) from stock-based compensation recorded in additional paid-in capital	(58)	227
Current taxes per our federal income tax return	$ 1,935	$ 960

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,	
	2015	2014
Deferred tax assets:		
Share-based compensation	$ 677	$ 654
Deferred revenue	1,154	581
Net operating loss carryforward	151	210
Compensation and benefits	168	128
Allowance for doubtful accounts	111	174
Other	33	24
Total deferred tax assets	2,294	1,771
Deferred tax liabilities:		
Intangible assets	1,339	1,028
Depreciation	15	51
Total gross deferred tax liabilities	1,354	1,079
Net deferred tax assets	$ 940	$ 692

As of December 31, 2015, we had federal income tax net operating loss carryforwards of $444,000 available to offset future federal taxable income, if any. These carryforwards became available through our acquisition of TappIn, Inc. in 2011. These carryforwards expire in 2030 and 2031.

As of December 31, 2015, we had federal income tax capital loss carryforwards of $1,100,000 which resulted from the reduction of our investments in and notes receivable from CoreTrace Corporation in 2012. We can realize capital loss carryforwards 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 accordingly have not reflected this item as a deferred tax asset in the schedule above. This carryforward expires in 2017.

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.

We claim research and experimentation tax credits, or R&D tax credits, on certain of our tax returns and have included the effect of those credits in our provision for income taxes. Because our 2008, 2009 and 2010 tax returns were under routine examination by the Internal Revenue Service and because we believed it more-likely-than-not the examination could result in $125,000 of such credits we claimed not being allowed by the Internal Revenue Service, we recorded a reserve for an uncertain tax position in the amount of $125,000 in 2012 related to this item. The Internal Revenue Service completed its routine examination of our 2008, 2009 and 2010 income tax returns in 2015 and those results have been included in our provision for income taxes in 2015. We continue to maintain a reserve for an uncertain tax position in the amount of $90,000 for our 2011 through 2015 tax returns related to the R&D tax credit.

The aggregate changes in the balance of our gross unrecognized tax benefits were as follows ($ in thousands):

	2015	2014
Balance, beginning of year	$ 125	$ 125
Increases for tax positions related to the current year	25	-
Increases for tax positions related to prior years	23	-
Decreases for tax positions related to prior years	(51)	-
Decreases due to settlements related to prior years	(32)	-
Balance, end of year	$ 90	$ 125

To the extent they arise, we record interest and penalty expenses related to income taxes as components of other expense in our statement of operations. We incurred no such expenses in 2015 or 2014.

We file state tax returns in various states. The taxes resulting from these filings are included in income tax expense.

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,	
	2015	2014
Income tax expense (benefit) at federal statutory rate	$ 2,208	$ 1,555
Increase (decrease) in taxes resulting from:		
State taxes, net of federal benefit	62	43
Other	49	29
R&D tax credit uncertain tax position (net)	(35)	-
Research and development credit	(251)	(50)
Domestic production activities deduction	(136)	(30)
Income tax expense (benefit) per the statement of operations	$ 1,897	$ 1,547

In November 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-17, *Income Tax: Balance Sheet Classification of Deferred Taxes*. ASU 2015-07 requires that all deferred tax assets and liabilities for a tax jurisdiction, along with any related valuation allowance, be classified as noncurrent on the balance sheet. We have implemented this ASU in the accompanying financial statements. This implementation resulted in the previously reported current deferred tax asset of $402,000 as of December 31, 2014, being reclassified and combined with the previously reported non-current deferred asset of $290,000 as of that date to yield a non-current deferred tax asset balance of $692,000 being reported as of December 31, 2014, in the accompanying financial statements.

10. Earnings Per Share

Earnings per share for the periods indicated were as follows (in thousands except per share amounts):

	Year ended December 31,			
	2015		2014	
Numerators				
Numerator for basic and diluted earnings per share:				
Net income	$	4,598	$	3,026
Denominators				
Denominators for basic and diluted earnings per share:				
Weighted average shares outstanding - basic		20,824		20,163
Dilutive potential common shares				
Stock options and awards		542		530
Denominator for diluted earnings per share		21,366		20,693
Net income per common share - basic	$	0.22	$	0.15
Net income per common share – diluted	$	0.22	$	0.15

11. Dividends

We paid dividends as follows:

	Year ended December 31,			
	2015		2014	
Dividend per share of common stock	$	0.045	$	0.050

12. 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 $126,000, and $92,000 for the years ended December 31, 2015, and 2014, respectively.

13. Segment and Geographic Disclosures

In accordance with FASB ASC Topic 280, Segment Reporting, we view our operations and manage our business as principally one segment. As a result, the financial information disclosed herein represents all of the material financial information related to our principal operating segment.

Revenues derived from customers and partners located in the United States accounted for approximately 76% of the Company’s total revenues in 2015 and approximately 72% of the Company’s total revenues in 2014. The remaining revenues were from customers and partners located in foreign countries and each individual foreign country accounted for less than 10% of total revenues in 2015 and 2014. The Company attributes revenues to countries based on the country in which the customer or partner is located. None of our property and equipment was located in a foreign country as of December 31, 2015 and 2014.

14. Concentration of Business Volume and Credit Risk

Our cash, cash equivalents and long-term investments are on deposit in banks and are collectively insured by the Federal Deposit Insurance Corporation for $750,000. 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 order to leverage the resources of third parties, we make our products available for purchase by end users through third-party, channel resellers even though those end users can also purchase those products directly from us. During 2015 and 2014, we earned approximately 11% and 10%, respectively, of our revenue from such sales through our largest, third-party, channel reseller.

In 2015 and 2014, approximately 24%, and 28%, 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.

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.

15. Quarterly Consolidated Financial Information (unaudited)

The quarterly consolidated financial information presented below reflects the expense reclassifications we implemented in preparing our financial statements for the year ended December 31, 2015, as described in the *Reclassification of Expenses* section of Note 2 above. These reclassifications occurred only within and between cost of revenues and operating expenses. These reclassifications had no effect on our total revenue, income from operations, income before income taxes, net income or earnings per share with such amounts remaining unchanged from previously reported amounts for each of the quarters presented below.

	Fiscal Year 2015				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Revenue					
Software licenses	$ 2,458	$ 3,280	$ 2,852	$ 3,433	$ 12,023
Maintenance & support	4,034	4,093	4,142	4,326	16,595
Professional services	388	490	653	692	2,223
Total revenues	6,880	7,863	7,647	8,451	30,841
Cost of Revenues					
Software licenses	438	651	562	777	2,428
Maintenance & support	325	391	341	409	1,466
Professional services	317	335	605	518	1,775
Total cost of revenues	1,080	1,377	1,508	1,704	5,669
Gross profit	5,800	6,486	6,139	6,747	25,172
Operating Expenses					
Sales and marketing	2,295	2,476	2,289	2,965	10,025
General and administrative	1,723	1,457	1,449	1,539	6,168
Research and development	529	657	646	730	2,562
Total operating expenses	4,547	4,590	4,384	5,234	18,755
Income from operations	1,253	1,896	1,755	1,513	6,417
Other income (expense)	11	23	17	27	78
Net income before provision for income taxes	1,264	1,919	1,772	1,540	6,495
Income tax expense	449	594	542	312	1,897
Net income	$ 815	$ 1,325	$ 1,230	$ 1,228	$ 4,598
Net income per share:					
Basic	$ 0.04	$ 0.06	$ 0.06	$ 0.06	$ 0.22
Diluted	$ 0.04	$ 0.06	$ 0.06	$ 0.06	$ 0.22
Weighted average shares outstanding					
Basic	20,647	20,804	20,892	20,949	20,824
Diluted	21,099	21,324	21,440	21,562	21,366

	Fiscal Year 2014				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Revenue					
Software licenses	$ 1,912	$ 2,583	$ 2,291	$ 3,506	$ 10,292
Maintenance & support	3,579	3,813	3,790	3,851	15,033
Professional services	237	290	409	509	1,445
Total revenues	5,728	6,686	6,490	7,866	26,770
Cost of Revenues					
Software licenses	258	285	426	539	1,508
Maintenance & support	368	370	359	394	1,491
Professional services	149	161	236	239	785
Total cost of revenues	775	816	1,021	1,172	3,784
Gross profit	4,953	5,870	5,469	6,694	22,986
Operating Expenses					
Sales and marketing	2,084	2,740	2,391	2,797	10,012
General and administrative	1,536	1,668	1,301	1,671	6,176
Research and development	526	689	513	455	2,183
Total operating expenses	4,146	5,097	4,205	4,923	18,371
Income from operations	807	773	1,264	1,771	4,615
Other income (expense)	(20)	(27)	(11)	16	(42)
Net income before provision for income taxes	787	746	1,253	1,787	4,573
Income tax expense	253	258	471	565	1,547
Net income	$ 534	$ 488	$ 782	$ 1,222	3,026
Net income per share:					
Basic	$ 0.03	$ 0.02	$ 0.04	$ 0.06	$ 0.15
Diluted	$ 0.03	$ 0.02	$ 0.04	$ 0.06	$ 0.15
Weighted average shares outstanding					
Basic	19,534	20,071	20,487	20,487	20,163
Diluted	20,394	20,622	20,890	20,859	20,693

Due to rounding, the sum of quarterly net income per share amounts may not equal net income per share amounts reported for the fiscal year in total.

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(f) and 15d-15(f). 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, 2015, based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 (COSO). Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2015.

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, 2015, 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 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2015.

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 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2015.

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 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2015.

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 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2015.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to GlobalSCAPE's Proxy Statement for its 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2015.

PART IV

Item 15. Exhibits and 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, 2015 and 2014
- Consolidated Statements of Operations — Years ended December 31, 2015 and 2014
- Consolidated Statements of Stockholders' Equity — Years ended December 31, 2015 and 2014
- Consolidated Statements of Cash Flows — Years ended December 31, 2015 and 2014
- Notes to Consolidated Financial Statements — December 31, 2015 and 2014

(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 (Filed as Exhibit 10.1 to Form 8-K filed on February 10, 2015).
*10.16	Form of Employment Agreement dated as of April 1, 2015 by and between GlobalSCAPE and each of James Bindseil, James W. Albrecht, Jr. and Matthew Goulet (Filed as Exhibit 10.1 to Form 8-K filed on April 1, 2015).
10.17	Form of Indemnification Agreement by and between GlobalSCAPE and each of its directors and named executive officers (Filed as Exhibit 10.1 to Form 8-K filed on May 14, 2015).
*10.18	GlobalSCAPE, Inc. 2015 Non-Employee Directors Long-Term Equity Incentive Plan (Filed as Appendix A to the Definitive Proxy Statement filed April 2, 2015).
*10.19	Form of Restricted Stock Award Agreement pursuant to the GlobalSCAPE, Inc. 2015 Non-Employee Directors Long-Term Equity Incentive Plan (Filed as Exhibit 10.2 to Form 8-K filed on May 14, 2015).
*10.20	Form of Incentive Stock Option Agreement GlobalSCAPE, Inc. 2010 Employee Long-Term Equity Incentive Plan dated June 3, 2010 (Filed as Exhibit 10.1 to Form 8-K filed on February 4, 2016).
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 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 3, 2016.

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 3, 2016.

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 3, 2016, 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, 2015. 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: File No. 333-168871, effective August 16, 2010; and File No. 333-204163, effective May 14, 2015).

/s/ Padgett, Stratemann & Co., L.L.P.,
a member of the RSM Alliance
San Antonio, Texas
March 3, 2016

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 3, 2016

/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 3, 2016

/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, 2015 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 3, 2016

/s/ James L. Bindseil
James L. Bindseil
President and Chief Executive Officer

/s/ James W. Albrecht Jr.
James W. Albrecht, Jr.
Chief Financial Officer