

**GlobalSCAPE, Inc.**  
**Balance Sheets**

	December 31, 2009	December 31, 2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,025,599	\$ 6,318,604
Short term investments	\$ 1,205,000	
Accounts receivable (net of allowance for doubtful accounts of \$217,286 and \$330,916 in 2009 and 2008, respectively)	2,161,572	2,021,293
Federal income tax receivable	36,572	19,244
Current deferred tax asset	130,210	-
Prepaid expenses	131,860	120,162
Total current assets	10,690,813	8,479,303
Fixed assets, net	1,653,369	1,642,776
Intangible assets, net	832,472	1,134,000
Investment - CoreTrace	2,277,778	
Goodwill	619,065	619,065
Deferred tax asset	574,124	297,183
Other assets	53,004	47,581
Goodwill		
Other	58,996	-
Total other assets	58,996	425,303
Total assets	\$ 16,700,625	\$ 12,219,908
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 315,584	\$ 512,256
Accrued expenses	766,388	560,889
Federal income tax payable		-
Deferred compensation	-	215,858
Deferred revenue	4,071,485	2,755,698
Total current liabilities	5,153,457	4,044,701
Deferred tax liability	527,893	545,169
Other Long-term liabilities		
Deferred compensation	-	-
Deferred revenue, LT portion	1,047,479	138,800
Straightline rent	31,744	12,697
Total long-term liabilities	1,607,116	696,666
Total Liabilities	6,760,573	4,741,367

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, 17,686,252 and 17,630,952 shares issued at December 31, 2009 and 2008, respectively	17,686	17,631
Treasury stock, 403,581 and 403,581 shares at December 31, 2009 and 2008, respectively	(1,451,805)	(1,451,805)
Additional paid-in capital	10,798,899	9,737,380
Retained earnings	575,272	(824,665)
Total stockholders' equity	<u>9,940,052</u>	<u>7,478,541</u>
Total liabilities and stockholders' equity	<u>\$ 16,700,625</u>	<u>\$ 12,219,908</u>

**GlobalSCAPE, Inc.**  
**Statements of Operations**

	For the Year Ended December 31,	
	2009	2008
Operating revenues:		
Software product revenues	\$ 10,273,685	\$ 10,901,887
Maintenance and support (net of deferred revenues)	6,177,733	4,890,355
Total revenues	16,451,418	15,792,242
Operating expenses:		
Cost of revenues	335,961	188,942
Selling, general and administrative expenses	10,797,827	10,943,821
Research and development expenses	2,804,857	2,819,791
Depreciation and amortization	724,485	957,036
Impairment of goodwill	-	5,773,010
Impairment of long-lived assets	-	3,243,945
Total operating expense	14,663,130	23,926,545
Income from operations	1,788,288	(8,134,303)
Other (expense) income:		
Interest expense	(4)	(6,700)
Interest income	17,546	104,602
Gain (loss) on sale of assets	(85,292)	(9,283)
Other income	18	5,512
Total other (expense) income	(67,732)	94,131
Income before income taxes	1,720,556	(8,040,172)
Income tax provision:		
Current:		
Federal	60,899	60,899
State	1,065	1,065
Deferred:		
Federal (benefit)	(51,983)	(51,983)
State	-	-
Total income tax provision	320,619	(380,211)
Net income	\$ 1,399,937	\$ (7,659,961)
Net income per common share		
- basic	\$0.08	(\$0.44)
Net income per common share		
- assuming dilution	\$0.08	(\$0.44)
Weighted average shares outstanding		
- basic	17,247,975	17,240,285
Weighted average shares outstanding		
- assuming dilution	17,690,948	17,240,285

**GlobalSCAPE, Inc.**  
**Statements of Cash Flows**

	For the Year ended December 31,	
	2009	2008
Operating Activities:		
Net income (loss)	1,399,937	(\$7,659,961)
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt (recoveries) expense	(60,276)	235,192
Depreciation and amortization	724,485	957,036
(Gain)/loss on disposition of assets	85,292	9,284
Stock-based compensation	1,021,389	974,334
Stock issue for goods	-	300
Deferred taxes	(426,969)	(1,422,607)
Impairment of goodwill	-	5,773,010
Impairment of long-lived assets	-	3,243,945
Changes in operating assets and liabilities:		
Accounts receivable	(70,003)	(23,558)
Prepaid expenses	(11,698)	(32,508)
Federal income tax receivable	(17,328)	921,083
Other assets	(5,423)	32,386
Accounts payable	(196,672)	182,439
Accrued expenses	205,499	(182,057)
Deferred revenues	2,224,466	565,381
Deferred compensation	(215,858)	215,858
Other long-term liabilities	19,047	(107,014)
Net cash provided by operating activities	4,675,888	3,682,543
Investing Activities:		
Proceeds from sale of property and equipment	1,244	4,876
Purchase of property and equipment	(530,086)	(1,617,332)
Investment in CoreTrace	(2,277,778)	-
Purchase of short-term investments	(1,705,000)	-
Redemption of short-term investments	500,000	-
Net cash used in investing activities	(4,011,620)	(1,612,456)
Financing Activities:		
Proceeds from exercise of stock options	42,727	12,420
Purchase of treasury stock	-	(978,382)
Net cash provided by (used in) financing activities	42,727	(965,962)
Net increase in cash	706,995	1,104,125
Cash at beginning of period	6,318,604	5,214,479
Cash at end of period	\$7,025,599	\$6,318,604