

**Part I. Financial Information**

**Item 1. Financial Statements**

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

	31-Mar 2010 (Unaudited)	December 31, 2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,455	\$ 7,026
Short term investments	650	1,205
Accounts receivable (net of allowance for doubtful accounts of \$89 and \$217 in 2010 and 2009, respectively)	2,227	2,162
Federal income tax receivable	-	37
Current deferred tax asset	703	130
Prepaid expenses	194	132
Total current assets	<u>12,229</u>	<u>10,692</u>
Fixed assets, net	1,550	1,653
Investment - CoreTrace	2,278	2,278
Intangible assets, net	757	832
Goodwill	619	619
Deferred tax asset	-	46
Other assets	54	53
Total assets	<u>\$ 17,487</u>	<u>\$ 16,173</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 376	\$ 316
Accrued expenses	597	764
Income tax payable	557	-
Deferred revenue	4,211	4,071
Deferred compensation	-	-
Total current liabilities	<u>5,741</u>	<u>5,151</u>
Deferred tax liability	120	-
Other Long-term liabilities		
Deferred compensation	-	-
Deferred revenue, LT portion	1,021	1,048
Straightline rent	36	32
Total long-term liabilities	<u>1,177</u>	<u>1,080</u>
Total Liabilities	6,918	6,231
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 shares issued at March 31, 2010 and December 31, 2009.	18	18
Treasury Stock, 403,581 shares at March 31, 2010 and December 31, 2009.	(1,452)	(1,452)
Additional paid-in capital	11,064	10,801
Retained earnings	939	575
Total stockholders' equity	<u>10,569</u>	<u>9,942</u>
Total liabilities and stockholders' equity	<u>\$ 17,487</u>	<u>\$ 16,173</u>

**GlobalSCAPE, Inc.**  
**Condensed Statement of Operations**  
(in thousands, except per share amounts)  
(Unaudited)

	Three months ended March 31,	
	2010	2009
Operating Revenues:		
Software product revenues	\$ 2,471	\$ 1,947
Maintenance and support	1,942	1,293
Total Revenues	4,413	3,240
Operating Expenses:		
Cost of revenues	102	52
Selling, general and administrative expenses	2,909	2,583
Research and development expenses	646	675
Depreciation and amortization	200	172
Total operating expenses	3,857	3,482
Income from operations	556	(242)
Other (expense) income	1	11
Income before income taxes	557	(231)
Provision for income taxes	193	13
Net Income	\$ 364	\$ (244)
Net income per common share - basic	\$ 0.02	\$ (0.01)
Net income per common share - assuming dilution	\$ 0.02	\$ (0.01)
Average shares outstanding:		
Basic	17,283	17,227
Diluted	17,876	17,227

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

(in thousands)

(Unaudited)

	For the three months ended March	
	2010	2009
Operating Activities:		
Net income (loss)	\$ 364	\$ (244)
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt (recoveries)	(137)	(43)
Depreciation and amortization	200	172
Gain on disposition of assets	-	(1)
Share-based compensation	263	283
Stock issued for goods	-	-
Deferred taxes	(407)	82
Changes in operating assets and liabilities:		
Accounts receivable	72	287
Prepaid expenses	(62)	27
Federal income tax receivable	594	(106)
Other assets	(1)	(5)
Accounts payable	60	(57)
Accrued expenses	(167)	(162)
Deferred revenues	113	101
Deferred compensation	-	(216)
Other long-term liabilities	4	5
Net cash provided by operating activities	896	123
Investing Activities:		
Proceeds from sale of property and equipment	-	1
Purchase of property and equipment	(22)	(221)
Purchase of short-term investments	(350)	-
Redemption of short-term investments	905	-
Net cash provided by (used in) investing activities	533	(220)
Net increase in cash	1,429	(97)
Cash at beginning of period	7,026	6,319
Cash at end of period	\$ 8,455	\$ 6,222
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income taxes paid	\$ 1	\$ 38