

INTRUSION INC
Form 10-Q
August 12, 2009
Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2009

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 Number 0-20191

INTRUSION INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

75-1911917
(I.R.S. Employer
Identification No.)

1101 East Arapaho Road, Suite 200, Richardson, Texas 75081

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(Address of principal executive offices)

(Zip Code)

(972) 234-6400

(Registrant's telephone number, including area code)

Not Applicable

Former name, former address and former fiscal year, if changed since last report)

* * * * *

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

The number of shares outstanding of the Registrant's Common Stock, \$0.01 par value, on July 31, 2009 was 11,704,535.

Table of Contents

INTRUSION INC.

INDEX

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Unaudited Condensed Consolidated Balance Sheets as of June 30, 2009 and December 31, 2008

Unaudited Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2009 and 2008

Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2009 and 2008

Notes to Unaudited Condensed Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 4T. Controls and Procedures

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Item 1A. Risk Factors

Item 3. Defaults Upon Senior Securities

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

Item 6. Exhibits

Signature Page

Table of Contents**PART I FINANCIAL INFORMATION**

Item 1. FINANCIAL STATEMENTS

INTRUSION INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)

| | June 30, 2009 | December 31, 2008 |
|--|------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 136 | \$ 554 |
| Accounts receivable | 289 | 341 |
| Inventories, net | 6 | 20 |
| Prepaid expenses | 58 | 56 |
| Total current assets | 489 | 971 |
| Property and equipment, net | 134 | 169 |
| Other assets | 39 | 39 |
| TOTAL ASSETS | \$ 662 | \$ 1,179 |
| LIABILITIES AND STOCKHOLDERS DEFICIT | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$ 547 | \$ 538 |
| Loan payable to officer | 835 | 480 |
| Dividends payable | 276 | 187 |
| Deferred revenue | 416 | 1,090 |
| Total current liabilities | 2,074 | 2,295 |
| Commitments and contingencies | | |
| Stockholders' deficit: | | |
| Preferred stock, \$0.01 par value: Authorized shares 5,000 | | |
| Series 1 shares issued and outstanding 220 in 2009 and 260 in 2008 Liquidation preference of \$1,212 as of June 30, 2009 | 778 | 918 |
| Series 2 shares issued and outstanding 460 Liquidation preference of \$1,241 as of June 30, 2009 | 724 | 724 |
| Series 3 shares issued and outstanding 354 Liquidation preference of \$834 as of June 30, 2009 | 504 | 504 |
| Common stock, \$0.01 par value: | | |
| Authorized shares 80,000 | | |
| Issued shares 11,715 in 2009 and 11,648 in 2008 | | |
| Outstanding shares 11,705 in 2009 and 11,638 in 2008 | 117 | 116 |
| Common stock held in treasury, at cost 10 shares | (362) | (362) |
| Additional paid-in capital | 55,558 | 55,443 |
| Accumulated deficit | (58,552) | (58,280) |

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| | | | | |
|--|-----------|------------|-----------|--------------|
| Accumulated other comprehensive loss | | (179) | | (179) |
| Total stockholders' deficit | | (1,412) | | (1,116) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | \$ | 662 | \$ | 1,179 |

See accompanying notes.

Table of Contents

INTRUSION INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|---------------|------------------|---------------|
| | June 30, 2009 | June 30, 2008 | June 30, 2009 | June 30, 2008 |
| Net product revenue | \$ 1,217 | \$ 1,132 | \$ 1,977 | \$ 1,431 |
| Net customer support and maintenance revenue | 75 | 151 | 171 | 315 |
| Total revenue | 1,292 | 1,283 | 2,148 | 1,746 |
| Cost of product revenue | 429 | 434 | 701 | 608 |
| Cost of customer support and maintenance revenue | 4 | 6 | 9 | 12 |
| Total cost of revenue | 433 | 440 | 710 | 620 |
| Gross profit | 859 | 843 | 1,438 | 1,126 |
| Operating expenses: | | | | |