

INTRUSION INC
Form 10-Q
November 13, 2014
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2014

OR

**o 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

(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

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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

Smaller reporting company

(Do not check if a 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 November 1, 2014 was 12,426,002.

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INTRUSION INC.

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Item 1. FINANCIAL STATEMENTS

INTRUSION INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)

	September 30, 2014	December 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,376	\$ 1,139
Accounts receivable	1,015	816
Inventories, net	12	19
Prepaid expenses	142	95
Total current assets	2,545	2,069
Property and equipment, net	396	297
Other assets	63	51
TOTAL ASSETS	\$ 3,004	\$ 2,417
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 966	\$ 998
Dividends payable	32	437
Obligations under capital lease, current portion	145	106
Deferred revenue	966	139
Loan payable to officer	1,530	
Total current liabilities	3,639	1,680
Loan payable to officer		1,530
Obligations under capital lease, noncurrent portion	126	67
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, \$0.01 par value: Authorized shares 5,000		
Series 1 shares issued and outstanding 200 as of September 30, 2014 and 220 as of December 31, 2013		
Liquidation preference of \$1,025 as of September 30, 2014	708	778
Series 2 shares issued and outstanding 460 as of September 30, 2014 and December 31, 2013		
Liquidation preference of \$1,155 as of September 30, 2014	724	724
Series 3 shares issued and outstanding 289 as of September 30, 2014 and 354 as of December 31, 2013		
Liquidation preference of \$633 as of September 30, 2014	411	504

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Common stock, \$0.01 par value:

Authorized shares	80,000		
Issued shares	12,436 as of September 30, 2014 and 12,182 as of December 31, 2013		
Outstanding shares	12,426 as of September 30, 2014 and 12,172 as of December 31, 2013	124	122
Common stock held in treasury, at cost	10 shares	(362)	(362)
Additional paid-in capital		56,310	55,905
Accumulated deficit		(58,569)	(58,424)
Accumulated other comprehensive loss		(107)	(107)
Total stockholders' deficit		(761)	(860)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT		\$ 3,004	\$ 2,417

See accompanying notes.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net product revenue	\$ 2,011	\$ 1,954	\$ 5,375	\$ 5,760
Net customer support and maintenance revenue	19	21	54	65
Total revenue	2,030	1,975	5,429	5,825
Cost of product revenue	704	785	1,891	2,135
Cost of customer support and maintenance revenue	3	5	8	16
Total cost of revenue	707	790	1,899	2,151