

INTRUSION INC
Form 10-Q
August 13, 2013
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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 June 30, 2013

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.

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(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 ☐

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

Accelerated filer ☐
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 ☒

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The number of shares outstanding of the Registrant's Common Stock, \$0.01 par value, on July 31, 2013 was 12,172,017.

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Item 1. FINANCIAL STATEMENTS

INTRUSION INC. AND SUBSIDIARIES**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except par value amounts)

	June 30, 2013	December 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 545	\$ 52
Accounts receivable	1,171	946
Inventories, net	24	5
Prepaid expenses	42	48
Total current assets	1,782	1,051
Property and equipment, net	252	260
Other assets	53	48
TOTAL ASSETS	\$ 2,087	\$ 1,359
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,123	\$ 707
Dividends payable	357	279
Line of credit payable		130
Obligations under capital lease, current portion	92	96
Deferred revenue	133	52
Loan payable to officer	1,530	
Total current liabilities	3,235	1,264
Loan payable to officer		1,530
Obligations under capital lease, noncurrent portion	95	116
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, \$0.01 par value: Authorized shares 5,000		
Series 1 shares issued and outstanding 220		
Liquidation preference of \$1,210 as of June 30, 2013	778	778
Series 2 shares issued and outstanding 460		
Liquidation preference of \$1,270 as of June 30, 2013	724	724
Series 3 shares issued and outstanding 354		
Liquidation preference of \$852 as of June 30, 2013	504	504

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Common stock, \$0.01 par value:				
Authorized shares	80,000			
Issued shares	12,182 as of June 30, 2013			
Outstanding shares	12,172 as of June 30, 2013		122	122
Common stock held in treasury, at cost	10 shares		(362)	(362)
Additional paid-in capital			55,884	55,837
Accumulated deficit			(58,786)	(59,047)
Accumulated other comprehensive loss			(107)	(107)
Total stockholders' deficit			(1,243)	(1,551)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT		\$	2,087	\$ 1,359

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		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net product revenue	\$ 2,051	\$ 1,916	\$ 3,806	\$ 3,279
Net customer support and maintenance revenue	22	33	44	68
Total revenue	2,073	1,949	3,850	3,347
Cost of product revenue	721	783	1,350	1,392
Cost of customer support and maintenance revenue	5	5	11	11
Total cost of revenue	726	788	1,361	1,403
Gross profit	1,347	1,161	2,489	1,944
Operating expenses:				
Sales and marketing	435	299	747	699
Research and development	378	314	777	711
General and administrative	297	310	640	621
Operating income (loss)	237	238	325	(87)
Interest expense, net	(32)	(26)	(63)	(53)
Income (loss) before income tax provision	205	212	262	(140)
Income tax provision				
Net income (loss)	\$ 205	\$ 212	\$ 262	\$ (140)
Preferred stock dividends accrued	(38)	(38)	(75)	(75)
Net income (loss) attributable to common stockholders	\$ 167	\$ 174	\$ 187	\$ (215)
Net income (loss) per share attributable to common stockholders:				
Basic	\$ 0.01	\$ 0.01	\$ 0.02	\$ (0.02)
Diluted	\$ 0.01	\$ 0.01	\$ 0.01	\$ (0.02)
Weighted average common shares outstanding:				
Basic	12,172	12,007	12,172	11,980
Diluted	13,893	13,962	13,893	11,980

See accompanying notes.

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INTRUSION INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended	
	June 30, 2013	June 30, 2012
Operating Activities:		
Net income (loss)	\$ 262	\$ (140)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	78	75
Stock-based compensation	109	117
Changes in operating assets and liabilities:		
Accounts receivable	(225)	(554)
Inventories	(19)	
Prepaid expenses and other assets	1	4
Accounts payable and accrued expenses	421	95
Deferred revenue	81	255
Net cash provided by (used in) operating activities	708	(148)
Investing Activities:		
Purchases of property and equipment	(36)	(12)
Financing Activities:		
Proceeds from line of credit	508	371
Payments on line of credit	(638)	(385)
Penalties and waived penalties on dividends	12	5
Proceeds from stock options exercised		9
Proceeds from warrants exercised		44
Principal payments on capital leases	(61)	(43)
Net cash (used in) provided by financing activities	(179)	1
Net increase (decrease) in cash and cash equivalents	493	(159)
Cash and cash equivalents at beginning of period	52	308
Cash and cash equivalents at end of period	\$ 545	\$ 149
Cash paid during the year for interest	\$ 9	\$ 9
SUPPLEMENTAL DISCLOSURE OF NON CASH FINANCING ACTIVITIES:		
Preferred stock dividends accrued	\$ 75	\$ 75
Purchase of leased equipment under capital lease	\$ 34	\$ 71

See accompanying notes.

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