

INTRUSION INC
Form 10QSB
November 10, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended September 30, 2005

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 small business issuer 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, Richardson, Texas 75081

(Address of principal executive offices)

(Zip Code)

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(972) 234-6400

(Issuer's telephone number, including area code)

Not Applicable

Former name, if changed since last report)

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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 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 October 28, 2005 was 6,909,507.

Transitional Small Business Disclosure Format (check one): Yes No

INTRUSION INC.

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

INTRUSION INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)

	September 30, 2005	December 31, 2004
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,398	\$ 2,315
Short-term investments	500	75
Accounts receivable, less allowance for doubtful accounts of \$223 in 2005 and \$508 in 2004	902	1,220
Inventories, net	519	950
Prepaid expenses	189	393
Total current assets	4,508	4,953
Property and equipment, net	294	299
Other assets	43	64
TOTAL ASSETS	\$ 4,845	\$ 5,316
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,368	\$ 1,667
Deferred revenue	713	799
Total current liabilities	2,081	2,466
Stockholders' Equity:		
Preferred stock \$.01 par value; authorized shares 5,000 5% shares issued and outstanding 389 in 2005 and 840 in 2004; Liquidation preference of \$1,994 as of September 30, 2005	1,375	2,968
Series 2 5% shares issued and outstanding 500; Liquidation preference of \$1,256 as of September 30, 2005	787	
Common stock \$.01 par value; authorized shares 80,000; Issued shares 6,714 in 2005 and 5,431 in 2004; Outstanding shares 6,704 in 2005 and 5,421 in 2004	67	54
Common stock held in treasury, at cost 10 shares	(362)	(362)
Additional paid-in capital	52,251	49,095
Accumulated deficit	(51,175)	(48,732)
Accumulated other comprehensive loss	(179)	(173)
Total stockholders' equity	2,764	2,850
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,845	\$ 5,316

See accompanying notes.

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

	Three Months Ended		Nine Months Ended	
	Sept 30, 2005	Sept 30, 2004	Sept 30, 2005	Sept 30, 2004
Net product revenue	\$ 1,589	\$ 1,213	\$ 3,783	\$ 2,762
Net customer support and maintenance revenue	389	464	1,089	1,285
Total revenue	1,978	1,677	4,872	4,047
Cost of product revenue	789	726	2,010	1,705
Cost of customer support and maintenance revenue	8	117	54	351
Total cost of revenue	797	843	2,064	2,056
Gross profit	1,181	834	2,808	1,991
Operating expenses:				
Sales and marketing	797	894	2,429	2,867
Research and development	552	613	1,957	1,947
General and administrative	336	304	868	884
Severance and related costs		5	55	134