

INTRUSION INC

Form 424B3

May 15, 2007

Prospectus Supplement No. 1

(To Prospectus dated April 12, 2007)

Filed Pursuant to Rule 424(b)(3)

Registration No. 333-130866

INTRUSION, INC.

778,572 Shares of Common Stock

This prospectus supplement relates to the offer and sale from time to time of up to 778,572 shares of common stock, \$0.01 par value per share, of Intrusion, Inc., a Delaware corporation, by the selling stockholders named in the prospectus dated April 12, 2007 (the Prospectus) or their respective pledgees, donees, transferees or other successors in interest that receive these shares as a gift, partnership distribution or other non sale related transfer.

Of the 778,572 shares of common stock to which this prospectus supplement relates:

- 468,735 shares underlie currently outstanding Series 3.5% convertible preferred stock; and
- 309,837 shares underlie currently outstanding warrants.

You should read this prospectus supplement in conjunction with the Prospectus, and this prospectus supplement is qualified by reference to the Prospectus, except to the extent that the information contained in this prospectus supplement supercedes or is inconsistent with the information contained in the Prospectus, in which event this prospectus supplement controls.

The information contained herein supplements the information in the Prospectus related to the Financial Statements by including our unaudited financial statements and related notes for the three months ended March 31, 2007. This prospectus supplement also contains certain other information included in our report on Form 10-QSB for the quarter ended March 31, 2007.

Our report on Form 10-QSB for the quarter ended March 31, 2007, reflects a total of 9,222,139 shares of our common stock issued and outstanding as of May 4, 2007.

Investing in our common stock is speculative and involves a high degree of risk. See RISK FACTORS beginning on page 5 of the Prospectus and Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Factors That May Affect Future Results of Operations beginning on page S-15 of this Prospectus Supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if the Prospectus or this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 15, 2007

INTRUSION, INC.

INDEX

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Unaudited Condensed Consolidated Balance Sheets as of March 31, 2007 and December 31, 2006

Unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2007 and 2006

Unaudited Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2007 and 2006

Notes to Unaudited Condensed Consolidated Financial Statements

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

Item 3. Controls and Procedures

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

S-2

Edgar Filing: INTRUSION INC - Form 424B3

The information set forth in the remainder of this prospectus supplement was included in Intrusion, Inc.'s report on Form 10-QSB for the quarter ended March 31, 2007.

PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

INTRUSION INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)

	March 31, 2007	December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 682	\$ 933
Accounts receivable, less allowance for doubtful accounts of \$76 in 2007 and \$90 in 2006	809	844
Inventories, net	209	209
Prepaid expenses	152	198
Total current assets	1,852	2,184
Property and equipment, net	172	162
Other assets	45	41
TOTAL ASSETS	\$ 2,069	\$ 2,387
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 899	\$ 1,099
Line of credit	125	200
Deferred revenue	351	367
Total current liabilities	1,375	1,666
Stockholders' Equity:		
Preferred stock, \$0.01 par value: Authorized Shares 5,000		
Series 1 shares issued and outstanding 260		
Liquidation preference of \$1,331 as of March 31, 2007	918	918
Series 2 shares issued and outstanding 460		
Liquidation preference of \$1,155 as of March 31, 2007	724	724
Series 3 shares issued and outstanding 469		
Liquidation preference of \$1,026 as of March 31, 2007	667	667
Common stock, \$0.01 par value:		
Authorized shares 80,000		
Issued shares 9,232 in 2007 and 8,306 in 2006		
Outstanding shares 9,222 in 2007 and 8,296 in 2006	92	83
Common stock held in treasury, at cost 10 shares	(362)	(362)
Additional paid-in capital	54,403	53,947
Accumulated deficit	(55,569)	(55,077)
Accumulated other comprehensive loss	(179)	(179)
Total stockholders' equity	694	721
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,069	\$ 2,387

See accompanying notes.

INTRUSION INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Three Months Ended	
	March 31, 2007	March 31, 2006
Net product revenue	\$ 898	\$ 418
Net customer support and maintenance revenue	194	433
Total revenue	1,092	851
Cost of product revenue	403	257
Cost of customer support and maintenance revenue	18	130
Total cost of revenue	421	387
Gross profit	671	464
Operating expenses:		
Sales and marketing	515	817
Research and development	423	792
General and administrative	227	348
Operating loss	(494)	(1,493)
Interest income, net	2	18
Loss before income tax provision	(492)	(1,475)
Income tax provision		
Net loss	\$ (492)	\$ (1,475)