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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024

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 001-39608

INTRUSION INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**75-1911917**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
101 EAST PARK BLVD, SUITE 1200 PLANO, TEXAS	**75074**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(972) 234-6400**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	INTZ	Nasdaq Capital Market

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

Large, accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 28, 2024: $4,323,644.

As of February 25, 2025, 19,342,776 shares of the issuer's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement to be filed in connection with the Registrant's 2025 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

INTRUSION INC.
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which statements involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Annual Report on Form 10-K, including statements regarding our financial position; our ability to continue our business as a going concern; our business, sales, and marketing strategies and plans; our ability to successfully market, sell, and deliver our **INTRUSION *Shield*** commercial product and solutions to an expanding customer base; are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will," or "would" or the negative of these words or other similar terms or expressions. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, such statements.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled "Risk Factors" and elsewhere in this Annual Report on Form 10-K.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Annual Report on Form 10-K. While we believe that such information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this Annual Report on Form 10-K relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Annual Report on Form 10-K to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect new information or the occurrence of unanticipated events, except as required by law.

EXPLANATORY NOTE – REVERSE STOCK SPLIT

Unless otherwise stated, all shares and per share amounts for all periods presented in this Annual Report on Form 10-K have been adjusted to reflect the 1-for-20 reverse stock split we effected on March 22, 2024.

PART I

Item 1. Business.

Our Corporate Information

We were organized in Texas in September 1983 and reincorporated in Delaware in October 1995. Our principal executive offices are located at 101 East Park Boulevard, Suite 1200, Plano, Texas 75074, and our telephone number is (972) 234-6400. Our website URL is www.intrusion.com. We post the following filings in the "Investors" section of our website as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (the "SEC"): our Annual Reports on Form 10-K; our Quarterly Reports on Form 10-Q; our Current Reports on Form 8-K; and any amendments to those reports or statements filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. All such filings on our website are available free of charge. Additionally, filings are available on the SEC's website (www.sec.gov). In this report, references to the "Company," "we," "us," "our", or "Intrusion" refer to Intrusion Inc. and its subsidiaries. ***TraceCop*** and ***Savant*** are registered trademarks of the Company. We have also applied for trademark protection for **INTRUSION *Shield.***

Our Business

Intrusion is a cybersecurity company based in Plano, Texas. The company offers its customers access to its exclusive threat intelligence database containing the historical data, known associations, and reputational behavior of over 8.5 billion Internet Protocol ("IP") addresses. After years of gathering global internet intelligence and working exclusively with government entities, the company released its first commercial product in 2021.

Our Solutions

INTRUSION Shield™

INTRUSION *Shield*, our newest cybersecurity solution is a Zero Trust reputation-based Software as a Service ("SaaS") solution that inspects and kills dangerous network (in and outbound) connections. What makes our approach unique is that **INTRUSION *Shield*** evaluates every packet and analyzes the IP addresses (source and destination), as well as domain information and the ports utilized and, when combined with other threat intelligence data reports, blocks malicious connections. Many breaches today are caused by Zero-Day and malware free compromises that may not trigger alarms in a traditional firewall or endpoint solution. **INTRUSION *Shield*'*s*** capabilities are designed to continuously evolve as the threats and landscape change over time. Unlike traditional industry approaches that rely heavily on signatures, complex rules, and human factors mitigation, which malicious actors and nation states have learned to bypass, **INTRUSION *Shield*'*s*** proprietary architecture isolates and neutralizes malicious traffic and network flows that existing solutions are ill equipped to handle.

In September 2022, we expanded the **INTRUSION *Shield*** product line to include the Shield Cloud and Shield End-Point solutions. The initial **INTRUSION *Shield*** offering released in early 2021, the Shield On-Premise solution, utilizes hardware and is placed behind a firewall in a data center. Shield Cloud extends the effectiveness of the Shield On-Premise solution to Infrastructure as a Service (IaaS), Platform as a Service (PaaS), SaaS and serverless resources in the public cloud. This product serves as a protective gateway to the cloud, providing both Zero Trust access to, and protecting outbound connections from, virtual hosts and serverless functions within the cloud. Shield Endpoint helps protect the network outside of the corporate enclave and data center to include protection for remote workers, mobile, and cloud devices. This product brings the network protection of the Shield On-Premise to these remote user devices establishing a Zero Trust network, both for intra-organization connectivity and external internet connectivity.

INTRUSION TraceCop®

INTRUSION *TraceCop* is a big data tool with extensive IP intelligence canvassing the entire internet. It contains what we believe to be the largest existing repository of reputation information on known good and known bad active IP addresses (both IPv4 and IPv6). ***TraceCop*** contains an inventory of network selectors and enrichments useful to support forensic investigations**.** The data contains a history of IPv4 and IPv6 block allocations and transfers, historical mappings of IP addresses to Autonomous Systems (ASNs) as observed through BGP, and approximately one billion historically registered domain names and registration context. ***TraceCop*** contains tens of billions of historic DNS resolutions of Fully Qualified Domain Names (FQDNs or hostnames) on each of these domains. Together, the resulting data shows relationships, hosting, and attribution for internet resources. ***TraceCop*** also contains web server surveys of content, such as natural language and topic of the content on hundreds of millions of websites and servers and OS fingerprints of services showing applications running on a given IP address. ***TraceCop*** also contains a history of threat and reputation for each hostname and IP address over time. All these features combine to create a very effective network forensics and cybersecurity analysis tool.

INTRUSION Savant®

INTRUSION *Savant* is a network monitoring solution that leverages the rich data available in ***TraceCop*** to identify suspicious traffic in real-time. ***Savant*** uses several original patents to uniquely characterize and record all network flows. ***Savant*** is a network reconnaissance and attack analysis tool used by forensic analysts in United States ("U.S.") government agencies and corporations with in-house threat research teams. For example, ***Savant*** users can create various automated rules to inspect packets matching (or not) certain criteria such as creating a rule to ensure the Source MAC address field in the Ethernet header and Source IP address from the IP header are always the same, failing which could indicate MAC or IP Spoofing in progress. Similarly, threat investigators can create rules using regular expressions to analyze multiple fields in the packet headers.

Our Intellectual Property and Licenses

Our success and our ability to compete are primarily dependent upon our proprietary technology. We principally rely on a combination of contractual rights, trade secrets and copyright laws to establish and protect our proprietary rights in our solutions. In addition, we have received two patents, and we have applied for patents for our **INTRUSION *Shield*** family of solutions. We have also entered into non-disclosure agreements with our suppliers, resellers, and certain customers to limit access to and disclosure of our proprietary information. There can be no assurance that the steps taken by us to protect our intellectual property will be adequate to prevent misappropriation of our technology or that our competitors will not independently develop technologies that are substantially equivalent or superior to our technology, although it would be extremely difficult to replicate the proprietary and comprehensive internet databases we have developed over the past 25+ years.

We have entered into software and solution license agreements with various suppliers. These license agreements provide us with additional software and hardware components that add value to our cybersecurity solutions. These license agreements do not provide proprietary rights that are unique or exclusive to us and are generally available to other parties on the same or similar terms and conditions, subject to payment of applicable license fees and royalties. We do not consider any of the solution license, software, or supplier agreements to be material to our business, instead, they are complementary to our business and offerings.

Our Competition

The market for network and data protection security solutions is intensely competitive and subject to frequent introductions of new technologies, and potentially improved price and performance characteristics. Industry suppliers compete in areas such as conformity to existing and emerging industry standards, interoperability with networking and other cybersecurity solutions, management and security capabilities, performance, price, ease of use, scalability, reliability, flexibility, features, and technical support. Our principal competitors in the data mining and advanced persistent threat market include Darktrace, Trellix, and Recorded Futures.

There are numerous companies competing in various segments of the data security market. At this time, we have little or no competitors for ***TraceCop***; however, we believe competitors could emerge in the future. These competitors currently perform only a portion of the functions that we can perform with ***TraceCop***. We have been continuously collecting the ***TraceCop*** data for more than twenty years, and we believe that none of our current or future competitors will have the ability to provide and reference this historical data. In our newest market segment, data mining and advanced persistent threat detection, we compete directly and indirectly with companies and open-source technologies in the firewall, intrusion detection and prevention, anti-virus, network analysis, endpoint protection, and insider threat prevention areas of cybersecurity technology.

We believe the **INTRUSION *Shield*** product line is novel and unique in our industry because of our proprietary threat-enriched big data. We believe that our **INTRUSION *Shield*** family of solutions complement our customer's existing cybersecurity processes and third-party solutions. If the **INTRUSION *Shield*** receives widespread acceptance in the market, we anticipate that other businesses will seek to compete with **INTRUSION *Shield***; however, we believe our existing, mature, and proprietary database which is integral to the operation of **INTRUSION *Shield*** will be difficult, if not impossible, for other companies in our industry to replicate and will be a significant barrier to entry of competitors in the near- and long-term future of cyber security solutions.

Our Customers: Government Sales

Sales to U.S. government customers accounted for 83.8% of our revenues for the year ended December 31, 2024, compared to 46.2% of our revenues in 2023. We expect to continue to derive a substantial portion of our revenues from sales to governmental entities in the future as we continue to market our products and data mining products to the government, and we intend to market **INTRUSION *Shield*** not only to our long-standing governmental customer base but to expand our efforts to include more traditionally administrative and civilian governmental entities. Sales to government clients present risks in addition to those involved in sales to commercial customers that could adversely affect our revenues, including potential disruption due to irregularities in or interruptions to appropriation and spending patterns, delays in approving a federal budget and the government's reservation of the right to cancel contracts and purchase orders for its convenience.

We make our sales under purchase orders and contracts. Our customers, including government customers, may cancel their orders or contracts with little or no prior notice and without penalty. Although we transact business with various government entities, we believe that the cancellation of any order in itself could have a material adverse effect on our financial results. Because we derive and expect to continue to derive a substantial portion of our revenue from sales to government entities, a large number of cancelled or renegotiated government orders or contracts could have a material adverse effect on our financial results.

Third-Party Products

We currently utilize commercially available computers and servers from various vendors which we integrate with our software products for implementation into our customer networks. We do not consider any of these third-party relationships to be material to the Company's business or results of operations.

Customer Services

Our solutions may include installation, operation of our technology and threat data interpretation and reporting.

Sales, Marketing and Customers

Field Sales Force. Our sales organization focuses on major account sales, channel partners including distributors, value added resellers ("VARs") and integrators; promotes our solutions to current and potential customers; and monitors evolving customer requirements. The field sales and technical support force provides training and technical support to our resellers and end users and assists our customers in designing cyber secure data networking solutions. We currently conduct sales and marketing efforts from our principal office in Plano, Texas.

Resellers. Resellers such as domestic and international system integrators and VARs sell our solutions as stand-alone solutions to end users and integrate our solutions with products sold by other vendors into network security systems that are sold to end users. Our field sales force and technical support organization provide support to these resellers. Our agreements with resellers are non-exclusive, and our resellers generally sell other products and solutions that may compete with our solutions. Resellers may place higher priority on products or solutions of other suppliers who are larger and have more name recognition, and there can be no assurance that resellers will continue to sell and support our solutions.

Foreign Sales. Export sales accounted for 4.7% and 0.8% of revenue in 2024 and 2023, respectively.

Marketing. We have implemented several methods to market our solutions, including participation in trade shows and seminars, distribution of sales literature and solution specifications and ongoing communication with our resellers and installed base of end-user customers.

Customers. Our end-user customers include U.S. federal government, state and local government entities, large and diversified conglomerates, and manufacturing entities. Sales to certain customers and groups of customers can be impacted by seasonal capital expenditure approval cycles, and sales to customers within certain geographic regions can be subject to seasonal fluctuations in demand.

In 2024, 83.8% of our revenue was derived from a variety of U.S. government entities through direct sales and indirectly through system integrators and resellers. These sales are attributable to eight U.S. government customers through direct and indirect channels; three U.S. government customers individually exceeded 10% of total revenue in 2024. A reduction in our sales to U.S. government entities could have a material adverse effect on our business and operating results if not replaced.

Backlog. We believe that only a small portion of our order backlog is non-cancellable, and that the dollar amount associated with the non-cancellable portion is immaterial. Commercial orders are generally fulfilled within two days to two weeks following receipt of an order. Certain orders may be scheduled over several months, generally not exceeding one year.

Customer Support, Service and Warranty. We service, repair, and provide technical support for our solutions. Our field sales and technical support force works closely with resellers and end-user customers on-site and by telephone to assist with pre- and post- sales support services such as network security design, system installation and technical consulting. By collaborating closely with our customers, our employees increase their understanding of end-user requirements and are then able to provide specific input in our solution development process.

We warrant all our solutions against defects during the service period. Before and after expiration of the solution warranty period, we offer both on-site and factory-based support, parts replacement, and repair services. Extended warranty services are separately invoiced on a time and materials basis or under an annual maintenance contract.

Employees

As of December 31, 2024, we employed a total of fifty people, five of which were part-time. None of our employees are represented by a labor organization, and we are not a party to any collective bargaining agreement. Competition in the recruiting of personnel in the networking and data security industry is intense. We believe that our future success will depend in part on our continued ability to hire, motivate and retain qualified management, sales, marketing, and technical personnel.

Our Code of Conduct

The Company’s directors and employees, including executive officers, are required to abide by the Company’s Code of Business Conduct and Ethics (the “Code”) to ensure that the Company’s business is conducted in a consistently legal and ethical manner and to avoid instances of insider trading. The Code covers areas of professional conduct that include conflicts of interest, fair dealing and the strict adherence to all laws and regulations applicable to the conduct of the Company’s business.

The Code is published on the Company's website under the investor relations tab at www.intrusion.com. The Company intends to disclose future amendments to, or waivers from, certain provisions of the Codes of Ethics on the Company's website within four business days following the date of such amendment or waiver. Upon the written request of any stockholder, the Company will furnish, without charge, a copy of the Code. This request should be directed to the Company's Secretary at Intrusion Inc., 101 East Park Blvd., Suite 1200, Plano, TX 75074.

Reverse Stock Split

On March 22, 2024, we effected a 1-for-20 reverse stock split of our common stock. All share and per share amounts set forth in this Annual Report on Form 10-K, including the consolidated financial statements and the notes thereto have been retroactively restated to reflect the reverse stock split as if it had occurred as of the earliest period presented and unless otherwise stated, all other share and per share amounts for all periods presented.

Item 1A. Risk Factors.

The following are the significant factors that could materially adversely affect our business, financial condition, or operating results, as well as adversely affect the value of an investment in our common stock. The risks described below are not the only risks facing our Company. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and operating results.

Risks Related to our Financial Position and Liquidity

Certain regulatory limitations may affect our ability to consummate future financings.

If our public float as measured pursuant to General Instruction I.B.6 to Form S-3 falls below $75 million, we will be subject to the restrictions set forth in General Instruction I.B.6 to Form S-3 that limit our ability to conduct primary offerings under a Form S-3 registration statement. As of February 25, 2025, our public float calculated in accordance with General Instruction I.B.6 of Form S-3 was $112.9 million.

We must increase revenue levels in order to finance our current operations and to implement our business strategies.

For the year ended December 31, 2024, we had a net loss of $7.8 million and had an accumulated deficit of approximately $118.0 million as of December 31, 2024. We need to increase current revenue levels from the sales of our solutions if we are to regain profitability, and our new **INTRUSION *Shield*** suite of products may take time to achieve market penetration, which could negatively impact future revenues and results of operations. If we are unable to increase revenue levels, losses could continue for the near term and possibly longer, and we may not regain profitability or be able to implement our business plan, fund our liquidity needs, or continue our operations.

Business and Operational Risks

Most of our current revenues are generated from one family of solutions with a limited number of customers, and the decrease of revenue from sales of this family of solutions could materially harm our business and prospects.

Approximately 50.4% of our existing revenues result from sales of ***TraceCop,*** a cybersecurity solution. ***TraceCop*** revenues were $2.9 million for the year ended December 31, 2024, compared to $2.5 million for the year ended December 31, 2023. We can offer no assurances that our new **INTRUSION *Shield*** solution will reduce our dependence on this single solution and in the absence of a shift in solution mix, we may continue to face risks if sales of this key solution to these limited customers were to decrease.

We may not be successful in our efforts to broaden the marketing and sale of the* INTRUSION *Shield.

We believe that we must expand our sales and marketing efforts for **INTRUSION *Shield*** to achieve marketplace acceptance and to generate revenue for the Company. However, these efforts depend, in large part, on the success of our channel partners as they market and sell **INTRUSION *Shield***, which may not be successful. If we are unsuccessful in our efforts to leverage channel and strategic partners, we may not be able to generate sufficient revenue from **INTRUSION *Shield*** to improve the Company's financial position, results of operations, and cash flow position.

The current geo-political climate may add uncertainty in the dealings of our customers and could cause them to delay indefinitely certain cybersecurity initiatives or to determine not to introduce or implement any new or innovative cyber-solution products into their information networks.

Continuing events in many regions around the world have introduced a significant level of uncertainty in the dealings of our current and potential customers that could cause them to be hesitant to implement new cybersecurity initiatives regardless of the efficacy of our **INTRUSION *Shield*** product. Further, these entities may also determine not to deploy their cash reserves in the face of such uncertainty. These uncertainties could depress the interest or the ability of companies and governmental entities to test, evaluate, and deploy our **INTRUSION *Shield*** in their network environments.

A large percentage of our current revenues are received from U.S. government entities, and the loss of these customers or our failure to widen the scope of our customer base to include general commercial enterprises could negatively affect our revenues.

A substantial percentage of our current revenues result from sales to U.S. government entities. If we were to lose one or more of these customers, our revenues could decline, and our business and prospects may be materially harmed. Further, sales to the government present risks in addition to those involved in sales to commercial customers, including potential disruption due to appropriation and spending patterns, delays in approving a federal budget and the government's right to cancel contracts and purchase orders for its convenience. The factors that could cause us to lose these U.S. government customers or otherwise materially harm our business, prospects, financial condition, or results of operations include:

- budget constraints affecting government spending generally, or specific departments or agencies, and changes in fiscal policies or a reduction of available funding;
- re-allocation of government resources;
- disruptions in our customers' ability to access funding from capital markets;
- curtailment of governments' use of outsourced service providers and governments' in-sourcing of certain services;
- the adoption of new laws or regulations pertaining to government procurement;
- government appropriations delays or blanket reductions in departmental budgets;
- suspension or prohibition from contracting with the government or any significant agency with which we conduct business;
- increased use of shorter duration awards, which increases the frequency we may need to recompete for work;
- impairment of our reputation or relationships with any significant government agency with which we conduct business;
- decreased use of small business set asides or changes to the definition of small business by government agencies;

- increased use of lowest-priced, technically acceptable contract award criteria by government agencies;
- increased aggressiveness by the government in seeking rights in technical data, computer software, and computer software documentation that we deliver under a contract, which may result in "leveling the playing field" for competitors on follow-on procurements;
- delays in the payment of our invoices by government payment offices; and
- national or international health emergencies, such as the COVID-19 public health pandemic.

While we expect that developing relationships with non-governmental customers will mitigate or eliminate this dependence on, and risk from, serving governmental entities, we can offer no assurances that we will be able to sufficiently diversify our customer portfolio in a time and manner to adequately mitigate this risk.

A decline in federal, state, or local government spending would likely negatively affect our product revenues and earnings.

The success of the cybersecurity solutions we sell depends substantially on the amount of funds budgeted by federal, state, and local government agencies that make up our current and potential customers. Global credit and financial markets have experienced extreme disruptions in the recent past, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. There can be no assurance that similar disruptions will not occur in the future. Deterioration in general economic conditions may result in lower tax revenues that could lead to reductions in government spending. Poor economic conditions could in turn lead to substantial decreases in our net sales or have a material adverse effect on our operating results, financial position, and cash flows.

We are highly dependent on sales of our current solutions through indirect channels, the loss of which would materially adversely affect our operations.

For the years ended December 31, 2024, and 2023, we derived 35.4% and 2.6% of our revenues from sales through indirect sales channels, such as distributors, value-added resellers, system integrators, original equipment manufacturers and managed service providers. We must expand sales of our current solutions as well as any new solutions through these indirect channels in order to increase our revenues. We cannot assure you that our current solutions or future solutions will gain market acceptance in these indirect sales channels or that sales through these indirect sales channels will increase our revenues. Further, many of our competitors are also trying to sell their products and solutions through these indirect sales channels, which could result in lower prices and reduced profit margins for the sales of our solutions.

Our business depends on the continued service of our key management and technical personnel.

Our success depends upon the continued contributions of our key management, sales, marketing, research and development and operational personnel, including Anthony Scott, our President, and Chief Executive Officer; T. Joe Head, our Chief Technology Officer; Kimberly Pinson, our Chief Financial Officer; and other key technical personnel. The loss of the services of one or more of our key employees in the future could have a material adverse effect on our operating results. We also believe our future success will depend upon our ability to attract and retain additional highly skilled management, technical, marketing, research and development, and operational personnel with experience in managing large and rapidly changing companies, as well as training, motivating and supervising employees. The market for hiring and retaining certain technical personnel, including software engineers, has become more competitive and intense in recent years. Failure to attract and retain a sufficient number of qualified technical personnel, including software engineers, or retain our key personnel could have a material adverse effect on our operating results.

We could experience damage to our reputation in the cybersecurity industry in the event that our* INTRUSION *Shield solution fails to meet our customers' needs or to achieve market acceptance.

Our reputation in the industry may be harmed if we experience delivery delays, or if our customers do not perceive the benefits of purchasing and using **INTRUSION *Shield*** as part of their comprehensive cybersecurity solution, our position as a leader in this technology space may be damaged and could affect the willingness of our customers, as well as potential customers, to purchase our other solutions that function separately from **INTRUSION *Shield***. Any reputational damage could result in a decrease in orders for all our solutions, the loss of current customers, and a decrease in our overall revenues which could in turn have a material adverse effect on our results of operations.

If we fail to respond to rapid technological changes in the network security industry, we may lose customers, or our solutions may become obsolete.

The network security industry is characterized by frequent product and service introductions, rapidly changing technology, and continued evolution of new industry standards. We have and must continue to introduce upgrades to our current solutions rapidly in response to changing circumstances and customer needs such as the creation and introduction of new computer viruses or other novel external attacks on computer networks. Further, our new **INTRUSION *Shield*** solution represents our efforts to continue to provide state-of-the art first-in-time innovation for our customers' cybersecurity solutions. As a result, our success depends upon our ability to develop and introduce timely upgrades, enhancements, and new solutions to meet evolving customer requirements and industry standards. The development of technologically advanced network security products and solutions is a complex and uncertain process requiring high levels of innovation, rapid response, and accurate anticipation of technological and market trends. We cannot assure you that we will be able to identify, develop, manufacture, market or support new or enhanced solutions successfully in a timely manner. Further, we or our competitors may introduce new solutions or enhancements that shorten the life cycle of our existing solutions or cause our existing solutions to become obsolete.

We must expend time and resources addressing potential cybersecurity risk, and any breach of our information security safeguards could have a material adverse effect on the Company.

The threat of cyber-attacks requires additional time and money to be expended in efforts to prevent any breaches of our information security protocols. However, we can provide no assurances that we can prevent all such attempts from being successful, which could result in expenses to address and remediate such breaches as well as potentially losing the confidence of our customers who depend upon our services to prevent and mitigate such attacks on their respective business. Should a material breach of our information security systems occur, it would likely have a material adverse impact on our business operations, our customer relations, and our current and future sales prospects, resulting in a significant loss of revenue.

A breach of network security could harm public perception of our cybersecurity solutions, which could cause us to lose revenues.

If an actual or perceived breach of network security occurs in the network of a customer of our cybersecurity solutions, regardless of whether the breach is attributable to our solutions, the market perception of the effectiveness of our solutions could be harmed. This could cause us to lose current and potential end customers or cause us to lose current and potential value-added resellers and distributors. Because the techniques used by computer hackers to access or sabotage networks change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques.

If our solutions do not interoperate with our customers' networks, installations will be delayed or cancelled and could harm our business.

Our solutions are designed to interface with our customers' existing networks, each of which has different specifications and utilize multiple protocol standards and products or solutions from other vendors. Many of our customers' networks contain multiple generations of products that have been added over time as these networks have grown and evolved. Our solutions will be required to interoperate with many products and solutions within these networks as well as future products or solutions to meet our customers' requirements. If we find errors in the existing software or defects in the hardware used in our customers' networks, we may have to modify our software or hardware to fix or overcome these errors so that our solutions will interoperate and scale with the existing software and hardware, which could be costly and negatively impact our operating results. In addition, if our solutions do not interoperate with those of our customers' networks, demand for our solutions could be adversely affected, orders for our solutions could be cancelled, or our solutions could be returned. This could hurt our operating results, damage our reputation, and seriously harm our business and prospects.

We face intense competition from both start-up and established companies that may have significant advantages over us and our solutions.

The market for our solutions is intensely competitive. There are numerous companies competing with us in various segments of the data security markets, and their products or solutions may have advantages over our solutions in areas such as conformity to existing and emerging industry standards, interoperability with networking and other cybersecurity products, management and security capabilities, performance, price, ease of use, scalability, reliability, flexibility, features, and technical support.

Our principal competitors in the data mining and advanced persistent threat market include Darktrace, Trellix, and Recorded Futures. Our current and potential competitors may have one or more of the following significant advantages over us:

- greater financial, technical, and marketing resources;
- better name recognition;
- more comprehensive security solutions;
- better or more extensive cooperative relationships; and
- larger customer base.

We cannot assure you that we will be able to compete successfully with our existing or new competitors. Some of our competitors may have, in relation to us, one or more of the following:

- longer operating histories;
- longer-standing relationships with OEM and end-user customers; and
- greater customer service, public relations, and other resources.

As a result, these competitors may be able to more quickly develop or adapt to new or emerging technologies and changes in customer requirements, or devote greater resources to the development, promotion and sale of their products or solutions. Additionally, it is likely that new competitors or alliances among existing competitors could emerge and rapidly acquire significant market share.

If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may decline.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Further, we are required to report any changes in internal controls on a quarterly basis. In addition, we are required to furnish a report by management on the effectiveness of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act").

If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, or if we assert that our internal control over financial reporting is ineffective, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of the common stock could be negatively affected. We also could become subject to investigations by the stock exchange on which our securities are listed, the Securities Exchange Commission ("SEC"), or other regulatory authorities, which could require additional financial and management resources, and could have a material adverse effect on the market price of our common stock.

Scarcity of products and materials in the supply chain could hinder or prevent the deployment of our INTRUSION Shield for our customers who elect to use the wired version of our solution.

Should any of the component parts required for the hardware interface our customers use to access and to utilize the **INTRUSION *Shield*** product become scarce, we may have to delay or cancel our fulfillment of orders that could defer potential revenues or even result in customer cancellations, which would have a negative effect on our financial position and results of operations.

We incur significantly increased costs because of operating as a public company, and our management is required to devote substantial time to compliance matters and initiatives.

As a public company with an obligation to file reports with the SEC under the Exchange Act, we incur significant legal, accounting, and other expenses that we would not incur as a private company. In addition, the Sarbanes-Oxley Act imposes various requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls. Our management and other personnel devote a substantial amount of time to these compliance initiatives. We cannot predict or estimate the amount of additional costs we will incur to meet our additional disclosure obligations under the Exchange Act or the timing of such costs.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. We report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. In addition, in the first Annual Report on Form 10-K following the date on which we no longer qualify as a smaller reporting company, we will be required to have our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting. Our compliance with Section 404 of the Sarbanes-Oxley Act could require that we incur substantial accounting expense and expend significant management efforts including the potential of hiring additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. If we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

Investment Risks

We experience volatility in the market for our common stock, particularly with respect to swings in the market price as well as volatility in the trading of our common stock.

We experience significant shifts in the market value of our common stock as it trades on the Nasdaq Capital Market ("Nasdaq") as well as volatility in the trading volume of our shares on that market. For example, the market price of our common stock fluctuated between $7.34 and $0.35 during the year ended December 31, 2024. These fluctuations may result in a hesitancy for investors to purchase and hold shares of our common stock, continued depression of the market value of our stock, and ultimately negatively affect our ability to raise capital through the issuance and sale of our common stock, particularly through our At the Market ("ATM") program or otherwise.

Nasdaq may delist our common stock from trading on its exchange, which could limit stockholders' ability to trade our common stock.

Our common stock is listed for trading on the Nasdaq Capital Market, which requires us to meet certain financial, public float, bid price and liquidity standards on an ongoing basis to continue the listing of our common stock. If we fail to meet these continued listing requirements, our common stock may be subject to delisting.

On October 28, 2024, Intrusion, Inc. (the "Company") received a written notice (the "Bid Price Notice") from the Listing Qualifications department (the "Nasdaq Staff") of The Nasdaq Stock Market ("Nasdaq") indicating that the Company is not in compliance with the $1.00 minimum bid price requirement set forth in Nasdaq Listing Rule 5550(a)(2) (the "Minimum Bid Price Requirement") for continued listing on the Nasdaq Capital Market. The notification of noncompliance had no immediate effect on the listing or trading of the Company's common stock on The Nasdaq Capital Market under the symbol "INTZ," and the Company is currently monitoring the closing bid price of its common stock and evaluating its alternatives, if appropriate, to resolve the deficiency and regain compliance with this rule.

The Nasdaq rules require listed securities to maintain a minimum bid price of $1.00 per share and, based upon the closing bid price for the last thirty consecutive business days as of October 25, 2024, the Company no longer met this requirement. The Bid Price Notice indicated that the Company has been provided 180 calendar days, or until April 28, 2025, in which to regain compliance. If at any time during this period the closing bid price of the Company's common stock is at least $1.00 per share for a minimum of ten consecutive business days, the Nasdaq Staff will provide the Company with a written confirmation of compliance and the matter will be closed. On January 29, 2025, the Company received notification from the Nasdaq Staff that it had met the minimum bid price requirement and, accordingly, had regained compliance with the listing requirement.

There can be no assurance that we will be able to meet the financial, public float, bid price and liquidity standards on an ongoing basis to for continued listing of our common stock on the Nasdaq Capital Market. If our common stock is delisted and we are not able to list our common stock on another national securities exchange, we expect our securities would be quoted on an over-the-counter market. If this were to occur, our stockholders could face significant material adverse consequences, including limited availability of market quotations for our common stock and reduced liquidity for the trading of our securities. In addition, we could experience a decreased ability to issue additional securities and obtain additional financing in the future.

Shares eligible for future sale may adversely affect the market.

Our equity incentive plans allow us to issue stock options and award shares of our common stock. We may in the future create additional equity incentive plans, which may at that time require us to file a registration statement under the Securities Act to cover the issuance of shares upon the exercise or vesting of awards granted or otherwise purchased under those plans. As a result, any shares issued or granted under the plans may be freely tradable in the public market. If equity securities are issued under the plans, if implemented, and it is perceived that they will be sold in the public market, then the price of our common stock could decline substantially.

We have never paid dividends on our common stock and have no plans to do so in the future.

Holders of shares of our common stock are entitled to receive such dividends as may be declared by our Board. To date, we have paid no cash dividends on our shares of common stock, and we do not expect to pay cash dividends on our common stock in the foreseeable future. We intend to retain future earnings, if any, to provide funds for the operations of our business. Therefore, any return investors in our common stock may have will be in the form of appreciation, if any, in the market value of their shares of common stock.

Risks Related to our Intellectual Property

We must adequately protect our intellectual property to prevent loss of valuable proprietary information.

We rely primarily on a combination of patent, copyright, trademark and trade secret laws, confidentiality procedures, and non-disclosure agreements to protect our proprietary technology. However, unauthorized parties may attempt to copy or reverse engineer aspects of our solutions or to obtain and use information that we regard as proprietary. Policing unauthorized use of our solutions is difficult, and we cannot be certain that the steps we have taken will prevent misappropriation of our intellectual property. This is particularly true in foreign countries whose laws may not protect proprietary rights to the same extent as the laws of the U.S. and may not provide us with an effective remedy against unauthorized use. If protection of our intellectual property proves to be inadequate or unenforceable, others may be able to use our proprietary developments without compensation to us, resulting in potential cost advantages to our competitors.

We may incur substantial expenses defending ourselves against claims of infringement.

There are numerous patents held by many companies relating to the design and manufacture of network security systems. Third parties may claim that our solutions infringe on their intellectual property rights. Any claim, with or without merit, could consume our management's time, result in costly litigation, cause delays in sales or implementations of our solutions or require us to enter into royalty or licensing agreements. Royalty and licensing agreements, if required and available, may be on terms unacceptable to us or detrimental to our business. Moreover, a successful claim of product infringement against us or our failure or inability to license the infringed or similar technology on commercially reasonable terms could seriously harm our business.

Our solutions are highly technical and if they contain undetected errors, our business could be adversely affected, and we might have to defend lawsuits or pay damages in connection with any alleged or actual failure of our solutions and services.

Our solutions are highly technical and complex, are critical to the operation of many networks and, in the case of ours, provide and monitor network security and may protect valuable information. Our solutions have contained and may contain one or more undetected errors, defects, or security vulnerabilities. Some errors in our solutions may only be discovered after a solution has been installed and used by end customers. Any errors or security vulnerabilities discovered in our solutions after commercial release could result in loss of revenues or delay in revenue recognition, loss of customers and increased service and warranty cost, any of which could adversely affect our business and results of operations. In addition, we could face claims for product liability, tort, or breach of warranty. Defending a lawsuit, regardless of its merit, is costly and may divert management's attention. In addition, if our business liability insurance coverage is inadequate or future coverage is unavailable on acceptable terms or at all, our financial condition could be harmed.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

We recognize the importance of securing our data and information systems and have a process for assessing, mitigating, and managing cybersecurity and related risks.

Our VP of Engineering, who reports to the CEO, leads our cybersecurity function and is responsible for managing our cybersecurity risk and the protection of our networks, systems, and data. The VP of Engineering uses both internal and external resources to execute this process including our own **INTRUSION *Shield*** technology, to help prevent, identify, escalate, investigate, and resolve security incidents in a timely manner. The Company, with the oversight of the CEO, also requires all employees to complete an annual cybersecurity training course.

Our Board of Directors is responsible for overseeing our enterprise risk management activities. The CEO reports to the Board of Directors regarding cybersecurity risks, incidents, and mitigation strategies at least annually.

As of the date of this filing, we have not experienced any cybersecurity incidents that have materially affected or are reasonably likely to materially affect our company, including our financial condition and results of operations.

Item 2. Properties.

Our corporate headquarters is currently located in 10,705 square feet of space at 101 East Park Blvd, Suite 1200, Plano Texas. This facility houses our corporate administration, engineering, sales, and marketing operations. The lease for this facility extends until March 2035. We also have engineers and other employees working remotely in Texas as well as several other states.

We believe that the existing facility will be adequate to meet our operational requirements through the expiration of the lease. We believe that our property insurance provides adequate coverage for our leased facilities. See Note 5 – *Right-of-use Assets and Leasing Liabilities* to our Consolidated Financial Statements for additional information regarding our obligations under leases.

Item 3. Legal Proceedings.

Stockholder Derivative Claim

On June 3, 2022, a verified stockholder derivative complaint was filed in U.S. District Court, District of Delaware (the "Court") by the Plaintiff Stockholder on behalf of Intrusion against certain of the Company's Defendants. Plaintiff alleges that Defendants through various actions breached their fiduciary duties, wasted corporate assets, and unjustly enriched Defendants by (a) incurring costs and expenses in connection with the ongoing SEC investigation, (b) incurring costs and expenses to defend the Company with respect to the consolidated class action, (c) settling class-wide liability with respect to the consolidated class action, as well as ancillary claims regarding sales of the Company's common stock by certain of the Defendants. On September 28, 2023, the Company agreed to settle the claim. On October 2, 2023, public notice of the settlement was given. The settlement agreement provides in part for (i) an amendment to the Company's Bylaws, committee Charters, and other applicable corporate policies to implement certain measures set forth more fully therein, to remain in effect for no less than three years; (ii) attorneys' fees and expenses to plaintiff's counsel of $0.3 million; and (iii) the dismissal of all claims against the Defendants, including the Company, in connection with the action. The $0.3 million settlement payment was made by the Company's insurance provider under its insurance policy since the Company's $0.5 million retention was previously exhausted. On April 3, 2024, the Court approved the settlement.

In addition to these legal proceedings, we are subject to various other claims that may arise in the ordinary course of business. We do not believe that any claims exist where the outcome of such matters would have a material adverse effect on our consolidated financial position, operating results, or cash flows. However, there can be no assurance such legal proceedings will not have a material impact on our future results.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock trades on the Nasdaq Capital Market, where it is currently listed under the symbol "INTZ." As of February 26, 2025, there were approximately sixty-four record holders of record of our common stock. The Company does not have a history of paying dividends on its common stock and has no present intention of declaring any dividends in the foreseeable future.

All equity compensation plans under which our common stock is reserved for issuance have previously been approved by our stockholders. The following table provides summary information as of December 31, 2024, for all our equity compensation plans (in thousands, except per share data). See Note 10 – *Stock-Based Compensation* to our Consolidated Financial Statements for additional discussion.

Number of shares of common stock to be issued upon exercise of outstanding options[(1)]	43
Weighted average exercise price of outstanding options	$61.26
Number of shares unvested restricted stock units	203
Weighted average grant date fair value	$1.38
No. of shares of common stock remaining available for future issuance under equity compensation plans	2,258

(1) Included in the outstanding options are nineteen from the 2015 Stock Option Plan and twenty-four from the 2021 Omnibus Incentive Plan.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

The following discussion and analysis include information management believes is relevant to understand and assess our consolidated financial condition and results of operations. This section should be read in conjunction with our Consolidated Financial Statements, accompanying notes and the risk factors contained in this report.

Overview

Intrusion Inc. offers businesses of all sizes and industries products and services that leverage the Company's exclusive threat intelligence database of over 8.5 billion IP addresses and domain names. After many years of gathering intelligence and providing our **INTRUSION *TraceCop*** and ***Savant*** solutions exclusively to government entities, we released our first commercial product in 2021, the **INTRUSION *Shield***. **INTRUSION *Shield*** was designed to allow businesses to incorporate a Zero Trust, reputation-based security solution into their existing infrastructure to observe traffic flow and instantly block known malicious or unknown connections from both entering or exiting a network, making it an ideal solution for protecting from Zero-Day and ransomware attacks.

During 2023 and 2024, our primary focus has been building out our sales reseller and channel platform and collaborating with those partners to 1) increase our sales pipeline and 2) progress customer prospects, leads and opportunities through the sales lifecycle. Gaining traction with our ***Shield*** solutions has taken longer than initially anticipated. We feel that the progress made with our reseller and channel community along with refining our product messaging will help to shorten the sales cycle and grow revenues in future periods.

Results of Operations

Comparison of the Years ended December 31, 2024, and December 31, 2023

(in thousands)	Year Ended December 31, 2024	2023	Change $	Change %
Revenue	$ 5,771	$ 5,611	160	2.9%
Cost of Revenue	1,341	1,257	84	6.7%
Gross Profit	4,430	4,354	76	1.7%
Operating Expenses:				
Sales and marketing	4,736	5,670	(934)	-16.5%
Research and development	4,435	5,556	(1,121)	-20.2%
General and administrative	3,705	5,174	(1,469)	-28.4%
Operating Loss	(8,446)	(12,046)	3,600	-29.9%
Interest expense	(328)	(958)	630	-65.8%
Interest accretion and amortization of debt issuance costs, net	990	(930)	1,920	-206.5%
Other (expense) income, net	(6)	43	(49)	-114.0%
Net Loss	$ (7,790)	$ (13,891)	6,101	-43.9%

Revenues

Revenue for the year ended December 31, 2024, totaled $5.8 million an increase of $0.2 million or 2.9% from $5.6 million in 2023. Revenues in the first half of 2024 were hampered by both the delay in the approval of a federal budget which impacted the timing of renewals and task orders received and the loss of a large early ***Shield*** customer that had a non-standard custom implementation that was no longer supported. Revenues increased in the second half of 2024 as a result of new customers signed in recent quarters and, to a large degree, the new government awards for the combined use of both threat reporting and the use of ***Shield*** technology. Consulting revenues totaled $4.2 million in 2024 compared to $4.0 million in 2023. ***Shield*** revenues totaled $1.6 million in 2024 which is flat when compared to 2023. The loss of the large early ***Shield*** customer which accounted for greater than 70% of the Shield revenue base has been fully offset by the expanded use of ***Shield*** from existing customers and new customers signed in 2024.

We are beginning to see traction with our ***Shield*** products with multiple ***Shield*** sales that, essentially, are paid proof of values which have the potential for significant ***Shield*** sales growth beyond the initial engagement. On December 31, 2024, our ***Shield*** opportunities comprised a large percentage of our sales pipeline.

Concentration of Revenues.

Revenues from sales to various U.S. government entities totaled $4.8 million, or 83.8% of revenues, for the year ended December 31, 2024, compared to $2.6 million, or 46.2% of revenues, for the same period in 2023. In 2024 we had three government entities that individually accounted for over 10% of our revenues compared to two in 2023. Sales to commercial customers totaled $0.9 million or 16.2% of total revenue for the year ended December 31, 2024, compared to $3.0 million or 53.8% of total revenue for the same period in 2023. Two commercial customers individually accounted for over 10% of total revenues in 2023. No commercial customers accounted for 10% or greater of total revenues in 2024. Over 2024, we have expanded the number of Shield resellers and referral partners. We anticipate our concentration of revenues will vary among customers in future periods depending upon the timing of certain sales. We anticipate that sales to government customers, while comprising a significant portion of our revenues in future periods, will represent a lower percentage of our revenue base as we gain traction selling our ***Shield*** products into commercial markets.

Sales to the government present risks in addition to those involved in sales to commercial customers which could adversely affect our revenues, including, without limitation, potential disruption to appropriation and spending patterns and the government's reservation of the right to cancel contracts and purchase orders for its convenience. Currently, we are not aware of any additional proposed cancellation or renegotiation of any of our existing arrangements with government entities and, historically, cancellations or renegotiated orders by government entities have not resulted in a material adverse effect on our business.

The Company's similar product and service offerings are not viewed as individual segments, as its management analyzes the business as a whole and expenses are not allocated to each product offering.

Gross Profit

Gross profit for the 12-months ended December 31, 2024, and 2023 totaled $4.4 million or 76.8% and $4.4 million or 77.6%, respectively. The gross profit margin remained relatively flat year-over-year as Shield revenues represented 26% and 28% of revenues in each of 2024 and 2023, respectively. To the extent ***Shield*** revenues become a larger percentage of revenues, we anticipate we will see favorable growth in gross profit margins.

Operating Expenses

Operating expenses for the year ended December 31, 2024, totaled $12.9 million, a decrease of 21.5% when compared to $16.4 million for the year ended December 31, 2023. Factors contributing to the decrease most notably related to a reduction in staffing and contract labor expenses, in addition to reduced spending on sales and marketing.

In late March 2023 we implemented cost reduction measures that resulted in the reduction of sixteen permanent positions, the reduced use of contractors and renegotiated or replaced spend on certain sales support and marketing services with less costly programs. As a retention incentive, employees were granted equity awards in March 2023 with a one-year vesting. Reduced non-cash share-based compensation in 2024 in addition to one time negotiated contract savings, and an insurance settlement for legal defense costs associated with litigation matters that arose in 2021, contributed $1.4 million in savings over 2023. Many of the reductions were in Research and Development, which will impact the number and frequency of product releases. As we grow our customer base and increase our revenues, we may choose to accelerate our product development in future periods, which would result in increased spending. Employee headcount on December 31, 2024, totaled fifty compared to forty-nine on December 31, 2023.

Sales and Marketing

Sales and marketing expenses decreased to $4.7 million in 2024, compared to $5.7 million in 2023. The 2024 period included approximately $0.2 million in one-time negotiated contract savings. Certain discretionary marketing spends inclusive of participation in trade shows, utilization of third-party contractors for content and product messaging and travel, are likely to vary over time based on savings initiatives that may be necessary.

Research and Development

Research and development expenses decreased to $4.4 million in 2024 compared to $5.6 million in 2023. The savings in 2024 are a result of cost reduction measures implemented in late March 2023 which included the reduction of 13 FTEs and the reduced use of contractors. Research and development costs may vary over time as we determine the frequency of new releases, improved functionality and enhancements needed to be competitive with our product offering.

General and Administrative

General and administrative expenses totaled $3.7 million in 2024 compared to $5.2 million in 2023. The $1.5 million reduction in the 2024 period relates principally to the elimination of two positions, reduced share-based compensation, and one-time negotiated cost savings of $0.5 million.

Interest Expense

Interest expense for the twelve months ended December 31, 2024, was $328 thousand consisting principally of the stated interest related to the Streeterville and Scott notes, and finance leases. Interest expense for the year ended December 31, 2023, was $958 thousand. The decreased interest expense resulted principally from the $9.5 million aggregate exchange of the Streeterville debt to both common and preferred stock. As of December 31, 2024, $529 thousand of the Streeterville Note One remained outstanding. Interest expenses will vary in the future based on our cash flow and borrowing needs.

Interest Accretion and Amortization of Debt Issuance Costs

During March 2024, the Company entered into exchange agreements to convert $9.5 million in Streeterville debt to $9.3 million of Series A preferred stock and $0.2 million to common stock and, as a result, the Company reversed the interest accretion associated with the ability to stock-settle principal redemptions and wrote-off the remaining deferred debt issue costs resulting in a net credit to interest expense of $1.0 million. For the year ended December 31, 2023, the interest accretion and amortization of debt issuance costs totaled $0.9 million in expense.

Other (Expense) Income, Net

Interest and other income were negligible in 2024 and 2023.

Consolidated Statements of Cash Flows

Our cash flows for the years ended December 31, 2024, and 2023 (in thousands) were:

	Year Ended	
	December 31, 2024	**December 31, 2023**
Net cash used in operating activities	$ (6,293)	$ (7,767)
Net cash used in investing activities	(1,809)	(1,448)
Net cash provided by financing activities	12,814	6,339
Change in cash and cash equivalents	$ 4,712	$ (2,876)

Operating Activities

Net cash used in operations for the year ended December 31, 2024, was ($6.3) million due to a net loss of ($7.8) million, offset by 1) adjustments for non-cash items of $1.7 million which are mostly comprised of depreciation, stock-based compensation, and interest related to Streeterville notes and 2) ($0.2) million used for working capital.

Net cash used in operations for the year ended December 31, 2023, was ($7.8) million due to a net loss of ($13.9) million, offset by 1) adjustments for non-cash items of $4.7 million which are mostly comprised of depreciation, stock-based compensation, and interest related to Streeterville notes and 2) $1.4 million provided from working capital principally relating to the cash receipt of amounts due relating to ERC.

Investing Activities

For the year ended December 31, 2024, net cash used in investing activities was ($1.8) million of which $1.2 million was the capitalization of internally developed software, $0.5 million was the purchase of equipment and $0.1 million was the deposit on financed equipment.

For the year ended December 31, 2023, net cash used in investing activities was ($1.4) million, which was principally the capitalization of internally developed software.

Financing Activities

For year ended December 31, 2024, net cash provided by financing activities was $12.8 million which consisted principally of proceeds from sales of common stock using our ATM program of $9.8 million, a private placement in April 2024 of $2.6 million and proceeds from the sale of common stock and warrants pursuant to warrant inducement offerings of $0.8 million offset partially by principal payments on equipment finance leases of $0.5 million.

For the year ended December 31, 2023, net cash provided by financing activities was $6.3 million which consisted principally of proceeds from sales of common stock using our ATM program of $4.7 million and a private placement in November 2023 of $2.3 million offset partially by a $0.4 million paydown on the Streeterville notes.

Liquidity and Capital Resources

As of December 31, 2024, we had cash and cash equivalents of $4.9 million and $1.9 million in working capital.

Our principal sources of cash for funding operations in 2024 have been net proceeds received from sales of common stock using our ATM program of $9.8 million, a private placement offering completed in April 2024 of $2.6 million, and $0.8 million from the exercise of warrants. Our principal source of cash for funding operations in 2023 was $4.7 million from sales of common stock utilizing the ATM program, a private placement offering completed in November 2023 of $2.3 million and net funds through changes in working capital which included the receipt of the remaining ERC refund of $1.4 million.

ATM Program

B. Riley Securities, Inc. acts as sales agent under our ATM program, which, using the shelf-registration statement on Form S-3 filed on August 5, 2021, allowed us to potentially sell up to $50.0 million of our common stock. On April 11, 2023, as a result of limitations under General Instruction I.B.6 of Form S-3, and in agreement with the terms of the sales agreement, the Company revised the aggregate offering price of shares of common stock that could be sold pursuant to the ATM program to $15.0 million. In December 2024, we completed the sale of $15 million in common stock. For the year ended December 31, 2024, we received $9.8 million, net of fees for sales of common stock pursuant to the program.

We filed a replacement shelf registration on Form S-3 on January 30, 2025 with an effective date of February 10, 2025, pursuant to which we can sell up to $50.0 million of our common stock. As of February 25, 2025, our public float calculated in accordance with General Instruction I.B.1 of Form S-3,was $112.9 million based on 19,342,776 shares of common stock outstanding of which 17,861,513 shares are held by non-affiliates, and a per share price of $6.32 based on the average of the bid and asked prices of our common stock on the Nasdaq Capital Market on December 30, 2024.

Standby Equity Purchase Agreement

On July 3, 2024, we entered into a $10 million Standby Equity Purchase Agreement ("SEPA") with Streeterville Capital, LLC ("Streeterville") pursuant to which the Company has the right to direct Streeterville during the 24-month term of the agreement to purchase common stock subject to certain limitations and conditions set forth in the SEPA.

The shares of common stock purchased pursuant to SEPA will be at a purchase price equal to 95% of the lowest daily VWAP of the shares of Common Stock during the three consecutive trading days commencing on the date of the delivery of an advance notice. "VWAP" is defined as the daily volume weighted average price of the shares of Common Stock for such trading day on the Nasdaq Stock Market during regular trading hours as reported by Bloomberg L.P. The Company will use 10% of the proceeds associated with each Advance to redeem the outstanding Series A Preferred Stock held by Streeterville.

During 2024, pursuant to the SEPA, Streeterville purchased 1.2 million shares of common stock resulting in aggregate net proceeds of $1.8 million of which $0.1 million was received in 2024 and the remaining $1.7 million was received on January 2nd and 3rd, 2025.

Notes Payable

We entered into a securities purchase agreement ("SPA") with Streeterville on March 10, 2022, pursuant to which Streeterville purchased two promissory notes with substantively identical terms. Streeterville purchased the first note on March 10, 2022, and the second note on June 29, 2022, each note with an aggregate principal amount of $5.4 million in exchange for $5.0 million less certain expenses. We received an aggregate of approximately $9.3 million, net of transaction expenses, in connection with these issuances.

In 2023 and 2022 we made $0.4 million and $1.5 million in principal payments, respectively. In the fourth quarter 2023 through 3 separate transactions, we exchanged $0.6 million in aggregate principal on the First Note for 93.6 thousand shares of our common stock. In March 2024, we exchanged $0.2 million in principal for 52.2 thousand shares of common stock. Also in March 2024, we exchanged $9.3 million in principle for 9,275 shares of our newly created Series A preferred stock. The issuance of both common and preferred shares was made pursuant to the exemption from the registration requirements afforded by Section 3(a)(9) of the Securities Act. The Series A preferred stock has a stated value of $1,100 per share and is subject to the preferences and designations as more fully described in our Amended and Restated Articles of Incorporation filed on March 15, 2024. Following the exchanges noted herein, the remaining balance on the first note was $0.5 million. The maturity date for the first note was September 2024, we are in discussions with Streeterville to redeem or amend this note.

In September 2024, we entered into a note purchase agreement with Streeterville where Streeterville purchased a note payable in the principal amount of $0.6 million in exchange for $0.5 million in cash after redemption of $0.1 million of Series A preferred stock. The note called for weekly payments of $25 thousand until the maturity on November 18, 2024. In the event the note was not repaid on the maturity date, weekly payments would increase to $50 thousand. The note bore no interest. This note was repaid in full in December 2024.

During 2024, we entered into two separate note purchase agreements with our Chief Executive Officer, Anthony Scott. On January 2, 2024, Scott purchased a note payable in the principal amount of $1.1 million in exchange for $1.0 million in cash. The note called for weekly payments of $40,000 until maturity on June 15, 2024. Interest accrued on the balance of the note at 7% per annum compounding daily. During the quarter ended March 31, 2024, we made $200 thousand in principal payments. On March 20, 2024, Scott purchased a second note payable in the principal amount of $343 thousand in exchange for $340 thousand in cash. The note was non-interest bearing and matured on April 19, 2024. On April 2, 2024, we reduced the principal balance due under the note by $101 thousand which reflected the amount due from Scott for the exercise of common stock purchase warrants. On April 19, 2024, Scott entered into a private placement subscription agreement to convert the aggregate remaining outstanding balance of $1.1 million for both notes in exchange for common stock and common stock purchase warrants.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to credit losses, income taxes, warranty obligations, maintenance contracts and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our Consolidated Financial Statements.

Capitalized Software Development

We capitalize internally developed software using the Agile software development methodology which allows us to accurately track, and record costs associated with new software development and enhancements.

Pursuant to ASC Topic 350-40 Internal Use Software Accounting Capitalization, certain development costs related to our products during the application development stage are capitalized as part of property and equipment. Costs incurred in the preliminary stages of development are expensed as incurred. The preliminary stage includes activities such as conceptual formulation of alternatives, evaluation of alternatives, determination of existence of needed technology, and the final selection of alternatives. Once the application development stage is reached, internal and external costs are capitalized until the software is complete and ready for its intended use. Capitalized internal use software is amortized on a straight-line basis over its estimated useful life, which is generally three years.

Revenue Recognition

We recognize product revenue upon shipment or after meeting certain performance obligations. These products can include hardware, software subscriptions and consulting services. Most of our sales are from consulting services. We also offer software on a subscription basis subject to SaaS. Warranty costs have not been material.

We recognize sales of its consulting services in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606 whereby revenue from contracts with customers are recognized once the criteria under the five steps below are met:

i) identification of the contract with a customer;

ii) identification of the performance obligations in the contract;

iii) determination of the transaction price;

iv) allocation of the transaction price to the separate performance obligations; and

v) recognition of revenue upon satisfaction of a performance obligation.

Consulting services, including reporting, are typically done monthly, and revenue is matched accordingly. Product sales may include maintenance and customer support allocated revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy using the relative selling price method. All product offering and service offering market values are readily determined based on current and prior stand-alone sales. We defer and recognize maintenance, updates, and support revenue over the term of the contract period, which is generally one year.

Normal payment terms offered to customers, distributors and resellers are net 30 days domestically. We do not offer payment terms that extend beyond one year and rarely extend payment terms beyond our normal terms. If certain customers do not meet our credit standards, we require payment in advance to limit our credit exposure.

With our newest product, **INTRUSION *Shield***, we began offering software on a subscription basis. **INTRUSION *Shield*** is a hosted arrangement subject to SaaS guidance under ASC Topic 606. SaaS arrangements are accounted for as subscription services not arrangements that transfer a license of intellectual property.

We utilize the five-step process mentioned above, per ASC Topic 606, to recognize sales and will follow that directive, also, to define revenue items as individual and distinct. **INTRUSION *Shield*** services provided to our customers for a fixed monthly subscription fee include:

- access to Intrusion's proprietary software and database to detect and prevent unauthorized access to our clients' information networks;
- use of all software, associated media, printed materials, data, files, online documentation, and any equipment that Intrusion provides for customers to access the **INTRUSION *Shield***; and
- tech support, post contract customer support ("PCS") including daily program releases or corrections provided by Intrusion without additional charge.

Our contract provides for no other services, and our customers have no rebates or return rights, nor are any such rights anticipated to be offered as part of this service.

We satisfy our performance obligation when our **INTRUSION *Shield*** solution is available to detect and prevent unauthorized access to a client's information networks. Revenue is recognized monthly over the term of the contract. The Company's standard initial contract terms automatically renew unless notice is given 30 days before renewal. Upfront payment of fees is deferred and amortized into income over the period covered by the contract.

Allowances for Credit Losses

We maintain allowances for credit losses for estimated losses resulting from the inability of our customers to make the required payments. Our receivables are uncollateralized, and we expect to continue this policy in the future. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, increased allowances may be required. Historically, our estimate for sales returns and credit losses have not differed materially from actual results.

Fair Value of Financial Instruments

We calculate the fair value of our assets and liabilities which qualify as financial instruments and include additional information in the Notes to Consolidated Financial Statements when the fair value is different than the carrying value of these financial instruments. The estimated fair value of accounts receivable, accounts payable and accrued expenses approximate their carrying amounts due to the relatively short maturity of these instruments. Notes payable and financing and operating leases approximate fair value as they bear market rates of interest. None of these instruments are held for trading purposes.

Recent Accounting Pronouncements

See Note 2 to the Consolidated Financial Statements (Part II, Item 8 of this Form 10-K).

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

The information required by this Item 8 begins on page F-1 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

Evaluation of Effectiveness of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company's management, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and is accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of Consolidated Financial Statements for external purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2024, the Company's management, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on criteria established in *2013 Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's evaluation included an assessment of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and the Company's overall control environment. Based on its evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2024, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of Consolidated Financial Statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. The Company reviewed the results of management's assessment with the Audit Committee of the Board of Directors.

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report. This report shall not be deemed to be filed for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Inherent Limitations on Effectiveness of Controls

The Company's management, including our Chief Executive Officer and our Chief Financial Officer, does not expect that the Company's disclosure controls or internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Changes in Internal Control over Financial Reporting

During the quarter ended December 31, 2024, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

During the quarter ended December 31, 2024, no director or officer adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as each term is defined in Item 408(a) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

Certain information called for by this item regarding our directors will be included in our definitive proxy statement, to be filed with the SEC no later than 120 calendar days after December 31, 2024, for our 2025 Annual Meeting of Stockholders (the "Proxy Statement"), under the headings "Proposal One—Election of Directors" and "Corporate Governance" and is incorporated herein by reference.

Certain information called for by this item regarding our directors and executive officers' compliance with Section 16(a) of the Exchange Act will be included in the Proxy Statement, if required, under the heading "Delinquent Section 16(a) Reports" and, if included in the Proxy Statement, is incorporated herein by reference.

Certain information called for by this item regarding the Nominating and Governance Committee of our Board of Directors and the procedures by which our stockholders may recommend nominees to our Board of Directors, and information regarding the Audit Committee of our Board of Directors and its audit committee financial expert will be included in the Proxy Statement under the headings "Corporate Governance—Committees," "Nomination of Directors," and "Stockholder Proposals" and is incorporated herein by reference.

Information called for by this item regarding our Insider Trading Policy will be included in the Proxy Statement under the heading "Insider Trading Policy."

Information called for by this item regarding our equity grant timing policies will be included in the Proxy Statement under the heading "Equity Grant Timing Policies."

Code of Business Conduct and Ethics

All of the Company's directors and employees are required to abide by the Company's Code of Business Conduct and Ethics, which the Company adopted on September 14, 2020, as amended on March 16, 2022 (the "Code") to ensure that the Company's business is conducted in a consistently legal and ethical manner and to avoid instances of insider trading. The Code covers areas of professional conduct that include conflicts of interest, fair dealing and the strict adherence to all laws and regulations applicable to the conduct of the Company's business. The full text of the Code is published on the Company's website under the investor relations tab at www.intrusion.com. The Company intends to disclose future amendments to, or waivers from, certain provisions of the Codes of Ethics on the Company's website within four business days following the date of such amendment or waiver. Upon the written request of any stockholder, the Company will furnish, without charge, a copy of the Code. This request should be directed to the Company's Secretary at 101 East Park Blvd., Suite 1200, Plano, TX 75074.

Item 11. Executive Compensation.

The information called for by this item will be included in the Proxy Statement under the headings "Executive Compensation" and "Director Compensation" and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information called for by this item will be included in the Proxy Statement under the heading "Security Ownership of Certain Beneficial Owners and Management" and is incorporated herein by reference to the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information called for by this item will be included in the Proxy Statement under the headings "Certain Relationships and Related Party Transactions," "Proposal One—Election of Directors," Corporate Governance—Director Independence" and "Croporate Governance—Committees" and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information called for by this item will be included in the Proxy Statement under the heading "Proposal Two—Ratification of the Appointment of Independent Registered Proxy Accounting Firm" and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) 1. **Consolidated Financial Statements.**

The following Consolidated Financial Statements of Intrusion Inc. and subsidiaries, are submitted as a separate section of this report (See F-pages):

Report of Independent Registered Public Accounting Firm (PCAOB ID 726) ***F-1***

Consolidated Balance Sheets on December 31, 2024, and 2023 ***F-2***

Consolidated Statements of Operations for the years ended December 31, 2024, and 2023 ***F-3***

Consolidated Statements of Changes in Stockholders' Equity (Deficit) for the years ended December 31, 2024, and 2023 ***F-4***

Consolidated Statements of Cash Flows for the years ended December 31, 2024, and 2023 ***F-5***

Notes to Consolidated Financial Statements ***F-6***

(b) Exhibits.

Exhibit Number	Description of Exhibit
3.1(3)	Restated Certificate of Incorporation of the Registrant
3.2(30)	Certificate of Amendment to Certificate of Incorporation of Registrant
3.3(19)	Amended and Restated Bylaws of the Company
3.4(33)	Certificate of Amendment to Certificate of Designations of Preferences and Rights of Series A Preferred Stock of Intrusion Inc. a Delaware Corporation, filed by the registrant with the State of Delaware, Secretary of State, Division of Corporations on May 9, 2024.
3.5(38)	Amended and Restated Certificate of Incorporation of the Company, dated as of March 15, 2024.
3.6(39)	Designations of Preferences and Rights of Series A Preferred Stock of the Registrant, filed by the Registrant with the State of Delaware, Secretary of State, Division of Corporations on March 15, 2024.
4.1(5)	Specimen Common Stock Certificate
4.2(17)	Description of the Registrant's Capital Stock
4.3(13)	Form of Convertible Promissory Note #1 Issued Under the Securities Purchase Agreement dated March 10, 2022, by and between the Registrant and Streeterville Capital, LLC
4.4(13)	Form of Convertible Promissory Note #2 Issued Under the Securities Purchase Agreement dated March 10, 2022, by and between the Registrant and Streeterville Capital, LLC
4.5(14)	Form of Warrant Issued under that Securities Purchase Agreement between the Registrant and the Purchaser identified on the signature pages thereto, dated September 12, 2022
4.6(20)	Form of Warrant
4.7(20)	Form of Placement Agent Warrant
4.8(26)	Promissory Note dated January 2, 2024, by and between Registrant and Anthony Scott, President and Chief Executive Officer of Intrusion, Inc.
10.1(13)	Securities Purchase Agreement dated March 10, 2022, by and between the Registrant and Streeterville Capital, LLC
10.2(15)	Amendment dated January 11, 2023, to the Securities Purchase Agreement dated March 10, 2022, by and between the Registrant and Streeterville Capital, LLC
10.3(14)	Securities Purchase Agreement between the Registrant and the Purchasers identified on the signature pages thereto, dated September 12, 2022
10.4(16)	Note Purchase Agreement dated February 23, 2023, by and Between Registrant and Streeterville Capital, LLC
10.5(2)+	Amended and Restated 401(k) Savings Plan of the Registrant
10.6(4)+	Intrusion Inc. 401(k) Savings Plan Summary of Material Modifications
10.7(6)+	Amended 2005 Stock Incentive Plan of the Registrant
10.8(7)+	2015 Stock Incentive Plan of the Registrant
10.9(8)+	Form of Notice of Grant of Stock Option
10.10(8)+	Form of Stock Option Agreement
10.11(8)+	Form of Notice of Grant of Non-Employee Director Automatic Stock Option (Initial Grant)
10.12(8)+	Form of Notice of Grant of Non-Employee Director Automatic Stock Option (Annual Grant)
10.13(8)+	Form of Automatic Stock Option Agreement
10.14(9)+	Intrusion Inc. 2021 Omnibus Incentive Plan
10.15(10)+	Form of Incentive Stock Option Award Agreement to the Intrusion Inc. 2021 Omnibus Incentive Plan
10.16(18)+	Form of Restricted Stock Award Agreement to the Intrusion Inc. 2021 Omnibus Incentive Plan
10.17(18)+	Form of Non-Qualified Stock Option Agreement to the Intrusion Inc. 2021 Omnibus Incentive Plan
10.18(11)	Sales Agreement, dated August 5, 2021, between the Registrant and B. Riley Securities, Inc.
10.19(12)+	Executive Employment Agreement between Intrusion Inc. and Anthony Scott, dated November 11, 2021
10.20(21)	Forbearance and Standstill Agreement dated August 2, 2023, by and between Registrant and Streeterville Capital, LLC
10.21(21)	Amendment to Forbearance Agreement dated August 7, 2023, by and between Registrant and Streeterville Capital, LLC
10.22(22)	Stipulation of Compromise and Settlement September 28, 2023 (Prawatt V Blount, et al)
10.23(23)	Exchange Agreement dated October 11, 2023, by and between Registrant and Streeterville Capital, LLC
10.24(23)	Exchange Agreement dated October 17, 2023, by and between Registrant and Streeterville Capital, LLC
10.25(24)	Form of Securities Purchase Agreement by and between the Registrant and the Purchasers dated November 8, 2023
10.26(24)	Form of Placement Agent Agreement by and between the Registrant and Wellington Shields & Company LLC dated November 8, 2023
10.27(24)	Form of Lock-up Agent Agreement
10.28 (25)	Exchange Agreement dated December 19, 2023, by and between Registrant and Streeterville Capital, LLC
10.29(26)	Form of Invoice Financing Agreement dated January 2, 2024, by and between Registrant and Anthony Scott, President and Chief Executive Officer of Intrusion, Inc.

10.30(26)	Security Agreement dated January 2, 2024, by and between Registrant and Anthony Scott, President and Chief Executive Officer of Intrusion, Inc.
10.31(27)	Notice of Pendency and Proposed Settlement of Action dated December 21, 2023.
10.32(28)	Exchange Agreement dated March 7, 2024, by and between Registrant and Streeterville Capital, LLC
10.33(29)	Exchange Agreement dated March 15, 2024, by and between Registrant and Streeterville Capital, LLC
10.34(29)	Form of Partitioned Promissory Note, Note #1 dated March 15, 2024, by and between Registrant and Streeterville Capital, LLC
10.35(31)	Lease between dated September 29, 2023 by and between Registrant and JBA Portfolio, LLC
10.36(32)	Form of New Warrant.
10.37(34)	Exchange Agreement dated May 10, 2024, by and between the Registrant and Streeterville Capital, LLC.
10.38(35)	Standby Equity Purchase Agreement, dated July 3, 2024.
10.39(36)	Standby Equity Purchase Agreement, dated June 3, 2024, by and between Registrant and Streeterville Capital, LLC.
10.40(37)	Registration Rights Agreement, dated June 3, 2024, by and between Registrant and Streeterville Capital, LLC.
10.41(40)	Exchange Agreement by and between the Registrant and Streeterville Capital, LLC, dated as of December 6, 2024.
10.42(41)	Form of Warrant.
14.1(17)	Code Of Conduct
19.1(1)	Insider Trading Policy
21(18)	List of Subsidiaries of Registrant
23.1(1)	Consent of Whitley Penn LLP, Independent Registered Public Accounting Firm
31.1(1)	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act
31.2(1)	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Exchange Act
32.1(1)	Certification of Chief Executive Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2(1)	Certification of Chief Financial Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97(31)	Compensation Recovery Policy
101.INS(1)	XBRL Instance Document
101.SCH(1)	XBRL Taxonomy Extension Schema Document
101.CAL(1)	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF(1)	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB(1)	XBRL Taxonomy Extension Label Linkbase Document
101.PRE(1)	XBRL Taxonomy Extension Presentation Linkbase Document

+ Indicates management contract or compensatory plan.

(1) Filed or furnished herewith.
(2) Filed as an Exhibit to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 2000, which Exhibit is incorporated herein by reference.
(3) Filed as an Exhibit to the Registrant's Current Report on Form 8-K dated June 15, 2010, which Exhibit is incorporated herein by reference.
(4) Filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, which Exhibit is incorporated herein by reference.
(5) Filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 (as amended), which Exhibit is incorporated herein by reference.
(6) Filed as an Exhibit to the Registrant's Current Report on Form 8-K dated June 15, 2005, which Exhibit is incorporated herein by reference.
(7) Filed as an Exhibit to the Registrant's Definitive Proxy Statement on Schedule 14A in connection with the solicitation of proxies for its Annual Meeting of Stockholders held May 14, 2015, which Exhibit is incorporated herein by reference.
(8) Filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (as amended), which Exhibit is incorporated herein by reference.
(9) Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed on May 24, 2021, which Exhibit is incorporated by reference herein.
(10) Filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q filed on November 12, 2021, which Exhibit is incorporated by reference herein.
(11) Filed as an Exhibit to the Registrant's Registration Statement on Form S-3 filed on August 5, 2021, which Exhibit is incorporated by reference herein.
(12) Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed on November 17, 2021, which Exhibit is incorporated by reference herein.
(13) Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed on March 10, 2022, which Exhibit is incorporated by reference herein.
(14) Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed on September 12, 2022, which Exhibit is incorporated by reference herein.

(15) Filed as an Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 17, 2023, which Exhibit is incorporated by reference herein.
(16) Filed as an Exhibit 10.1 to Registrant's Current Report on Form 8-K on March 1, 2023, which Exhibit is incorporated by reference herein.
(17) Filed as an Exhibit to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 2021, which Exhibit is incorporated herein by reference.
(18) Filed as an Exhibit to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 2022, which Exhibit is incorporated herein by reference.
(19) Filed as an Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 21. 2023, which Exhibit is incorporated herein by reference.
(20) Filed as Exhibits 4.1 and 4.2 to the Registrant's Current Report on Form 8-K filed on November 9, 2023, which Exhibits are incorporated herein by reference.
(21) Filed as Exhibits 10.1 and 10.2 to the Registrant's Current Report on Form 8-K filed on August 7, 2023, which Exhibits are incorporated herein by reference.
(22) Filed as an Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on October 2, 2023, which Exhibit is incorporated herein by reference.
(23) Filed as Exhibits 99.1 and 99.2 of the Registrant's Current Report on Form 8-K filed on October 17, 2023, which Exhibits are incorporated herein by reference.
(24) Filed as Exhibits 10.1, 10.2 and 10.3 to Registrant's Current Report on Form 8-K filed on November 9, 2023, which Exhibits are incorporated herein by reference.
(25) Filed as an Exhibits 10.1 to Registrant's Current Report on Form 8-K filed on December 22, 2023, which Exhibit is incorporated herein by reference.
(26) Filed as Exhibits 4.1, 10.1 and 10.2 to Registrant's Current Report on Form 8-K filed on January 3, 2024, which Exhibit is incorporated herein by reference.
(27) Filed as Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on January 9, 2024, which Exhibit is incorporated herein by reference.
(28) Filed as Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed March 13, 2024, which Exhibit is incorporated herein by reference.
(29) Filed as Exhibits 10.1 and 10.2 of the Registrant's Current Report on Form 8-K filed on March 18, 2024, which Exhibits are incorporated herein by reference.
(30) Filed as Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on March 27, 2024, which Exhibit is incorporated herein by reference.
(31) Filed as Exhibits 10.35 and 97 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, which Exhibits are incorporated herein by reference.
(32) Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 12, 2024, which Exhibit is incorporated herein by reference.
(33) Filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on May 15, 2024, which Exhibit is incorporated herein by reference.
(34) Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 16, 2024, which Exhibit is incorporated herein by reference.
(35) Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on July 10, 2024, which Exhibit is incorporated herein by reference.
(36) Filed as Exhibit 10.37 to the Registrant's Registration Statement on Form S-1 (File No. 333-280914) filed on July 19, 2024, which Exhibit is incorporated herein by reference.
(37) Filed as Exhibit 10.38 to the Registrant's Registration Statement on Form S-1 (File No. 333-280914) filed on July 19, 2024, which Exhibit is incorporated herein by reference.
(38) Filed as Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-280914) filed on July 19, 2024, which Exhibit is incorporated herein by reference.
(39) Filed as Exhibit 3.3 to the Registrant's Registration Statement on Form S-1 (File No. 333-280914) filed on July 19, 2024, which Exhibit is incorporated herein by reference.
(40) Filed as Exhibit 10.35 to the Registrant's Amendment No. 1 to Registration Statement on Form S-3 (File No. 333-281565) filed on December 17, 2024, which Exhibit is incorporated herein by reference.
(41) Filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on January 7, 2025, which Exhibit is incorporated herein by reference.

Item 16. Form 10K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 27, 2025

INTRUSION INC.
(Registrant)

By: /s/ ANTHONY SCOTT
Anthony Scott
President & Chief Executive Officer
(Principal Executive Officer)

By: /s/ KIMBERLY PINSON
Kimberly Pinson
Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Anthony Scott Anthony Scott	Chief Executive Officer, Director (Principal Executive Officer)	February 27, 2025
/s/ Kimberly Pinson Kimberly Pinson	Chief Financial Officer Principal Financial and Accounting Officer	February 27, 2025
/s/ Anthony J. LeVecchio Anthony J. LeVecchio	Executive Chairman, Director	February 27, 2025
/s/ Dion Hinchcliffe Dion Hinchcliffe	Director	February 27, 2025
/s/ Katrinka B. McCallum Katrinka B. McCallum	Director	February 27, 2025
/s/ Gregory K. Wilson Gregory K. Wilson	Director	February 27, 2025

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Intrusion Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Intrusion Inc. and subsidiaries (the "Company") as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Whitley Penn LLP

We have served as the Company's auditor since 2009.

Dallas, Texas

February 27, 2025

INTRUSION INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value amounts)

	December 31	
	2024	**2023**
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 4,851	$ 139
Accounts receivable, net	169	364
Prepaid expenses and other assets	514	635
Total current assets	5,534	1,138
Noncurrent Assets:		
Property and equipment:		
Equipment	2,690	2,069
Capitalized software development	3,948	2,791
Leasehold improvements	18	15
Property and equipment, gross	6,656	4,875
Accumulated depreciation and amortization	(2,809)	(1,955)
Property and equipment, net	3,847	2,920
Finance leases, right-of-use assets, net	491	382
Operating leases, right-of-use assets, net	1,356	1,637
Other assets	281	171
Total noncurrent assets	5,975	5,110
TOTAL ASSETS	$ 11,509	$ 6,248
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable, trade	$ 1,508	$ 2,215
Accrued expenses	291	222
Finance lease liabilities, current portion	405	384
Operating lease liabilities, current portion	209	178
Notes payable	529	10,823
Deferred revenue	730	439
Total current liabilities	3,672	14,261
Noncurrent Liabilities:		
Finance lease liabilities, noncurrent portion	172	3
Operating lease liabilities, noncurrent portion	1,414	1,539
Total noncurrent liabilities	1,586	1,542
Commitments and Contingencies – (See Note 7)		
Stockholders' Equity (Deficit):		
Preferred stock, $0.01 par value: Authorized shares – 5,000; Issued shares – 4 in 2024 and 0 in 2023	3,827	–
Common stock, $0.01 par value: Authorized shares – 80,000; Issued shares – 15,591 in 2024 and 1,848 in 2023; Outstanding shares – 15,590 in 2024 and 1,847 in 2023	156	18
Common stock held in treasury, at cost – 1 shares	(362)	(362)
Additional paid-in capital	122,552	101,049
Stock subscription receivable	(1,872)	–
Accumulated deficit	(118,007)	(110,217)
Accumulated other comprehensive loss	(43)	(43)
Total stockholders' equity (deficit)	6,251	(9,555)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 11,509	$ 6,248

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	Year Ended December 31,	
	2024	**2023**
Revenue	$ 5,771	$ 5,611
Cost of Revenue	1,341	1,257
Gross Profit	4,430	4,354
Operating Expenses:		
Sales and marketing	4,736	5,670
Research and development	4,435	5,556
General and administrative	3,705	5,174
Operating Loss	(8,446)	(12,046)
Interest expense	(328)	(958)
Interest accretion and amortization of debt issuance costs, net	990	(930)
Other (expense) income, net	(6)	43
Loss Before Income Taxes	(7,790)	(13,891)
Income Tax	–	–
Net Loss	$ (7,790)	$ (13,891)
Net Loss Per Share:		
Basic	$ (1.63)	$ (11.46)
Diluted	$ (1.63)	$ (11.46)
Weighted Average Common Shares Outstanding:		
Basic	5,275	1,212
Diluted	5,275	1,212

The accompanying notes are an integral part of these Consolidated Financial Statements.

INTRUSION INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands)

	Series A Preferred Stock		Common Stock		Treasury Stock		Accumulated Other Comprehensive Loss	Additional Paid-In Capital	Stock Subscription Receivable	Accumulated Deficit	Total
	Dollars	Shares	Dollars	Shares	Dollars	Shares					
Balance, December 31, 2022	$ –	–	$ 11	1,060	$ (362)	1	$ (43)	$ 92,505	$ –	$ (96,326)	$ (4,215)
Issuance of additional shares for fractional shares held at time of reverse split on March 22, 2024	–	–	–	57	–	–	–	–	–	–	–
Stock-based compensation expense	–	–	–	–	–	–	–	972	–	–	972
Exercise of stock options	–	–	–	3	–	–	–	8	–	–	8
Public stock offering, net of fees	–	–	4	405	–	–	–	4,674	–	–	4,678
Restricted stock awards	–	–	–	11	–	–	–	–	–	–	–
Withholdings related to stock-based compensation awards	–	–	–	–	–	–	–	(5)	–	–	(5)
Private offering proceeds, net of fees	–	–	2	218	–	–	–	2,344	–	–	2,346
Issuance of common stock to reduce notes payable	–	–	1	93	–	–	–	549	–	–	550
Issuance of common stock through employee stock purchase plan	–	–	–	1	–	–	–	2	–	–	2
Net loss	–	–	–	–	–	–	–	–	–	(13,891)	(13,891)
Balance, December 31, 2023	$ –	–	$ 18	1,848	$ (362)	1	$ (43)	$ 101,049	–	$ (110,217)	$ (9,555)
Stock-based compensation expense	–	–	–	–	–	–	–	343	–	–	343
Public stock offering, net of fees	–	–	70	7,009	–	–	–	9,731	–	–	9,801
Issuance of common stock to reduce notes payable	–	–	–	52	–	–	–	200	–	–	200
Issuance of preferred stock to reduce notes payable	9,275	9	–	–	–	–	–	–	–	–	9,275
Issuance of common stock and warrants associated with warrant inducement	–	–	6	555	–	–	–	841	–	–	847
Issuance of common stock and warrants, net of fees	–	–	13	1,349	–	–	–	2,606	–	–	2,619
Exchange of Series A preferred stock for common stock	(6,734)	(6)	27	2,637	–	–	–	6,707	–	–	–
Issuance of common stock in exchange for minority interest in company	–	–	1	59	–	–	–	99	–	–	100
Issuance of common stock to settle vendor payable	–	–	6	574	–	–	–	354	–	–	360
Issuance of common stock associated with entry into Standby Equity Purchase Agreement	–	–	3	310	–	–	–	(1)	–	–	2
Issuance of common stock for advance on Standby Equity Purchase Agreement, net of fees	–	–	12	1,196	–	–	–	2,027	(1,872)	–	167
Redemption of preferred stock	(119)	–	–	–	–	–	–	–	–		(119)
Issuance of preferred stock for payment of preferred return	781	1	–	–	–	–	–	(782)	–	–	(1)
Amortization of preferred stock exchange premium	624	–	–	–	–	–	–	(624)	–		
Issuance of common stock through employee stock purchase plan	–	–	–	2	–	–	–	2	–	–	2
Net loss	–	–	–	–	–	–	–	–	–	(7,790)	(7,790)
Balance, December 31, 2024	$ 3,827	4	$ 156	15,591	$ (362)	1	$ (43)	$ 122,552	$ (1,872)	$ (118,007)	$ 6,251

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	Year Ended December 31,	
	2024	**2023**
Operating Activities:		
Net Loss	$ (7,790)	$ (13,891)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,648	1,659
Gain on disposal of fixed assets	8	–
Provision for credit losses	89	69
Stock-based compensation	343	972
Non-cash lease costs	472	328
Note 1 and 2 interest accretion up to the redemption common stock settlement amount and debt issuance costs	(990)	930
Other non-cash interest	171	729
Changes in operating assets and liabilities:		
Accounts receivable	106	97
Prepaid expenses and other assets	89	1,214
Accounts payable and accrued expenses	(461)	411
Operating lease liabilities	(269)	(269)
Deferred revenue	291	(16)
Net cash used in operating activities	(6,293)	(7,767)
Investing Activities:		
Purchases of property and equipment	(533)	(157)
Capitalized software development	(1,195)	(1,291)
Deposit on financed equipment	(81)	–
Net cash used in investing activities	(1,809)	(1,448)
Financing Activities:		
Proceeds from notes payable	1,838	–
Payments of notes payable	(1,938)	(400)
Reduction of finance lease liabilities	(504)	(290)
Proceeds from public stock offering, net of fees	9,800	4,678
Proceeds from sale of common stock and warrants, net of fees	2,619	2,346
Proceeds from warrant inducements	847	–
Proceeds from sale of stock under the standby equity purchase agreement	150	–
Proceeds from stock options exercised	–	8
Proceeds related to the issuance of common stock under stock purchase plan	2	2
Withholdings related to stock-based compensation awards	–	(5)
Net cash provided by financing activities	12,814	6,339
Net increase (decrease) in cash and cash equivalents	4,712	(2,876)
Cash and cash equivalents at beginning of year	139	3,015
Cash and cash equivalents at end of year	$ 4,851	$ 139
SUPPLEMENTAL DISCLOSURE OF CASH FLOW ACTIVITIES:		
Cash paid for interest	$ 21	$ 229
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Capitalized assets and capitalized software included in accounts payable	$ (300)	$ 307
Common stock issued to reduce notes payable	$ 200	$ 550
Assets modified / acquired under a right of use (“ROU”) operating lease	$ 47	$ 1,461
Assets modified / acquired under a ROU finance lease	$ 694	$ –
Preferred stock issued to reduce notes payable	$ 9,275	$ –
Preferred Return on Preferred Stock	$ 781	$ –
Redemption of Preferred Stock in conjunction with issuance of note payable	$ 100	$ –
Common stock used for minority investment in company	$ 100	$ –
Common stock issued to settle accounts payable	$ 360	$ –
Accounts payable on capitalized assets settled with vendor	$ 116	$ –
Exchanges of preferred stock for common stock	$ 6,734	$ –
Amortization of preferred stock exchange premium	$ 624	$ –

The accompanying notes are an integral part of these Consolidated Financial Statements.

1. Description of Business

Intrusion, Inc. (together with its consolidated subsidiaries, the "Company," Intrusion," "Intrusion Inc.", "we", "us", "our", or similar terms) was organized in Texas in September 1983 and reincorporated in Delaware in October 1995. Our principal executive offices are located at 101 East Park Boulevard, Suite 1200, Plano, Texas 75074, and our telephone number is (972) 234-6400. Our website URL is www.intrusion.com.

The Company develops, sells, and supports products that protect any-sized company or government organization by fusing advanced threat intelligence with real-time mitigation to kill cyberattacks as they occur – including Zero-Days. The Company markets and distributes the Company's solutions through value-added resellers, managed service providers and a direct sales force. The Company's end-user customers include U.S. federal government entities, state and local government entities, and companies ranging in size from mid-market to large enterprises.

TraceCop ("TraceCop™") and ***Savant*** (***"Savant™"***) are registered trademarks of Intrusion Inc. The Company has applied for trademark protection for the Company's new **INTRUSION *Shield*** cybersecurity solution.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company's Consolidated Financial Statements include its accounts and those of its wholly owned subsidiary and are prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP"). All intercompany balances and transactions have been eliminated in consolidation.

Going Concern

The accompanying financial statements have been prepared assuming that the entity will continue as a going concern. The entity has suffered recurring losses from operations and negative cash flows from operations for several years. On December 31, 2024, the Company had cash and cash equivalents of $4.9 million and had a net working capital of $1.9 million. During January 2025, the Company raised $7.5 million in a registered direct offering to a single accredited institutional investor and raised $1.7 million from the sale of common stock from draws on the previously announced Standby Equity Purchase Agreement (SEPA) with Streeterville Capital, LLC. These capital raises when combined with our cash and cash equivalents at December 31, 2024 are sufficient to fund our operations for the next twelve months from issuance of these financial statements.

Reverse Stock Split

The Company effected a reverse stock split of 1-for-20 on March 22, 2024. Unless otherwise stated, all share and per share amounts for all periods presented have been adjusted to reflect the reverse stock split.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used for, but not limited to, the accounting for credit losses, revenue recognition, warranty costs, depreciation, and stock-based compensation and income taxes. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company maintains cash balances that may at times exceed federally insured limits. The Company's cash balances are maintained at a high-quality financial institution, and the Company believes the credit risk related to these cash balances is minimal. As of December 31, 2024, and 2023, the Company had approximately $4.9 million and $0.1 million, respectively, of cash and cash equivalents.

Accounts Receivable and Allowance for Credit Losses

Trade accounts receivable is stated at the amount the Company expects to collect. The Company maintains allowances for credit losses for estimated losses resulting from the inability of its customers to make the required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment trends. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and an increase to allowance for credit losses. Balances that remain outstanding after the Company has made reasonable collection efforts are written off through a charge to the allowance credit losses.

The Company's accounts receivable represents unconditional contract billings for sales per contracts with customers and are classified as current. As of December 31, 2024, and 2023 the Company had accounts receivable balances of $0.2 million and $0.4 million, respectively. As of December 31, 2024, and 2023, the Company had an allowance for credit losses of $0.1 million.

Risk Concentration

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents, investments, and accounts receivable. Cash and cash equivalent deposits are at risk to the extent that they exceed Federal Deposit Insurance Corporation insured amounts. To minimize risk, the Company places its investments in U.S. government obligations, corporate securities, and money market funds. Substantially all the Company's cash, cash equivalents and investments are maintained with one major U.S. financial institution. The Company does not believe that it is subject to any unusual financial risk with the Company's banking arrangements. The Company has not experienced any significant losses on its cash and cash equivalents.

The Company sells its products to customers primarily in the U.S. The Company has begun to sell the Company's products internationally. Fluctuations in currency exchange rates and adverse economic developments in foreign countries could adversely affect the Company's operating results. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral. The Company maintains reserves for potential credit losses, and such losses, in aggregate, have historically been minimal.

The Company's operations are concentrated in one area - security software/entity identification. Sales to the U.S. Government through direct and indirect channels totaled 83.8% of total revenues attributable to seven government customers and 46.2% of total revenues attributable to six government customers for the years ended December 31, 2024, and 2023, respectively. Three individual government customers during the year ended December 31, 2024, individually accounted for over 10% of total revenues and during the year ended December 31, 2023, two government customers and two commercial customers, individually accounted for over 10% of total revenues. For 2024, three customers represent 81% of total revenue. For 2023, four customers represent 86% of total revenue. For Shield, two customers account for 72% and one customer accounts for 79% of Shield revenue for 2024 and 2023, respectively. Consulting revenues totaled $4.2 million in 2024 compared to $4.0 million in 2023. Shield revenues totaled $1.6 million in 2024 which is flat when compared to 2023.

The Company's similar product and service offerings are not viewed as individual segments, as the Company's management analyzes the business as a whole and expenses are not allocated to each product offering. The Company's Chief Executive Officer is the Chief Operating Decision Maker ("CODM"). The CODM utilizes both Operating Loss and Net Loss from the Consolidated Statement of Operations to assess performance of the single segment. There are no other significant segment expenses or other segment items that would require disclosure.

Prepaid Expenses and Other Assets

The Company's prepaid expenses and other assets balance are primarily related to prepaid insurance, prepaid software, and other services, which represents the unamortized balance of insurance premiums, or other prepaid services and products. These payments are amortized on a straight-line basis over the policy or service term.

Property and Equipment

Equipment, furniture, and fixtures are stated at cost less accumulated depreciation and depreciated on a straight-line basis over the estimated useful lives of the assets. Such lives vary from one to 5 five years. Capitalized software development is stated at cost less accumulated amortization on a straight-line basis over its estimated useful life, which is generally three years. Leasehold improvements are stated at cost less accumulated amortization and are amortized on a straight-line basis over the shorter of estimated useful lives of the assets or the remaining terms of the leases. Such lives vary from two to five years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Repair and maintenance costs are expensed as incurred.

The Company capitalizes internally developed software using the Agile software development methodology which allows the Company to accurately track, and record costs associated with new software development and enhancements. Pursuant to ASC Topic 350-40 Internal Use Software Accounting Capitalization, certain development costs related to the Company's products during the application development stage are capitalized as part of property and equipment. Costs incurred in the preliminary stages of development are expensed as incurred. The preliminary stage includes activities such as conceptual formulation of alternatives, evaluation of alternatives, determination of existence of needed technology, and the final selection of alternatives. Once the application development stage is reached, internal and external costs are capitalized until the software is complete and ready for its intended use.

Depreciation and amortization are recorded as operating expenses in the Consolidated Statement of Operations. Depreciation and amortization related to the Company's property and equipment balances totaled approximately $1.0 million for the years ended December 31, 2024, and 2023.

Long-Lived Assets

The Company reviews long-lived assets, including property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows to be generated by the asset. If the carrying value exceeds the future undiscounted cash flows, the assets are written down to fair value. During the years ended December 31, 2024, and 2023, there was no impairment of long-lived assets.

Leases

The Company accounts for leases using guidance in ASC Topic 842. The Company evaluates new contracts at inception to determine if the contract conveys the right to control the use of an identified asset for a period in exchange for periodic payments. A lease exists if the Company obtains substantially all the economic benefits of an asset, and the Company has the right to direct the use of that asset. When a lease exists, the Company records a right-of-use asset that represents its right to use the asset over the lease term and a lease liability that represents its obligation to make payments over the lease term. Lease liabilities are recorded at the sum of future lease payments discounted by the collateralized rate the Company could obtain to lease a similar asset over a similar period, and right-of-use assets are recorded equal to the corresponding lease liability, plus any prepaid or direct costs. The Company does not record a right-of-use asset for leases with initial terms of twelve months or less.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, or other sources and are recorded when it is probable that a liability has been incurred, and the amount of the assessment can be reasonably estimated. The Company is involved in various lawsuits, claims and administrative proceedings arising in the normal course of business. For additional information, see Note 7 – *Commitments and Contingencies*.

Foreign Currency

All assets and liabilities in the balance sheets of foreign subsidiaries whose functional currency is other than the U.S. dollar is translated at year-end exchange rates. All revenues and expenses in the statement of operations of these foreign subsidiaries are translated at average exchange rates for the year. Translation gains and losses are not included in determining net income but are shown in accumulated other comprehensive loss in the stockholders' equity (deficit) section of the Consolidated Balance Sheets. Foreign currency transaction gains and losses are included in determining net loss and were not significant.

Fair Value of Financial Instruments

The Company calculates the fair value of the assets and liabilities which qualify as financial instruments and includes additional information in the Notes to Consolidated Financial Statements when the fair value is different than the carrying value of these financial instruments. The estimated fair value of accounts receivable, accounts payable and accrued expenses approximate their carrying amounts due to the relatively short maturity of these instruments. Notes payable and financing and operating leases approximate fair value as they bear market rates of interest. None of these instruments are held for trading purposes.

Revenue Recognition

The Company recognizes product revenue upon shipment or after meeting certain performance obligations. These products can include hardware, software subscriptions and consulting services. The Company also offers software on a subscription basis subject to SaaS. Warranty costs have not been material.

The Company recognizes sales of the Company's data sets in accordance with ASC Topic 606 whereby revenue from contracts with customers are recognized once the criteria under the five steps below are met:

i) identification of the contract with a customer;

ii) identification of the performance obligations in the contract;

iii) determination of the transaction price;

iv) allocation of the transaction price to the separate performance obligations; and

v) recognition of revenue upon satisfaction of a performance obligation.

Consulting services include reporting and are typically done monthly, and revenue is matched accordingly. Product sales may include maintenance and customer support allocated revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy using the relative selling price method. All product offering and service offering market values are readily determined based on current and prior stand-alone sales. The Company defers and recognizes maintenance, updates, and support revenue over the term of the contract period, which is generally one year.

Normal payment terms offered to customers, distributors and resellers are net 30 days domestically. The Company does not offer payment terms that extend beyond one year and rarely does it extend payment terms beyond normal terms. If certain customers do not meet credit standards, the Company requires payments in advance to limit credit exposure.

With the Company's newest product, **INTRUSION *Shield***, the Company began offering software on a subscription basis. **INTRUSION *Shield*** is a hosted arrangement subject to SaaS guidance under ASC Topic 606. SaaS arrangements are accounted for as subscription services, not arrangements that transfer a license of intellectual property.

The Company utilizes the five-step process mentioned above, per ASC Topic 606 to recognize sales and will follow that directive, also, to define revenue items as individual and distinct. **INTRUSION *Shield*** services are provided to customers for a fixed monthly subscription fee include:

- access to Intrusion's proprietary software and database to detect and prevent unauthorized access to clients' information networks;
- use of all software, associated media, printed materials, data, files, online documentation, and any equipment that Intrusion provides for customers to access the **INTRUSION *Shield***; and
- tech support, PCS includes daily program releases or corrections provided by Intrusion without additional charge.

INTRUSION *Shield* contracts provide for no other services, and the Company's customers have no rebates or return rights, nor are there any such rights anticipated to be offered as part of this service.

The Company satisfies performance obligations when the **INTRUSION *Shield*** solution is available to detect and prevent unauthorized access to a client's information networks. Revenue is recognized monthly over the term of the contract. The Company's standard initial contract terms automatically renew unless notice is given 30 days before renewal. Upfront payment of fees is deferred and amortized into income over the period covered by the contract.

The Company's accounts receivable represents unconditional contract billings for sales per contracts with customers and are classified as current assets. As of December 31, 2024, 2023, and 2022, the Company had accounts receivable balance of $0.2 million, $0.4 million, and $0.5 million, respectively. As of December 31, 2024, and 2023, the Company had an allowance for credit losses of $0.1 million.

Contract liabilities consist of cash payments in advance of the Company satisfying performance obligations and recognizing revenue. The Company classifies contract liabilities as deferred revenue.

The following table presents changes in the Company's contract liabilities during the years ended December 31, 2024, and 2023 (in thousands):

	December 31, 2024	December 31, 2023
Balance at beginning of year	$ 439	$ 455
Additions	3,914	4,727
Revenue recognized	(3,623)	(4,743)
Balance at end of year	$ 730	$ 439

Accounting for Stock-based Compensation Awards

The Company accounts for stock-based compensation awards using the guidance in ASC Topic 718, *Compensation-Stock Compensation* ("ASC 718"). The Company's stock-based compensation awards are granted to directors, officers, and employees. ASC 718 requires all such stock-based compensation, including grants of employee stock options, to be recognized in the financial statements based on their fair values. Stock-based compensation expense recognized in the statements of operations for the years ended 2024 and 2023 is based on awards ultimately expected to vest.

Research and Development Costs

The Company's research and development of new software products are expensed until the application development stage is obtained. Once the application development stage is reached, internal and external costs are capitalized until the software is complete and ready for the intended use. The company incurs research and development costs that relate primarily to the development of new security software, appliances and integrated solutions, and major enhancements to existing services and products. Research and development costs are comprised primarily of payroll and related benefit expenses, contract labor and prototype and other expenses incurred during research and development efforts.

Pursuant to ASC Topic 350-40, *Internal Use Software Accounting-Capitalization*, software development costs related to the Company's products during the application development stage are capitalized.

Advertising Expenses

The cost of advertising is expensed as incurred or deferred until first use of advertising and expensed ratably over the applicable periods. Advertising expenses were nominal in fiscal 2024 with $0.1 million in expense in fiscal 2023.

Income Taxes

Deferred income taxes are determined using the liability method in accordance with ASC Topic 740, *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period enacted. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

ASC Topic 740 creates a single model to address accounting for uncertainty in tax positions by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. ASC Topic 740 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition. There are no unrecognized tax benefits to disclose in the Notes to the Consolidated Financial Statements.

The Company files income tax returns in the U.S. federal jurisdiction. On December 31, 2024, tax returns related to fiscal years ended December 31, 2021, through December 31, 2023, remain open to possible examination by most tax authorities while tax returns in a few states remain open related to fiscal years ended December 31, 2020, through December 31, 2023. No tax returns are currently under examination by any tax authorities.

Net Loss Per Share

The Company reports two separate net loss per shares numbers, basic and diluted. Basic net loss attributable to common stockholders per share is computed by dividing net loss attributable to common stockholders for the year by the weighted average number of common shares outstanding for the year. Diluted net loss attributable to common stockholders per share is computed by dividing the net loss attributable to common stockholders for the year by the weighted average number of common shares and dilutive common stock equivalents outstanding for the year. The common stock equivalents include all common stock issuable upon the exercise of outstanding warrants, options and vesting of restricted stock awards. The aggregate number of common stock equivalents excluded from the diluted loss per share calculated for the year ended December 31, 2024, and 2023 totaled 2.4 million and 0.2 million, respectively. Since the Company is in a net loss position for the year ended December 31, 2024, and 2023, basic and dilutive net loss per share is the same.

Recent Accounting Pronouncements

In September 2023, FASB issued ASU 2023-07, titled "Segment Reporting: Improvements to Reportable Segment Disclosures". The Company adopted this standard for the fiscal year ended December 31, 2024.

In December 2023, FASB issued ASU 2023-09, Income Taxes: Improvements to Income Tax Disclosures. The new standard requires annual disclosure of the specific categories in the rate reconciliation, and additional information for reconciling items that meet a quantitative threshold. Additional information may be required on reconciling items. The new guidance is effective for fiscal years beginning after December 15, 2024, early adoption is permitted. The Company is evaluating the impact of the new guidance on its Consolidated Financial Statements and related disclosures.

3. Prepaid Expenses and Other Assets

Prepaid expenses and other assets included the following (dollars in thousands):

	December 31,	
	2024	**2023**
Contract assets	$ 8	$ 304
Prepaid insurance	166	143
Prepaid licenses	40	14
Prepaid other	285	174
Other	15	–
Total prepaid expenses and other assets	$ 514	$ 635

4. Accrued Expenses

Accrued expenses consisted of the following (dollars in thousands):

	December 31,	
	2024	2023
Accrued legal and professional fees	$ –	$ 6
Accrued payroll	209	141
Employee benefits payable	29	23
Other	53	52
Total accrued expenses	$ 291	$ 222

5. Right-of-use Assets and Leasing Liabilities

The Company has operating, and finance leases and records right-of-use assets and related lease liabilities as required under ASC Topic 842. The lease liabilities are determined by the net present value of the total lease payments and amortized over the life of the lease. The Company leases are for the following types of assets:

- Computer hardware and copy machines – The Company's finance lease right-of-use assets consist of computer hardware and copy machines. These leases have two and three year lives and are in various stages of completion.

- Office space – The Company's operating lease right-of-use assets include rental agreements for offices in Plano, TX, and a data service center in Allen, TX. The Plano offices operating lease expired on September 30, 2023. In October 2023, the Company signed a new lease with a term of eleven years and one month that commenced upon completion of tenant improvements. A temporary lease was signed and was effective until the tenant improvements were completed on March 31, 2024. The data service center operating lease liability has a life of nine months as of December 31, 2024.

Lease balances are recorded on the Consolidated Balance Sheets as follows (in thousands):

	December 31,	
	2024	2023
Assets:		
Finance leases, right-of-use assets, net	$ 491	$ 382
Operating leases, right-of-use assets, net	1,356	1,637
Total lease assets	$ 1,847	$ 2,019
Liabilities:		
Current:		
Finance leases liabilities, current portion	$ 405	$ 384
Operating leases liabilities, current portion	209	178
Noncurrent:		
Finance leases liabilities, noncurrent portion	172	3
Operating leases liabilities, noncurrent portion	1,414	1,539
Total lease liabilities	$ 2,200	$ 2,104
Weighted average remaining lease term – Finance leases	0.94 years	0.58 years
Weighted average remaining lease term – Operating leases	9.42 years	9.66 years
Weighted average discount rate – Finance leases	29.80%	3.32%
Weighted average discount rate – Operating leases	8.06%	7.67%

If the implicit rate is not readily determinable for the Company's lease agreement, the Company uses an estimated incremental borrowing rate available at the lease commencement to determine the initial present value of lease payments.

Certain lease agreements have options to extend the lease after the expiration of the initial term. The Company recognizes the cost of a lease over the expected total term of the lease, including optional renewal periods that the Company can reasonably expect to exercise. The Company does not have material obligations whereby the Company guarantees a residual value on assets the Company leases, nor do the Company's lease agreements impose restrictions or covenants that could affect the Company's ability to make distributions.

Schedule of Items Appearing in the Statement of Operations (in thousands):

	Year Ended	
	December 30, 2024	**December 31, 2023**
Operating expense:		
Amortization expense – Finance ROU	$ 666	$ 666
Lease expense – Operating ROU	472	328
Other expense:		
Interest expense – Finance ROU	9	13
Total Lease Expense	$ 1,147	$ 1,007

Other supplemental information related to the Company's leases is as follows (in thousands):

	Year Ended	
	December 30, 2024	**December 31, 2023**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ (269)	$ (269)
Financing cash flows for finance leases	(504)	(290)

Future minimum lease obligations consisted of the following as of December 31, 2024 (in thousands):

Year ending December 31,	**Operating ROU Leases**	**Finance ROU Leases**	**Total**
2025	$ 333	$ 484	$ 817
2026	214	187	401
2027	146	4	150
2028	223	3	226
2029	228	–	228
Thereafter	1,308	–	1,308
	$ 2,452	$ 678	$ 3,130
Less Interest*	(829)	(101)	
	$ 1,623	$ 577	

* Interest is imputed for operating ROU leases and classified as lease expense and is included in operating expenses in the accompanying Consolidated Statements of Operations.

6. Notes Payable

On March 10, 2022, Intrusion Inc. entered into a SPA with Streeterville whereby the Company issued two separate promissory notes of $5.4 million each, with an initial interest rate of 7%, subject to some increases in the case of among other things, an event of default. On March 10, 2022, the Company received $4.6 million in net funds from the first tranche (First Note) pursuant to a promissory note executed contemporaneously with the execution of the loan agreement. On June 29, 2022, the Company received an additional $4.7 million in net funds from the second tranche (Second Note) pursuant to a promissory note. Each note had an 18-month maturity, may be prepaid subject to varying prepayment premiums, and may be redeemed at any time after six months into the term of such note in amounts up to $0.5 million per calendar month upon the noteholder's election. On January 11, 2023, the Company amended the promissory notes issued pursuant to the unsecured loan agreement with Streeterville whereby the noteholder agreed to waive their redemption rights through March 31, 2023, in exchange for a fee equal to 3.75% of the outstanding principal balance which increased the outstanding indebtedness due at maturity with Streeterville and increased the associated debt issuance costs recorded on the Consolidated Balance Sheets by $0.4 million. On August 2, 2023, the Company entered into a Forbearance Agreement with Streeterville which was subsequently amended on August 7, 2023. The Forbearance Agreement and amendment extended the maturity dates for each Note by twelve months to September 2024 and December 2024. In consideration of the extension of the maturity dates, the Company entered into a Security Agreement with Streeterville, dated August 2, 2023 (the "Security Agreement"), under which Streeterville was granted a first-position security interest in all assets of the Company.

The Company has the option, in its sole discretion, to satisfy any redemption demands in cash or shares of the Company's common stock that will be issued in an amount equal to the dollar amount of the redemption demand divided by the number that represents 85% of the average of the two lowest daily volume weighted average prices of common stock over a fifteen-day trailing period. This option to settle in shares at a 15% discount is deemed a beneficial conversion feature ("BCF"). Any remaining indebtedness at maturity is payable in cash.

In 2023 the Company paid $0.4 million in cash principal payments on the notes. On October 11, 2023, and October 17, 2023, the Company agreed to exchange $0.4 million in aggregate principal on the Streeterville First Note for 50.1 thousand shares of the Company's common stock. On December 19, 2023, the Company exchanged an additional $0.2 million in principal for 43.5 thousand shares of common stock. The issuance of the shares was made pursuant to the exemption from the registration requirements afforded by the Securities Act.

In March 2024, the Company entered into an agreement with Streeterville to exchange $0.2 million in principal for 52.2 thousand shares of common stock. Also in March 2024, the Company exchanged $9.3 million in Streeterville debt for 9.3 thousand shares of newly created Series A Preferred. The issuance of both common and preferred shares was made pursuant to the exemption from the registration requirements afforded by the Securities Act, as amended. Following the exchanges noted herein, the remaining balance on Note One was $0.5 million, the Second Note was paid in full, the interest accretion associated with the ability to stock-settle principal redemptions was reversed and the Company wrote off the balance of unamortized debt issuance costs.

The maturity date for Note One was September 10, 2024, the preferences for the Series A Preferred precluded repayment of Note One so long as any Series A Preferred is outstanding. The Series A Preferred was repaid in full on January 3, 2025. Note One is pending an amendment to extend the maturity date.

The Company incurred debt issue costs totaling $1.8 million associated with the issuance and amendment of the notes which were being amortized over their respective terms. On December 31, 2024, and 2023, the balance of unamortized debt issuance costs for both notes were $0 and $0.4 million, respectively.

For the years ended December 31, 2024, and 2023, the Company recorded simple interest related to Note 1 and Note 2 of $0.2 million and $0.7 million, respectively, in the accompanying Consolidated Statement of Operations.

Streeterville Notes Payable

On September 30, 2024, the Company entered into a note purchase agreement with Streeterville where Streeterville purchased a note payable in the principal amount of $630 thousand in exchange for $500 thousand in cash after redemption of $100 thousand of Series A preferred stock. The note was non-interest bearing and was repaid on November 27, 2024.

Scott Notes Payable

On January 2, 2024, the Company entered into a note purchase agreement with the Company's Chief Executive Officer, Anthony Scott. Scott purchased a note payable in the principal amount of $1.1 million in exchange for $1.0 million in cash. The note called for weekly payments of $40 thousand until maturity on June 15, 2024. Interest accrued on the balance of the note at 7% per annum compounding daily. During the period ended March 31, 2024, the Company made $0.2 million in principal payments on the first note payable.

On March 20, 2024, Scott purchased a second note payable in the principal amount of $343 thousand in exchange for $340 thousand in cash. The note was non-interest bearing and matured on April 19, 2024. On April 2, 2024, the Company reduced the principal balance due under the note by $101 thousand which reflected the amount due from Scott for the exercise of common stock purchase warrants.

On April 19, 2024, Scott entered into a private placement subscription agreement to convert the remaining aggregate outstanding balance of $1.1 million for both notes in exchange for common stock and common stock purchase warrants.

The Company recorded interest expense for the first Scott note totaling $20 thousand and amortization of debt issuance costs of $83 thousand in the accompanying consolidated statement of operations in 2024.

7. Commitments and Contingencies

Change of Control and Severance Agreements

Certain members of the Company's management are parties to severance and change of control agreements with the Company. The severance and change in control agreements provide those individuals with severance payments in certain circumstances and prohibit such individuals from, among other things, competing with the Company during his or her employment. In addition, the severance and change of control agreements prohibit subject individuals from, among other things, disclosing confidential information about the Company and its products or interfering with a client or customer of the Company, in each case during his or her employment and for certain periods (including indefinite periods) following the termination of such person's employment.

Legal Proceedings

Stockholder Derivative Claim

On June 3, 2022, a verified stockholder derivative complaint was filed in U.S. District Court, District of Delaware by the Plaintiff Stockholder on behalf of Intrusion against certain of the Company's Defendants. Plaintiff alleges that Defendants through various actions breached their fiduciary duties, wasted corporate assets, and unjustly enriched Defendants by (a) incurring costs and expenses in connection with the ongoing SEC investigation, (b) incurring costs and expenses to defend the Company with respect to the consolidated class action, (c) settling class-wide liability with respect to the consolidated class action, as well as ancillary claims regarding sales of the Company's common stock by certain of the Defendants. On September 28, 2023, the Company agreed to settle the claim. On October 2, 2023, public notice of the settlement was given. The settlement agreement provides in part for (i) an amendment to the Company's Bylaws, committee Charters, and other applicable corporate policies to implement certain measures set forth more fully therein, to remain in effect for no less than three years; (ii) attorneys' fees and expenses to plaintiff's counsel of $0.3 million; and (iii) the dismissal of all claims against the Defendants, including the Company, in connection with the action. The $0.3 million settlement payment will be paid by the Company's insurance provider under its insurance policy since the Company's $0.5 million retention was previously exhausted. On April 3, 2024, the Court approved the settlement.

In addition to these legal proceedings, the Company is subject to various other claims that may arise in the ordinary course of business. The Company does not believe that any claims exist where the outcome of such matters would have a material adverse effect on the Company's consolidated financial position, operating results, or cash flows. However, there can be no assurance such legal proceedings will not have a material impact on the Company's future results.

8. Common Stock

ATM Offering

B. Riley Securities, Inc. acts as sales agent for the Company's ATM program, which allows the Company to potentially sell up to $50.0 million of the Company's common stock using a shelf registration statement on Form S-3 filed on August 5, 2021. On March 31, 2023, the date the Company filed its Annual Report on Form 10-K for the fiscal year ended December 31, 2022, the Company became subject to the offering limits in General Instruction I.B.6 of Form S-3. As a result, the Company filed a prospectus supplement to the prospectus relating to the registration of offerings under the program that reduced the amount the Company may sell to aggregate proceeds of up to $15 million. For the year ended December 31, 2024, the Company has received proceeds of approximately $9.8 million net of fees from the sale of common stock pursuant to the program. As of December 31, 2024, the Company has received proceeds of approximately $22.0 million net of fees from the sales of 7.5 million shares of common stock since the inception of the program.

Standby Equity Purchase Agreement

On July 3, 2024, the Company entered into a $10 million Standby Equity Purchase Agreement ("SEPA") with Streeterville pursuant to which the Company has the right to direct Streeterville during the 24 month term of the agreement to purchase common stock subject to certain limitations and conditions set forth in the SEPA.

The shares of common stock purchased pursuant to SEPA will be at a purchase price equal to 95% of the lowest daily VWAP of the shares of Common Stock during the three consecutive trading days commencing on the date of the delivery of an advance notice. "VWAP" is defined as the daily volume weighted average price of the shares of Common Stock for such trading day on the Nasdaq Stock Market during regular trading hours as reported by Bloomberg L.P. The Company will use 10% of the proceeds associated with each Advance to redeem the outstanding Series A Preferred Stock held by Streeterville.

Upon execution of the SEPA, the Company issued ninety-three thousand shares of common stock for payment of the commitment fee equal to 1% of the $10 million commitment and Streeterville purchased 217 thousand shares for a purchase price of $0.01 per common share ("pre-delivery shares"). Following termination of the SEPA Streeterville will deliver to the Company the same amount of pre delivery shares and the Company will pay $0.01 per pre delivery share.

During the year ended December 31, 2024, pursuant to the SEPA, Streeterville purchased 1.2 million shares of Common Stock resulting in aggregate net proceeds of $1.8 million of which $0.1 million was received in 2024. The remaining proceeds due were recorded as a Stock Subscription Receivable in the consolidated balance sheet on December 31, 2024.

Series A Preferred Stock

On March 15, 2024, the Company filed the Amended and Restated Certificate of Incorporation (the "A&R Certificate") to (i) eliminate the Series 1, Series 2, and Series 3 preferred shares and filed a Certificate of Designations creating a new Series A preferred stock, $0.01 par value per share (the "Series A Stock"). Pursuant to the terms of the Series A Certificate, 20 thousand shares of Series A Stock are authorized, and each share of Series A Stock has a stated value of $1,100 and accrues a rate of return on the Stated Value of 10% per year, shall be compounded annually and is payable quarterly in cash or additional shares of Series A Stock. Commencing on the one-year anniversary of the issuance date of each share of Series A Stock, each share of Series A Stock shall accrue an automatic quarterly dividend, calculated on the stated value, and shall be payable quarterly in cash or additional shares of Series A Stock. For the period from the one-year anniversary of the issuance date to the two-year anniversary of the issuance date, the Quarterly Dividend shall be 2.5% per quarter, and for all periods following the two-year anniversary of the issuance date, the Quarterly Dividend shall be 5% per quarter.

On March 15, 2024, the Company entered into an Exchange Agreement with Streeterville Capital that exchanged $9.3 million in debt for 9,275 shares of newly created Series A Preferred Stock.

On April 3, 2024, and continuing through December 31, 2024, in nine separate exchange transactions, the Company exchanged an aggregate of 6,123 shares of Series A Preferred Stock for 2,637,676 shares of our common stock. All of the exchanges were made pursuant to the exemption from the registration requirements afforded by Section 3(a)(9) of the Securities Act of 1933, as amended.

During the year, the Company redeemed seventeen shares of Series A Preferred Stock in conjunction with the sale of Common Stock under the SEPA and, also redeemed ninety shares of Series A Preferred Stock in conjunction with entering into the Streeterville Note Payable described in Note 6.

For the year ended December 31, 2024, the Company paid a preferred return of $0.8 million through the issuance of 714 additional shares of Series A Preferred Stock.

Private Offering

On November 8, 2023, the Company entered into a Securities Purchase Agreement (the "2023 Purchase Agreement") pursuant to which, among other things, the Company sold to certain purchasers an aggregate of 217,977 shares of our common stock, each of which was coupled with a warrant to purchase two shares of our common stock, at an aggregate offering price of $12.00 per share and warrant and received $2.3 million in proceeds, net of fees. The warrants are exercisable at any time following the date of issuance, expire five years following the date of issuance, and have an exercise price of $12.00 per share.

On April 22, 2024, the Company sold to certain purchasers 1,348,569 shares of the Company's common stock together with accompanying common stock purchase warrants to purchase 2,697,138 shares of common stock, at a purchase price of $1.95 per share, for net proceeds of approximately $2.6 million. The Common Stock Purchase Warrants will be exercisable at any time following the date of issuance, expire five years following the date of issuance, and have an exercise price of $1.70 per share. None of the shares of Common Stock and shares underlying the Common Stock Purchase Warrants have been registered under the Securities Act of 1933, as amended, and do not carry registration rights.

9. Common Stock Warrants

On April 1, 2024, the Company's Board of Directors approved entry into a warrant inducement offering that provided, during the period beginning on April 2, 2024 and continuing through April 23, 2024, for the lowering of the exercise price of all outstanding warrants and, for each share of common stock exercised under the warrants, providing the participating warrant holder with a new warrant for that same number of shares of common stock. The reduced exercise price of the warrants was $3.04. The newly issued warrant exercise price is $2.91 with an exercise period of five years. On April 8, 2024, certain holders of the warrants exercised 186 thousand shares of the Company's common stock resulting in gross proceeds of $0.6 million and the issuance of 186 thousand new warrants. The exercised warrants and newly issued warrants are equity classified. The issuance of the new Warrants was undertaken pursuant to the exemption from registration provided in Rule 506(b) under Regulation D pursuant to the Securities Act of 1933, as amended.

On November 21, 2024, the Company's Board of Directors approved entry into an inducement offering that provides, during the period beginning on November 21, 2024 and continuing through December 27, 2024, for the lowering of the exercise price of all outstanding warrants and, for each share of common stock exercised under the Warrants, providing the participating Warrant holder with a New Warrant for that same number of shares of common stock. The reduced exercise price of the Warrants was $0.76, which includes $0.13 per share that is attributable to the purchase price of the New Warrant. The New Warrant exercise price is $0.63 with an exercise period of five years. On December 27, 2024, certain holders of the warrants exercised 369 thousand warrants for the purchase of common stock resulting in gross proceeds of $280 thousand and the issuance of 380 thousand New Warrants. The exercised warrants and newly issued warrants are equity classified.

On December 31, 2024, the Company had 3,198,083 warrants outstanding with a weighted average exercise price of $3.26 per share and average remaining term of 4.4 years.

10. Stock-Based Compensation

The Company accounts for equity-based compensation in accordance with ASC 718 which requires that compensation related to all equity-based awards be recognized in the Consolidated Financial Statements. Stock-based compensation is valued at fair value at the date of grant, and the grant date fair value is recognized as expense over each award's requisite service period with a corresponding increase to equity or liability based on the terms of each award and the appropriate accounting treatment under ASC 718.

The Company had four stock-based compensation plans on December 31, 2024, the 2023 Employee Stock Purchase Plan, the 2021 Omnibus Plan, the 2015 Stock Incentive Plan, and the 2005 Stock Incentive Plan. The Company grants stock from both the 2021 Omnibus Incentive Plan and the 2015 Stock Incentive Plan. These plans provide a means through which the Company may attract and retain key personnel and provide a means whereby directors, officers, employees, consultants and advisors of the Company can acquire and maintain an equity interest in the Company, or be paid incentive compensation, including incentive compensation measured by reference to the value of common stock, thereby strengthening their commitment to the welfare of the Company and aligning their interests with those of the Company's stockholders. These plans are described below.

2023 Employee Stock Purchase Plan (the "ESPP")

During 2023, the Company adopted the ESPP. The ESPP provides for the issuance of up to 1.0 million shares of common stock to participating eligible employees and allows eligible employees to purchase shares of common stock at a 15% discount from the fair market value of the stock as determined on specific dates at six-month intervals. The offering periods under the ESPP commence on January 1 and July 1 of each year.

The 2021 Omnibus Incentive Plan (the "2021 Plan")

The 2021 Plan provides a means through which the Company may attract and retain key personnel and provide a means whereby directors, officers, employees, consultants and advisors of the Company can acquire and maintain an equity interest in the Company, or be paid incentive compensation, including incentive compensation measured by reference to the value of common stock, thereby strengthening their commitment to the welfare of the Company and aligning their interests with those of the Company's stockholders.

The 2021 Plan is administered by the Compensation Committee of the Company's Board of Directors and permits the grant of cash and equity-based awards, which may be awarded in the form of stock options, stock appreciation rights, restricted stock awards, performance awards, other stock-based awards, and other cash-based awards.

The aggregate number of shares of Common Stock that may be issued or used for reference purposes or with respect to which awards may be granted under the 2021 Plan shall not exceed 2.5 million shares and is subject to any increase or decrease, which shares may be either authorized and unissued common stock or common stock held in or acquired for the treasury of the Company or both.

The 2015 Stock Incentive Plan ("the "2015 Plan")

The 2015 Plan provided for the issuance of up to thirty thousand shares of common stock. The 2015 Plan consists of three separate equity incentive programs: the Discretionary Option Grant Program; the Stock Issuance Program; and the Automatic Option Grant Program for non-employee Board members, officers, employees and non-employee. Board members and independent contractors are eligible to participate in the Discretionary Option Grant and Stock Issuance Programs.

The 2005 Stock Incentive Plan (the "2005 Plan")

Grants can no longer be made from the 2005 Plan. The 2005 Plan will remain active until all outstanding options have been exercised, forfeited, expired, or cancelled.

Common shares reserved for future issuance, including options and restricted stock under all the stock option plans are as follows:

(In thousands)	Common Shares Reserved for Future Issuance
2021 Plan	2,250
2015 Plan	8
2005 Plan	–
Total	2,258

Total stock-based compensation expense is included in operating expense on the statements of operations of $0.3 and $1.0 million for the years ended December 31, 2024, and 2023, respectively.

Restricted Stock Units

During the year ended December 31, 2024, the Company granted 254 thousand restricted stock units ("RSUs"). The Company recognized compensation expense related to RSUs of $0.1 million, for the year ended December 31, 2024. As of December 31, 2024, the total unrecognized compensation cost related to non-vested RSUs not yet recognized in the statement of operations totaled $0.2 million. This amount is expected to be recognized over a weighted-average period of 0.7 years.

The following table summarizes the activities for the Company's unvested RSUs in Intrusion Inc. stock for the year ended December 31, 2024:

	Unvested Restricted Stock Units	
	Number of Shares (in thousands)	Weighted-Average Grant-Date Fair Value
Unvested as of December 31, 2023	–	$ –
Granted	254	1.38
Vested	–	–
Forfeited/canceled	(51)	1.38
Unvested as of December 31, 2024	203	$ 1.38

Restricted Stock Awards

During the year ended December 31, 2023, the Company granted 10.7 thousand restricted stock awards ("RSAs"). The Company recognized compensation expense related to RSAs of $0.1 million and $0.4 million, for the years ended December 31, 2024, and 2023, respectively. As of December 31, 2024, all RSAs were vested and there was no remaining unrecognized compensation cost.

Stock Option Awards

During the year ended December 31, 2023, the Company granted 31.4 thousand stock options awards. No awards were granted in 2024. The Company recognized compensation expenses related to stock options of $0.1 million and $0.6 million, for the years ended December 31, 2024, and 2023, respectfully. As of December 31, 2024, the total unrecognized compensation cost related to non-vested options not yet recognized in the Consolidated Statements of Operations totaled $26 thousand. This amount is expected to be recognized over the weighted average period of 0.9 years.

A summary of the Company's stock option activity and related information for the years ended December 31, 2024, and 2023 is as follows:

	2024		2023	
	Number of Options (in thousands)	Weighted Average Exercise Price	Number of Options (in thousands)	Weighted Average Exercise Price
Outstanding at beginning of year	50	$ 62.40	33	$ 104.40
Granted	–	–	31	24.80
Exercised	–	–	(4)	9.60
Forfeited	(2)	73.04	(8)	86.40
Expired	(6)	66.55	(2)	156.00
Outstanding at end of year	43	$ 61.26	50	$ 62.40
Options exercisable at end of year	41	$ 61.05	23	$ 85.60

Information related to stock options outstanding on December 31, 2024, is summarized below:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Outstanding at 12/31/24 (in thousands)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Exercisable at 12/31/24 (in thousands)	Weighted Average Exercise Price
$5.02 - $26.20	27	7.68	$ 23.82	27	$ 23.92
$41.00 - $95.00	12	6.48	$ 73.91	10	$ 74.29
$174.40 - $470.40	4	6.18	$ 280.24	4	$ 280.24
$5.02 - $470.40 (all)	43	7.21	$ 61.26	41	$ 61.05

Summarized information about outstanding stock options as of December 31, 2024, that are expected to vest in the future as well as stock options that are fully vested and currently exercisable, are as follows:

	Outstanding Stock Options (Expected to Vest)	Options that are Exercisable
As of December 31, 2024		
Number of outstanding options (in thousands)	43	41
Weighted average remaining contractual life	7.21 years	7.18 years
Weighted average exercise price per share	$ 61.26	$ 61.05
Intrinsic value (in thousands)	$ –	$ –

The fair values of option awards were estimated at the date of grant using a Black-Scholes option-pricing model with the following assumptions for the year ended December 31, 2023:

	2023
Weighted average grant date fair value	$ 21.60
Weighted average assumptions used:	
Expected dividend yield	0.00%
Risk-free interest rate	3.68%
Expected volatility	114.17%
Expected life (in years)	6.44

Expected volatility is based on historical volatility and in part on implied volatility. The expected term considers the contractual term of the option as well as historical exercise and forfeiture behavior. The risk-free interest rate is based on the rates in effect on the grant date for U.S. Treasury instruments with maturities matching the relevant expected term of the award.

11. Employee Benefit Plan

Employee 401(k) Plan

The Company has a plan known as the Intrusion Inc. 401(k) Savings Plan (the "Plan") to provide retirement and incidental benefits for the Company's employees. The Plan covers substantially all employees who meet minimum age and service requirements. As allowed under Section 401(k) of the Internal Revenue Code ('IRS"), the Plan provides tax deferred salary deductions for eligible employees.

Employees may contribute the lesser of 1% to 90% of their annual compensation to the Plan, limited to a maximum amount as set by the IRS. Participants who are over the age of 50 may contribute an additional amount of their salary per year, as defined annually by the IRS. The Company matches employee contributions at the rate of 0.25% per each 1% of contribution on the first 4% of compensation. Matching contributions to the Plan were approximately $0.1 million each for the years ended December 31, 2024, and 2023.

12. Related Party Transactions

During 2023, the Company retained legal services of a third-party law firm for which the Company's Chief Executive Officer was a senior advisor. The Company recognized $0.1 million for the year ended December 31, 2023, in general and administrative expense on the Consolidated Statements of Operations. On December 31, 2023, $0.1 million payable to the third-party law firm was included in accounts payable, trade on the Consolidated Balance Sheets. The rates paid for legal services to the third-party firm were comparable to rates paid to other law firms providing legal services to the Company.

On October 10, 2023, the Company entered into an invoice financing arrangement pursuant to a note purchase agreement with James Gero, Director of the Company ("Gero"), according to which, among other things, Gero purchased from the Company a promissory note (the "Note") in the aggregate principal amount of $.5 million in exchange for $465 thousand to the Company. Under the Note, the Company made principal payments to Gero in the amount $10 thousand per week each week prior to its maturity on November 2, 2023. Interest accrued at a rate of 7.0% per annum, compounded daily. The note was repaid in full on November 2, 2023. The Company recorded $40 thousand in interest expense related to this note during the year ended December 31, 2023.

On January 2, 2024, the Company entered into an invoice financing arrangement pursuant to a note purchase agreement with Anthony Scott, President, and Chief Executive Officer of the Company ("Scott"), according to which, among other things, Scott purchased from the Company a promissory note (the "Promissory Note") in the aggregate principal amount of $1.1 million in exchange for $1.0 million to the Company. Interest accrued at a rate of 7.0% per annum, compounded daily. Under the Promissory Note, the Company made principal payments to Scott in the aggregate amount of $0.2 million. On March 20, 2024, the Company entered into an additional invoice financing arrangement pursuant to a note purchase agreement with Scott, according to which, among other things, Scott purchased from the Company a second Promissory Note 2 in the aggregate principal amount of $343 thousand in exchange for $340 thousand to the Company. Promissory Note 2 was non-interest bearing and matured on April 19, 2024.

On April 2, 2024, the Company reduced the principal balance due under the Promissory Note by $0.1 million which reflected the amount due from Scott for the exercise of common stock purchase warrants. On April 19, 2024, Scott entered into a private placement subscription agreement to convert the aggregate outstanding balance of $1.1 million for both notes in exchange for common stock and common stock purchase warrants.

The Company recorded interest expense of $0.1 million for both notes in the accompanying consolidated statement of operations for the year ended December 31, 2024.

13. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets (liabilities) as of December 31, 2024, and 2023 are as follows (in thousands):

	December 31,	
	2024	2023
Net operating loss carryforwards	$ 16,493	$ 15,998
Net operating loss carryforwards of foreign subsidiaries	56	56
Depreciation expense	(341)	(182)
Stock-based compensation expense	608	528
Other	550	546
Net deferred tax assets	17,366	16,946
Valuation allowance for net deferred tax assets	(17,366)	(16,946)
Net deferred tax assets, net of valuation allowance	$ –	$ –

Deferred tax assets are required to be reduced by a valuation allowance if it is more likely than not that some portion or all the deferred tax assets will not be realized. Realization of the future benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the near to medium term. Management has considered these factors in determining the valuation allowance for 2024 and 2023.

The differences between the provision for income taxes and income taxes computed using the federal statutory rate for the years ended December 31, 2024, and 2023 are as follows (in thousands):

	2024	2023
Reconciliation of income tax benefit to statutory rate:		
Income benefit at statutory rate	$ (1,636)	$ (2,917)
State income taxes (benefit), net of federal income tax benefit	(61)	(109)
Permanent differences	1	(427)
Change in valuation allowance	420	(211)
Expiring federal net operating losses	1,079	3,341
Other	197	323
Income tax provision	$ –	$ –

On December 31, 2024, the Company had federal net operating loss carryforwards of approximately $78.5 million for income tax purposes that begin to expire in 2025 and are subject to the ownership change limitations under Internal Revenue Code Section 382.

14. Cares Act Employee Retention Credit Receivable

Interest and other income in 2022 include $2.0 million, net of fees resulting from ERC claimed on amended IRS quarterly federal tax returns (“941s”). The ERC was established by the Coronavirus Aid, Relief and Economic Security Act (“Cares Act”). The Cares Act allows relief to business affected by the coronavirus pandemic, by providing payments to employers for qualified wages. The Company amended 941s for the period from April 1, 2020, to September 31, 2021. On December 31, 2022, the Company had $1.4 million in receivables remaining outstanding included in prepaid expenses and other assets. The remaining $1.4 million was received in March 2023.

15. Subsequent Events

In January 2025, the Company entered into two separate exchange agreements with Streeterville to exchange 3,587 shares of Series A Preferred Stock with an aggregate stated value of $3.9 million for 1.29 million shares of common stock. Both exchanges were made pursuant to the exemption from the registration requirements afforded by Section 3(a)(9) of the Securities Act of 1933, as amended.

On January 6, 2025, the Company entered into a Securities Purchase Agreement with a single accredited institutional investor (the “Purchaser”) pursuant to which, among other things, the Company agreed to issue and sell to the Purchaser, in a registered direct offering, 653,000 shares of its common stock at an offering price of $3.05 per share and 1,806,016 prefunded warrants to purchase up to 1,806,016 shares of common stock at a purchase price of $3.0499 for aggregate gross proceeds of $7.5 million. The registered direct offering closed on January 7, 2025. All the pre-funded warrants were exercised in January 2025.

EXHIBIT 19.1

INTRUSION INC.

INSIDER TRADING POLICY

Amended and Revised Effective February 19, 2025

A. POLICY OVERVIEW

Intrusion Inc. (together with any subsidiaries, collectively the "**Company**") has adopted this Insider Trading Policy (the "**Policy**") to help you comply with the federal and state securities laws and regulations that govern trading in securities and to help the Company minimize its own legal and reputational risk.

It is your responsibility to understand and follow this Policy. Insider trading is illegal and a violation of this Policy. In addition to your own liability for insider trading, the Company, as well as individual directors, officers and other supervisory personnel, could face liability. Even the appearance of insider trading can lead to government investigations or lawsuits that are time-consuming, expensive and can lead to criminal and civil liability, including damages and fines, imprisonment and bars on serving as an officer or director of a public company, not to mention irreparable damage to both your and the Company's reputation.

For purposes of this Policy, the Company's Chief Financial Officer serves as the Compliance Officer. The Compliance Officer may designate others, from time to time, to assist with the execution of his or her duties under this Policy.

B. POLICY STATEMENT

1. No Trading on Material Nonpublic Information. It is illegal for anyone to trade in securities on the basis of material nonpublic information. If you are in possession of material nonpublic information about the Company, you are prohibited from:

   a. using it to transact in securities of the Company;

   b. disclosing it to other directors, officers, employees, consultants, contractors, agents or other service providers whose roles do not require them to have the information;

   c. disclosing it to anyone outside of the Company, including family, friends, business associates, investors or consulting firms, without prior written authorization from the Compliance Officer; or

   d. using it to express an opinion or make a recommendation about trading in the Company's securities.

In addition, material nonpublic information about another company that you learn through your job at the Company is subject to these same restrictions around disclosure and trading. If you are in possession of material nonpublic information about the Company's suppliers, customers or competitors, you cannot use that information to trade securities. Any such action will be deemed a violation of this Policy.

2. No Disclosure of Confidential Information. You may not at any time disclose material nonpublic information about the Company or about another company that you obtained in connection with your service with the Company to friends, family members or any other person or entity that the Company has not authorized to know such information. In addition, you must handle the confidential information of others in accordance with any related non-disclosure agreements and other obligations that the Company has with them and limit your use of the confidential information to the purpose for which it was disclosed.

If you receive an inquiry for information from someone outside of the Company, such as a stock analyst, or a request for sensitive information outside the ordinary course of business from someone outside of the Company, such as a business partner, vendor, supplier or salesperson, then you should refer the inquiry to the Chief Executive Officer or Chief Financial Officer. Responding to a request yourself may violate this Policy and, in some circumstances, the law.

3. Definition of Material Nonpublic Information. "**Material information**" means information that a reasonable investor would be substantially likely to consider important in deciding whether to buy, hold or sell securities of the Company or view as significantly altering the total mix of information available in the marketplace about the Company as an issuer of the securities. In general, any information that could reasonably be expected to affect the market price of a security is likely to be material. Either positive or negative information may be material.

It is not possible to define all categories of "material" information. However, some examples of information that could be regarded as material include, but are not limited to:

a. financial results, key metrics, financial condition, earnings pre-announcements, guidance, projections or forecasts, particularly if inconsistent with the Company's guidance or the expectations of the investment community;

b. restatements of financial results, or material impairments, write-offs or restructurings;

c. changes in independent auditors, or notification that the Company may no longer rely on an audit report;

d. business plans or budgets;

e. creation of significant financial obligations, or any significant default under or acceleration of any financial obligation;

f. impending bankruptcy or financial liquidity problems;

g. significant developments involving business relationships, including execution, modification or termination of significant agreements or orders with customers, suppliers, distributors, manufacturers or other business partners;

h. significant information relating to the operation of product or service, such as new products or services, major modifications or performance issues, defects or recalls, significant pricing changes or other announcements of a significant nature;

i. significant developments in research and development or relating to intellectual property;

j. significant legal or regulatory developments, whether positive or negative, actual or threatened, including litigation or resolving litigation;

k. major events involving the Company's securities, including calls of securities for redemption, adoption of stock repurchase programs, option repricings, stock splits, changes in dividend policies, public or private securities offerings, modification to the rights of security holders or notice of delisting;

l. significant corporate events, such as a pending or proposed merger, joint venture or tender offer, a significant investment, the acquisition or disposition of a significant business or asset or a change in control of the Company;

m. major personnel changes, such as changes in senior management or employee lay-offs;

n. data breaches or other cybersecurity events;

o. updates regarding any prior material disclosure that has materially changed; and

p. the existence of a special blackout period.

"**Material nonpublic information**" means material information that is not generally known or made available to the public. Even if information is widely known throughout the Company, it may still be nonpublic. Generally, in order for information to be considered public, it must be made generally available through media outlets or SEC filings.

After the release of information, a reasonable period of time must elapse in order to provide the public an opportunity to absorb and evaluate the information provided. As a general rule, at least one full trading day shall pass after the dissemination of information before being considered public.

As a rule of thumb, if you think something might be material nonpublic information, it probably is. You should reach out to the Compliance Officer if you have questions.

C. PERSONS COVERED BY THIS POLICY

This Policy applies to you if you are a director, officer, employee, consultant, contractor, agent or other service provider (for example, auditor or attorney) of the Company, both inside and outside of the United States, unless expressly modified in writing with the approval of the Company's board of directors. To the extent applicable to you, this Policy also covers your immediate family members, persons with whom you share a household, persons who are your economic dependents and any entity whose transactions in securities you influence, direct or control. You are responsible for making sure that these other individuals and entities comply with this Policy.

This Policy continues to apply even if you leave the Company or are otherwise no longer affiliated with or providing services to the Company, for as long as you remain in possession of material nonpublic information. In addition, if you are subject to a trading blackout under this Policy at the time you leave the Company, you must abide by the applicable trading restrictions until at least the end of the relevant blackout period.

D. TRADING COVERED BY THIS POLICY

Except as discussed in Section H (*Exceptions to Trading Restrictions*), this Policy applies to all transactions involving the Company's securities or other companies' securities for which you possess material nonpublic information obtained in connection with your service with the Company. This Policy therefore applies to:

1. any purchase, sale, loan or other transfer or disposition of any equity securities (including common stock, options, restricted stock units, warrants and preferred stock) and debt securities (including debentures, bonds and notes) of the Company and such other companies, whether direct or indirect (including transactions made on your behalf by money managers);

2. any other arrangement that generates gains or losses from or based on changes in the prices of such securities including derivative securities (for example, exchange-traded put or call options, swaps, caps and collars), hedging and pledging transactions, short sales and certain arrangements regarding participation in benefit plans; and

3. any offer to engage in the transactions discussed above.

There are no exceptions from insider trading laws or this Policy based on the size of the transaction or the type of consideration received.

E. TRADING RESTRICTIONS

Subject to the exceptions set forth below, this Policy restricts trading during certain periods and by certain people as follows:

1. Quarterly Blackout Periods. Except as discussed in Section H (*Exceptions to Trading Restrictions*), all directors, officers, employees, and agents identified by the Company, if any, must refrain from conducting transactions involving the Company's securities during quarterly blackout periods. To the extent applicable to you, quarterly blackout periods also cover your immediate family members, persons with whom you share a household, persons who are your economic dependents, and any entity whose transactions in securities you influence, direct or control.

Quarterly blackout periods will start at the end of the fifteenth day of the third month of each fiscal quarter and will end at the start of the second full trading day following the Company's earnings release.

The prohibition against trading during the blackout period also means that brokers cannot fulfill open orders on your behalf or on behalf of your immediate family members, persons with whom you share a household, persons who are your economic dependents, or any entity whose transactions in securities you influence, direct or control, during the blackout period, including "limit orders" to buy or sell stock at a specific price or better and "stop orders" to buy or sell stock once the price of the stock reaches a specified price. If you are subject to blackout periods or pre-clearance requirements, you should so inform any broker with whom such an open order is placed at the time it is placed.

2. Special Blackout Periods. The Company always retains the right to impose additional or longer trading blackout periods at any time on any or all of its directors, officers, employees, consultants, advisors, contractors, agents and other service providers. The Compliance Officer will notify you if you are subject to a special blackout period by providing to you a notice substantially in the form of Exhibit A. If you are notified that you are subject to a special blackout period, you may not engage in any transaction of the Company's securities until the special blackout period has ended other than the transactions that are covered by the exceptions below. You also may not disclose to anyone else that the Company has imposed a special blackout period. To the extent applicable to you, special blackout periods also cover your immediate family members, persons with whom you share a household, persons who are your economic dependents, and any entity whose transactions in securities you influence, direct or control.

3. Regulation BTR Blackouts. Directors and officers may also be subject to trading blackouts pursuant to Regulation Blackout Trading Restriction, or Regulation BTR, under U.S. federal securities laws. In general, Regulation BTR prohibits any director or officer from engaging in certain transactions involving Company securities during periods when 401(k) plan participants are prevented from purchasing, selling or otherwise acquiring or transferring an interest in certain securities held in individual account plans. Any profits realized from a transaction that violates Regulation BTR are recoverable by the Company, regardless of the intentions of the director or officer effecting the transaction. In addition, individuals who engage in such transactions are subject to sanction by the SEC as well as potential criminal liability. The Company will endeavor to notify directors and officers if they are subject to a blackout trading restriction under Regulation BTR. Failure to comply with an applicable trading blackout in accordance with Regulation BTR is a violation of law and this Policy.

F. PROHIBITED TRANSACTIONS

You may not engage in any of the following types of transactions other than as noted below, regardless of whether you have material nonpublic information or not.

1. Short Sales. You may not engage in short sales (meaning the sale of a security that must be borrowed to make delivery) or "sell short against the box" (meaning the sale of a security with a delayed delivery) if such sales involve the Company's securities.

2. Derivative Securities and Hedging Transactions. You may not, directly or indirectly, (a) trade in publicly traded options, such as puts and calls, and other derivative securities with respect to the Company's securities (other than stock options, restricted stock units and other compensatory awards issued to you by the Company) or (b) purchase financial instruments (including prepaid variable forward contracts, equity swaps, collars and exchange funds), or otherwise engage in transactions, that hedge or offset, or are designed to hedge or offset, any decrease in the market value of equity securities either (i) granted to you by the Company as part of your compensation or (ii) held, directly or indirectly, by you.

3. Pledging Transactions. You may not pledge the Company's securities as collateral for any loan or as part of any other pledging transaction.

4. Margin Accounts. You may not hold the Company's common stock in margin accounts.

G. PRE-CLEARANCE OF TRADES

The Company's directors and officers are subject to pre-clearance requirements must obtain pre-clearance prior to trading the Company's securities. If you are subject to pre-clearance requirements, you should submit a pre-clearance request in the form attached as Exhibit A to the Compliance Officer at least two business days prior to your desired trade date. The person requesting pre-clearance will be asked to certify that he or she is not in possession of material nonpublic information about the Company. The Compliance Officer is under no obligation to approve a transaction submitted for pre-clearance and may determine not to permit the transaction.

If the Company's Chief Financial Officer is the requester, then the Company's Chief Executive Officer, or their delegate, must pre-clear or deny any trade. All trades must be executed within two business days of any pre-clearance.

Even after preclearance, a person may not trade the Company's securities if they become subject to a blackout period or aware of material nonpublic information prior to the trade being executed.

H. EXCEPTIONS TO TRADING RESTRICTIONS

There are no unconditional "safe harbors" for trades made at particular times, and all persons subject to this Policy should exercise good judgment at all times. Even when a quarterly blackout period is not in effect, you may be prohibited from engaging in transactions involving the Company's securities because you possess material nonpublic information, are subject to a special blackout period or are otherwise restricted under this Policy.

The following are certain limited exceptions to the blackout period restrictions imposed by the Company under this Policy:

1. stock option exercises where the purchase of stock options is paid in cash and shares continue to be held by the option holder after the exercise is finalized;

2. sell to cover transactions related to the exercise of stock options during a 72-hour period prior the expiration of the options and the shares continue to be held by the option holder after the exercise and sell-to-cover transactions are finalized;

3. receipt and vesting of stock options, RSUs, restricted stock or other equity compensation awards from the Company;

4. purchases from the employee stock purchase plan; however, this exception does not apply to subsequent sales of the shares;

5. net share withholding of equity awards where shares are withheld by the Company in order to satisfy tax withholding requirements, so long as the election is irrevocable and made in writing at a time when a trading blackout is not in place and you are not in possession of material nonpublic information;

6. sell to cover transactions, to the extent approved and implemented by the Company, where shares are withheld by the Company upon vesting of equity awards and sold in order to satisfy tax withholding requirements; however, this exception does not apply to any other market sale for the purposes of paying required withholding;

7. trades made pursuant to a valid 10b5-1 trading plan approved by the Company (see below);

8. purchases of the Company's stock in the 401(k) plan resulting from periodic contributions to the plan based on your payroll contribution election; *provided, however,* that the trading restrictions do apply to elections you make under the 401(k) plan to (a) increase or decrease the percentage of your contributions that will be allocated to a Company stock fund, (b) move balances into or out of a Company stock fund, (c) borrow money against your 401(k) plan account if the loan will result in liquidation of some or all of your Company stock fund balance, or (d) prepay a plan loan if the pre-payment will result in the allocation of loan proceeds to a Company stock fund;

9. changes in form of ownership, for example, a transfer from your individual ownership to a trust for which you are the trustee;

10. bona fide gifts of the Company's securities or transfers by will or by the laws of descent and distribution; however, the trading restrictions under this Policy do apply to any subsequent trading of such securities if the donee is a related party of the donor; and

11. changes in the number of the Company's securities you hold due to a stock split or a stock dividend that applies equally to all securities of a class, or similar transactions.

Please be aware that even if a transaction is subject to an exception to this Policy, you will need to separately assess whether the transaction complies with applicable law. In addition, the limited exceptions set forth in this Section are not exceptions to the pre-clearance requirements of this Policy; therefore, if you are subject to the pre-clearance requirements of this Policy, then you must still pre-clear any of these transactions with the Compliance Officer. Any other Policy exceptions must be approved by the Compliance Officer, in consultation with the Company's board of directors or an independent committee of the board of directors.

I. 10B5-1 TRADING PLANS

The Company permits its directors, officers and employees to adopt written 10b5-1 trading plans in order to mitigate the risk of trading on material nonpublic information. These plans allow for individuals to enter into a prearranged trading plan as long as the plan is not established, modified or terminated during a blackout period or when the individual is otherwise in possession of material nonpublic information. To be approved by the Company and qualify for the exception to this Policy, any 10b5-1 trading plan adopted by a director, officer or employee must comply with the requirements set forth in the Requirements for Trading Plans attached as Exhibit C.

J. SECTION 16 COMPLIANCE

All of the Company's officers and directors and certain other individuals are required to comply with Section 16 of the Securities and Exchange Act of 1934 and related rules and regulations that set forth reporting obligations, limitations on "short swing" transactions, which are certain matching purchases and sales of the Company's securities within a six-month period, and limitations on short sales.

To ensure transactions subject to Section 16 requirements are reported on time, each person subject to these requirements must provide the Company with detailed information (for example, trade date, number of shares, exact price, *etc.*) about his or her transactions involving the Company's securities.

The Company is available to assist in filing Section 16 reports, but the obligation to comply with Section 16 is personal. If you have any questions, you should check with the Compliance Officer.

K. VIOLATIONS OF THIS POLICY

Company directors, officers, and employees who violate this Policy will be subject to disciplinary action by the Company, including ineligibility for future Company equity or incentive programs or termination of employment or an ongoing relationship with the Company. The Company has full discretion to determine whether this Policy has been violated based on the information available.

There are also serious legal consequences for individuals who violate insider trading laws, including large criminal and civil fines, significant imprisonment terms and disgorgement of any profits gained or losses avoided. You may also be liable for improper securities trading by any person (commonly referred to as a "tippee") to whom you have disclosed material nonpublic information that you have learned through your position at the Company or made recommendations or expressed opinions about securities trading on the basis of such information.

Please consult with your personal legal and financial advisors as needed. Note that the Company's legal counsel, both internal and external, represent the Company and not you personally. There may be instances where you suffer financial harm or other hardship or are otherwise required to forego a planned transaction because of the restrictions imposed by this Policy or under securities laws. If you were aware of the material nonpublic information at the time of the trade, it is not a defense that you did not "use" the information for the trade. Personal financial emergency or other personal circumstances are not mitigating factors under securities laws and will not excuse your failure to comply with this Policy. In addition, a blackout or trading-restricted period will not extend the term of your options. As a consequence, you may be prevented from exercising your options by this Policy or as a result of a blackout or other restriction on your trading, and as a result your options may expire by their term. It is your responsibility to manage your economic interests and to consider potential trading restrictions when determining whether to exercise your options. In such instances, the Company cannot extend the term of your options and has no obligation or liability to replace the economic value or lost benefit to you.

L. PROTECTED ACTIVITY NOT PROHIBITED

Nothing in this Policy, or any related guidelines or other documents or information provided in connection with this Policy, shall in any way limit or prohibit you from engaging in any of the protected activities set forth in the Company's Whistleblower Policy, as amended from time to time.

M. REPORTING

If you believe someone is violating this Policy or otherwise using material nonpublic information that they learned through their position at the Company to trade securities, you should report it to the Compliance Officer.

N. AMENDMENTS

The Company reserves the right to amend this Policy at any time, for any reason, subject to applicable laws, rules and regulations, and with or without notice, although it will attempt to provide notice in advance of any change. Any amendments must be approved by the Board of Directors of the Company.

EXHIBIT A

PRE-CLEARANCE CHECKLIST

Person proposing to trade: _____

Proposed trade (type and amount): _____

Manner of trade: _____

Proposed trade date: _____

Affiliate of the Company: [_] **Yes** [_] **No**

[_] **No blackout period.** The proposed trade will not be made during a quarterly or special blackout period.

[_] **No pension fund blackout under Regulation BTR.*** There is no pension fund blackout period in effect.

[_] **No prohibition under Insider Trading Policy.** The person confirmed that the proposed transaction is not prohibited under the Insider Trading Policy.

[_] **Section 16 compliance.*** The person confirmed that the proposed trade will not give rise to any potential liability under Section 16 as a result of matched past (or intended future) transactions.

[_] **Form 4 filing.*** A Form 4 has been or will be completed and will be timely filed with the SEC, if applicable.

[_] **Rule 144 compliance (*Response required only from affiliates of the Company*).**

- [_] The "current public information" requirement has been met (*i.e.*, all 10-Ks, 10-Qs and other relevant reports during the last 12 months have been filed);
- [_] The shares that the person proposes to trade are not restricted or, if restricted, the applicable holding period has been met;
- [_] Volume limitations (greater of 1% of outstanding securities of the same class or the average weekly trading volume during the last four weeks) are not exceeded, and the person is not part of an aggregated group;
- [_] The manner of sale requirements will be met (a "brokers' transaction" or directly with a market maker or a "riskless principal transaction"); and
- [_] A Form 144, if applicable, has been completed and will be timely filed with the SEC and the relevant national securities exchange.

[_] **Rule 10b-5 concerns.** The person has been reminded that trading is prohibited when in possession of any material nonpublic information regarding the Company that has not been adequately disclosed to the public. The individual has discussed with the Compliance Officer any information known to the individual or the Compliance Officer that the individual believes may be material.

***** Applies if the individual is a director or an officer subject to Section 16 of the Securities Exchange Act of 1934.

Date: _____

_____
(Signature of Compliance Officer)

_____
(Print name of Compliance Officer)

I am not aware of material nonpublic information regarding the Company. I am not trading on the basis of any material nonpublic information. The transaction is in accordance with the Insider Trading Policy and applicable law. I intend to comply with any applicable reporting and disclosure requirements on a timely basis. I understand that I must execute the trade by the end of the second trading day after the date on which the trade is cleared by the Compliance Officer. I understand that by signing below, I am not obligated to execute the trade.

_____
(Signature of person proposing to trade)

EXHIBIT B

FORM OF SPECIAL BLACKOUT NOTICE

[*COMPANY LETTERHEAD*]

[*Date*]

CONFIDENTIAL COMMUNICATION

[*Insert company address*]

Dear [*Insert Name*]:

Intrusion Inc. (the "**Company**") has imposed a special blackout period in accordance with the terms of the Company's Insider Trading Policy (the "**Policy**"). Pursuant to the Policy, and subject to the exceptions stated in the Policy, you may not engage in any transaction involving the securities of the Company until you receive official notice that the special blackout period is no longer in effect.

You may not disclose to others the fact that a special blackout period has been imposed. In addition, you should take care to handle any confidential information in your possession in accordance with the Company's policies.

If you have any questions at all, please contact me at [*insert contact information*].

Sincerely,

Chief Financial Officer

EXHIBIT C

REQUIREMENTS FOR TRADING PLANS

For transactions under a trading plan to be exempt from (A) the prohibitions in the Company's Insider Trading Policy (the "**Policy**") of Intrusion Inc. (together with any subsidiaries, collectively the "**Company**") with respect to transactions made while aware of material nonpublic information and (B) the pre-clearance procedures and blackout periods established under the Policy, the trading plan must comply with the affirmative defense set forth in Exchange Act Rule 10b5-1 and must meet the following requirements:

1. The trading plan must be in writing and signed by the person adopting the trading plan.

2. The trading plan must be adopted at a time when:

   a. the person adopting the trading plan is not aware of any material nonpublic information; and

   b. there is no quarterly, special or other trading blackout in effect with respect to the person adopting the plan.

3. The trading plan must be entered in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1.

4. The individual adopting the trading plan may not have entered into or altered a corresponding or hedging transaction or position with respect to the securities subject to the trading plan and must agree not to enter into any such transaction while the trading plan is in effect.

5. The first trade under the trading plan may not occur until after the later of (a) termination of the next quarterly blackout period following adoption of the trading plan and (b) thirty (30) calendar days after adoption of the trading plan.

6. The trading plan must have a minimum term of one (1) year (starting from when trades may first occur in accordance with these requirements).

7. All transactions during the term of the trading plan (except for the "Exceptions to Trading Restrictions" identified in the Policy) must be conducted through the trading plan.

8. Regarding modifications:

   a. The trading plan may only be modified when the person modifying the trading plan is not aware of material nonpublic information.

   b. The trading plan may only be modified when there is no quarterly, special or other blackout in effect with respect to the person modifying the plan.

   c. The first trade under the modified trading plan may not occur until after the later of (i) the termination of the next quarterly blackout period following modification of the plan and (ii) 30 calendar days following modification of the plan.

   d. The modified trading plan must have a minimum duration of one (1) year from the time when trades may first occur under the modified plan in accordance with these requirements.

9. Within the one (1) year preceding the modification or adoption of a trading plan, a person may not have otherwise modified or adopted a plan more than once.

10. If the person that adopted the trading plan terminates the plan prior to its stated duration, he or she may not trade in the Company's securities until after the later of (a) the completion of the next quarterly blackout period after termination (or, if the plan is terminated during a quarterly blackout period, the end of that blackout period) and (b) 30 calendar days after termination.

11. The Company must be promptly notified of any modification or termination of the trading plan, including any suspension of trading under the plan.

12. The Company must have authority to require the suspension or cancellation of the trading plan at any time.

13. If the trading plan grants discretion to a stockbroker or other person with respect to the execution of trades under the plan:

a. trades made under the trading plan must be executed by someone other than the stockbroker or other person that executes trades in other securities for the person adopting the trading plan;

b. the person adopting the trading plan may not confer with the person administering the trading plan regarding the Company or its securities; and

c. the person administering the trading plan must provide prompt notice to the Company of the execution of a transaction pursuant to the plan.

14. All transactions under the trading plan must be in accordance with applicable law.

15. The trading plan (including any modified trading plan) must meet such other requirements as the Compliance Officer may determine.

16. The trading plan must be submitted to the Company's Compliance Officer with an executed certificate stating that the trading plan complies with Rule 10b5-1 and the criteria set forth above.

Exhibit C

M E M O R A N D U M

To: Directors, officers, and employees of Intrusion Inc.

From: Intrusion Inc.

Date: [_____]

Re: **Insider Trading Policy**

Attached is a copy of our Insider Trading Policy, which governs transactions involving trading in securities by directors, officers, employees, consultants, advisors, contractors, agents and other service providers of Intrusion Inc. (together with any subsidiaries, collectively the "**Company**"). As described in the Insider Trading Policy, violations of insider trading laws can result in significant civil and criminal liability. Accordingly, please carefully review the materials provided.

After reading the Insider Trading Policy, please sign the receipt and acknowledgment at the bottom of this memorandum and return it to the Compliance Officer. The Insider Trading Policy applies to you regardless of whether you sign the receipt and acknowledgment at the bottom of this memorandum and return it to the Compliance Officer.

If you have any questions about the Insider Trading Policy or insider trading laws generally or about any transaction involving the securities of the Company, please contact the Compliance Officer at [*email address*].

Attachment(s)

Receipt and Acknowledgment

- I have received and read the Insider Trading Policy.
- I have received satisfactory answers to any questions that I had regarding the Insider Trading Policy and insider trading in general.
- I understand and acknowledge that the Insider Trading Policy applies to me.
- I understand and agree to comply with the Insider Trading Policy.
- I understand that my failure to comply in all respects with the Insider Trading Policy is a basis for termination of my employment or other service relationship with the Company as well as any other appropriate discipline.
- I understand and agree that the Company may give stop transfer and other instructions to the Company's transfer agent with respect to transactions that the Company considers to be in contravention of the Insider Trading Policy.

_____ _____

Signature Date

_____

Print name

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (File Nos. 333-258491 and 333-281565) and Form S-8 (File Nos. 333-125816, 333-167577, 333-224810 and 333-276972) of our report dated February 27, 2025 relating to the consolidated financial statements of Intrusion Inc. appearing in this Annual Report on Form 10-K of Intrusion, Inc. for the year ended December 31, 2024.

/s/ Whitley Penn LLP

Dallas, Texas
February 27, 2025

EXHIBIT 31.1

I, Anthony Scott, of Intrusion Inc., certify that:

(1) I have reviewed this Annual Report on Form 10-K of Intrusion Inc.:

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or cause such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2025

/s/ Anthony Scott
Anthony Scott
Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2

I, Kimberly Pinson, certify that:

(1) I have reviewed this Annual Report on Form 10-K of Intrusion Inc.:

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or cause such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2025

/s/ Kimberly Pinson
Kimberly Pinson
Chief Financial Officer
(principal financial officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO RULE 13a-14(b) OF THE EXCHANGE ACT AND 18 U.S.C. SECTION 1350, AS ENACTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Intrusion Inc. (the "Company") on Form 10-K for the fiscal year ending December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony Scott, Chief Executive Officer of the Company certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 27, 2025

/s/ Anthony Scott
Anthony Scott
Chief Executive Officer
(principal executive officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO RULE 13a-14(b) OF THE EXCHANGE ACT AND 18 U.S.C. SECTION 1350, AS ENACTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Intrusion Inc. (the "Company") on Form 10-K for the fiscal year ending December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kimberly Pinson, Chief Financial Officer of the Company certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 27, 2025

/s/ Kimberly Pinson
Kimberly Pinson
Chief Financial Officer
(principal financial officer)