

**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, 2023

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

(State or other jurisdiction of
incorporation or organization)

75-1911917

(I.R.S. Employer
Identification No.)

101 EAST PARK BLVD, SUITE 1200

PLANO, TEXAS

(Address of principal executive offices)

75074

(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	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:

Common Stock, \$0.01 par value

(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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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. Yes No

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 Exchange 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 30, 2023: \$24,958,545.

As of March 25, 2024, 1,944,675 shares of the issuer's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement filed in connection with the Registrant's 2023 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 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: 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 Securities and Exchange Commission’s website (www.sec.gov). In this report, references to the “Company,” “we,” “us,” “our,” “Intrusion” or “Intrusion Inc.” 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, Inc. 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.

For the fiscal years ended December 31, 2023, and 2022, we generated revenues of approximately \$5.6 million and \$7.5 million, respectively, and reported net loss of approximately \$13.9 million and \$16.2 million, respectively, and cash flow used in operating activities of approximately \$7.8 million and \$13.2 million, respectively. As noted in our audited financial statements, as of December 31, 2023, we had stockholders’ deficit of \$9.6 million and a working capital deficit of \$13.1 million. As a result of our historical recurring losses from operations, negative cash flows from operations, net working capital deficiency as well as our dependence on equity and debt financings, there is a substantial doubt regarding our ability to continue as a going concern.

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 46.2% of our revenues for the year ended December 31, 2023, compared to 65.8% of our revenue in 2022. 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 did not account for any revenue in 2023 and 2022.

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 2023, 46.2% 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 six U.S. Government customers through direct and indirect channels; two U.S. government customers individually exceeded 10% of total revenue in 2023. 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-cancelable, and that the dollar amount associated with the non-cancelable 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 working 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, 2023, we employed a total of forty-nine persons, five of which are 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 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 amended 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.

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 the Consolidated Financial Statements have been retroactively restated to reflect the split effected in March 2024 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 in this Annual Report have been adjusted to reflect the reverse stock split effected in March 2024.

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

The Company's ability to implement its current business plan is dependent on our ability to raise additional funds through additional public or private financings, which raises substantial doubt that the Company may not be able to continue as a going concern.

As of December 31, 2023, we had cash and cash equivalents of \$139 thousand and negative working capital of \$13.1 million. Our primary source of cash for funding operations in 2023 has come from net proceeds received from a private offering of our common stock and warrants and net proceeds received from our at-the-market ("ATM") program in an aggregate amount of approximately \$7.0 million. To finance our operations and to continue as a going concern, we believe it will be necessary for us to raise additional funds through public or private financings, including the utilization of our ATM program. We can provide no assurances that we will be able to raise additional funds through any future equity or debt financings, and the terms of those financings, if available at all, may be on terms, which are not favorable to us and, in the case of equity financings, will result in dilution to our stockholders.

We are subject to certain contractual and regulatory limitations on our ability to consummate future financings.

Pursuant to that certain securities purchase agreements we entered into in March 2022 with Streeterville Capital, LLC and related issuance of two promissory notes, we agreed to be subject to certain restrictions on our ability to issue securities during the term of the notes issued under the agreement. Specifically, we agreed to obtain Streeterville Capital's consent prior to issuing any debt securities or certain equity securities where the pricing of such equity securities is tied to the public trading price of our common stock. Furthermore, we also must offer Streeterville the right to purchase up to 10% of future equity and debt securities offerings, subject to certain exceptions and limitations, in each case during the term of any note issued to Streeterville.

Furthermore, unless our public float exceeds \$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. Under such limitations, we may not sell, during any 12-month period, securities on Form S-3 having an aggregate market value of more than one-third of our public float. As of March 25, 2024, our public float calculated in accordance with General Instruction I.B.6 of Form S-3 was \$6.8 million. These restrictions may delay or prevent us from entering into funding arrangements or being able to access the capital markets on favorable terms or at all.

If we fail to comply with the restrictions and covenants in our March 2022 securities purchase agreement, there could be an event of default under the notes issued thereunder, which could result in an acceleration of payments due under those notes and other consequences.

Failure to meet the restrictions, obligations, and limitations under the March 2022 securities purchase agreement may result in an event of default in accordance with the terms of the notes issued thereunder. An event of default would, among other things, provide the noteholder with the right to increase the outstanding balance by 15% for certain major events of default and 5% for others. Additionally, upon an event of default, the noteholder may consider the note immediately due and payable. Furthermore, upon an event of default, the interest rate may also be increased to the lesser of 18% per annum or the maximum rate permitted under applicable law.

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

For the year ended December 31, 2023, we had a net loss of \$13.9 million and had an accumulated deficit of approximately \$110.2 million as of December 31, 2023. 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 66.4% of our existing revenues result from sales of **TraceCop** a cybersecurity solution. **TraceCop** revenues were \$3.7 million for the year ended December 31, 2023, compared to \$6.1 million for the year ended December 31, 2022. 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 re-compete 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, 2023, and 2022, we derived 2.6% and 31.5% 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 customer's 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 \$78.00 and \$4.40 during the year ended December 31, 2023. 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 September 26, 2023, the Company received the Notification Letter from Nasdaq notifying the Company that the closing bid price of the Company’s common stock over the thirty consecutive trading days from August 14, 2023, through September 25, 2023, had fallen below \$1.00 per share and therefore, was not in compliance with the Minimum Bid Requirement.

On October 26, 2023, we received a letter from Nasdaq’s Listing Qualifications Staff (the “Staff Determination”) notifying us that, based on the Company’s non-compliance with the \$35 million minimum value listing standard for continued listing on the Nasdaq, as set forth in Nasdaq Marketplace Rule 5550(b)(2), the Company’s securities are subject to delisting from Nasdaq.

The Company requested a hearing before the Hearings Panel. This hearing was held on February 1, 2024, at which time the Company presented a plan to regain and sustain compliance with all the applicable requirements for continued listing on The Nasdaq Capital Market. The Hearings Panel granted the Company an extension until April 23, 2024, in which to regain compliance and cure the deficiencies for continued listing.

The Company is executing a plan to gain compliance with an alternative Nasdaq listing criteria, Nasdaq Listing Rule 5550(b)(1) (the equity standard) which requires a minimum of \$2.5 million in net equity. Pursuant to this multi-step plan, the Company: 1) is continuing to utilize its ATM program, 2) closed on a private offering in November 2023 and is anticipating closing on an additional private offering of common stock in the near term, 3) sent warrant inducement letters to warrant holders from the Company’s 2022 registered direct offering and the November 2023 private offering temporarily reducing the exercise price of the outstanding warrants and 4) through a series of three transactions in the fourth quarter 2023 and two transactions in March 2024 exchanged \$10.0 million in senior debt for \$750 thousand in common stock and \$9.3 million new preferred Series A stock.

In order to increase the share price of our common stock above the \$1.00 Minimum Bid Requirement, we completed a reverse stock split of one share for twenty which was effective on March 22, 2024.

All of these steps combined provide a path for regaining compliance, however, there can be no assurance that the Company will be able to regain or maintain compliance with either Nasdaq listing criteria.

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 CTO, 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 Board of Directors receives an update on the Company's risk management process and the risk trends related to cybersecurity at least annually.

Item 2. Properties.

Our corporate headquarters are 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 Asset and Leasing Liabilities* to our Consolidated Financial Statements for additional information regarding our obligations under leases.

Item 3. Legal Proceedings.

Class Action Litigation

On April 16, 2021, a class action lawsuit was filed in the United States District Court, Eastern District of Texas, Sherman Division, captioned Celeste v. Intrusion Inc. et al., Case No. 4:21-cv-00307 (E.D. Tex.) against us, our now-former chief financial officer, and now-former chief executive officer alleging, among other things, that the defendants made false and/or misleading statements or omissions about our business, operations, and prospects in violation of Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder, as well as Section 20(a) of the Exchange Act. The Celeste lawsuit claimed compensatory damages and legal fees.

On May 14, 2021, a related class action lawsuit was filed in the United States District Court, Eastern District of Texas, Sherman Division, captioned Neely v. Intrusion Inc., et al., Case No. 4:12-cv-00374 (E.D. Tex.) against us, our now-former chief financial officer, and now-former chief executive officer. The Neely lawsuit alleged the same violations under the federal securities laws as those alleged in the Celeste lawsuit. The Neely lawsuit also sought compensatory damages and legal fees.

On November 23, 2021, the Court consolidated the Celeste and Neely actions, and appointed a lead plaintiff and lead plaintiff's counsel. The lead plaintiff filed his amended complaint on February 7, 2022.

The parties to the consolidated class action held a mediation on April 5, 2022, at the conclusion of which the parties executed a settlement term sheet setting forth the material terms associated with the resolution of the action, subject to the preparation of formal documents and a plan of distribution approved by the Court. The settlement agreement was subject to certain terms and conditions and received final approval by the Court on December 16, 2022. At that time, a final judgement was entered dismissing the case, with the Court retaining jurisdiction over the action for purposes of enforcing the terms of the class settlement agreement. The \$3.3 million settlement was paid by our insurance provider under our insurance policy as our retention had previously been exhausted.

The lead plaintiff in the class action filed a motion for distribution of settlement funds on February 21, 2023. The court approved the parties' class action settlement and plan of allocation on March 22, 2023, and cancelled the previously-rescheduled March 31, 2023, hearing on the motion for distribution, all remaining matters in the class action then-pending have been fully and finally adjudicated.

Securities Investigation

On August 8, 2021, we received a notification from the SEC, Division of Enforcement, that it was conducting an investigation captioned *In the Matter of Intrusion Inc.* and requesting we produce certain documents and information. On November 9, 2021, the SEC served a subpoena to us in connection with this investigation which formally requested substantially similar information as in the prior request. On September 26, 2023, we consented to the entry of final judgment, in the act styled *Securities and Exchange Commission v Intrusion Inc.*, No. 4:23-CV-00859 (E.D. Tex. Filed September 26, 2023). On October 5, 2023, the court approved the final judgment with no penalties assessed against the Company.

Stockholder Derivative Claim

On June 3, 2022, a stockholder derivative complaint was filed in U.S. District Court, District of Delaware by plaintiff Nathan Prawitt (the "Plaintiff Stockholder") on behalf of Intrusion against certain of our current and former officers and directors (collectively the "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 us 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 our common stock by certain of the Defendants. On September 28, 2023, we agreed to settle the claim. On October 2, 2023, public notice of the settlement agreement was given. The settlement agreement provides in part for (i) an amendment to our 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 paid by our insurance provider under our insurance policy since our \$0.5 million retention was previously exhausted. A hearing is scheduled for April 3, 2024, to obtain court approval of the settlement, agreement for the court to rule upon any objections to the proposed settlement, and for entry of final judgment in the matter.

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.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters and Business 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 March 25, 2024, there were approximately ninety-five registered 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 to declare 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, 2023, 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⁾	Weighted average exercise price of outstanding options	Number of shares unvested restricted stock	Weighted average grant date fair value	No. of shares of common stock remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	50	\$ 62.40	11	\$ 26.20	82
Equity compensation plans not approved by security holders	–	–	–	–	–
Total	50	\$ 62.40	11	\$ 26.20	82

(1) Included in the outstanding options are 4 from the 2005 Stock Incentive Plan, twenty from the 2015 Stock Option Plan and twenty-six from the 2021 Omnibus Incentive Plan.

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.

Much of 2022 was spent improving the **INTRUSION Shield** On-Premise performance and developing the **Shield** Cloud and End-Point solutions, both of which were released in September 2022. During 2023, our primary focus has been building out our sales reseller and channel platform and working 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.

As discussed in more detail below, on December 31, 2023, we had \$0.1 million in cash. If we are not able to obtain additional debt or equity financing on terms and conditions acceptable to us, we may be unable to implement our business plan, fund our liquidity needs or even continue our operations.

Results of Operations

Comparison of the Years ended December 31, 2023, and December 31, 2022

(in thousands)	Year Ended December 31,		Change	
	2023	2022	\$	%
Revenue	\$ 5,611	\$ 7,529	(1,918)	-25.5%
Cost of Revenue	1,257	3,354	(2,097)	-62.5%
Gross Profit	4,354	4,175	179	4.3%
Operating Expenses:				
Sales and marketing	5,670	6,510	(840)	-12.9%
Research and development	5,556	6,465	(909)	-14.1%
General and administrative	5,174	7,483	(2,309)	-30.9%
Operating Loss	(12,046)	(16,283)	4,237	26.0%
Interest and Other Income	43	2,028	(1,985)	-97.9%
Interest Expense	(1,888)	(2,359)	471	20.0%
Gain on Lease Termination	—	385	(385)	-100.0%
Loss Before Income Taxes	(13,891)	(16,229)	2,338	14.4%
Income Tax	—	—	—	—
Net Loss	\$ (13,891)	\$ (16,229)	2,338	14.4%

Revenues

Total revenue decreased \$1.9 million or 25.5% to \$5.6 million in 2023 from \$7.5 million in 2022. Consulting revenues decreased \$2.3 million primarily resulting from the loss of a contract in the fourth quarter 2022 in which Intrusion's prime sponsor chose not to renew the final option year of a contract that had been in place since 2018. This contract represented annual revenue totaling \$2.6 million. While the loss of this contract significantly impacted Intrusion's top-line revenue, the gross margin on this contract was 14% and, as a result, had a marginal impact on profitability. We are continuing to pursue new consulting opportunities and expect to see an increase in consulting revenues in 2024. The decline in consulting revenues was partially offset by an increase of \$0.4 million in **Shield** revenues as a result of the expanded use of **Shield** from existing customers and new customers signed in 2023.

We announced a \$5 million multi-year *Shield* award in October 2023. The rollout of the *Shield* services to this customer has been delayed due to factors outside of our control, we expect this project to be back on track beginning in the second quarter 2024. Additionally, we were informed by our largest *Shield* customer that they will not be renewing their contract. This customer was one of the original users of the product and had a non-standard custom implementation of *INTRUSION Shield* that is no longer supported. This non-renewal will impact revenues beginning in the second quarter 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, 2023, our *Shield* opportunities comprised a large percentage of our sales pipeline.

Concentration of Revenues.

Revenues from sales to various U.S. government entities totaled \$2.6 million, or 46.2% of revenues, for the year ended December 31, 2023, compared to \$5.0 million, or 65.8% of revenues, for the same period in 2022. In 2023 we had two government entities that individually accounted for over 10% of our revenues compared to three in 2022. Sales to commercial customers totaled \$3.0 million or 53.8% of total revenue for year ended December 31, 2023, compared to \$2.6 million or 34.2% of total revenue for the same period in 2022. Two commercial customers individually accounted for over 10% of total revenues in both 2023 and 2022. We have increased our *Shield* sales and marketing efforts by expanding our reseller channels. 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. Fourth quarter 2023 revenues declined 7% sequentially from third quarter 2023 primarily due to the continuing resolution and the absence of an approved federal budget, which has resulted in many new spending decisions from government customers being delayed. Specifically, a long-standing Department of Defense contract has not been funded for the 2024 government fiscal year, this resulted in lower consulting revenues in the fourth quarter and has also impacted first quarter 2024 revenues. 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, 2023, and 2022 totaled \$4.4 million or 77.6% compared to \$4.2 million or 55.5%. The significantly improved gross margin in 2023 is mostly due to the loss of the low margin contract discussed above and *Shield* revenues representing a larger percentage of revenues, 28.4% compared to 15.6% in 2022. To the extent *Shield* revenues become a larger percentage of revenues, we anticipate we will continue to see favorable growth in gross profit margins.

Operating Expenses

Operating expenses for the year ended December 31, 2023, totaled \$16.4 million, a decrease of 19.8% when compared to \$20.5 million for the year ended December 31, 2022. The year over year change was most notably due to the reduced legal expense associated with the various litigation matters that arose in 2021 that for the most part are fully settled, and reduced contractor labor and employee costs. Employee headcount on December 31, 2023, totaled forty-nine compared to sixty-seven on December 31, 2022.

Sales and Marketing

Sales and marketing expenses decreased to \$5.7 million in 2023, compared to \$6.5 million in 2022. 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 \$5.6 million in 2023 compared to \$6.5 million in 2022. Many of the cost reduction measures taken in 2023 related to research and development costs. 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 \$5.2 million in 2023 compared to \$7.5 million in 2022. The decrease in general and administrative expenses is primarily due to a reduction in legal costs of \$1.4 million associated with various litigation matters that arose in 2021 and continued through 2023. The majority of all matters have since settled as described in more detail in Item 3. Legal Proceedings of this report. In late 2022 we hired an in-house General Counsel which also contributed to the reduced outside legal costs in 2023. Other factors contributing to the decreased spend include (i) reduced use of consultants and contractors in 2023, (ii) recruiting fees incurred in the 2022 period, and (iii) voluntary temporary reductions in director and officer compensation. Insurance expense for our Directors' and Officers' insurance policy increased in 2023 when compared to 2022 as a result of the class action lawsuits and related claims activity and, increasing coverage limits for our new policy year.

Interest Expense

Our interest expense consists primarily of interest related to the Streeterville notes entered into in March and June of 2022 and related debt issuance cost amortization as well as interest expense from finance leases. Interest expense for 2023 totaled \$1.9 million, a decrease of \$0.5 million. The decrease primarily relates to the reversal of interest recorded to accrete the value of the Streeterville notes to the stock-settled value for potential redemptions paid in stock as no redemption payments in cash or stock were made in 2023.

Interest and Other Income

Interest and other income were negligible in 2023. 2022 included \$2.0 million related to the Cares Act Employee Retention Credit ("ERC").

Gain on Lease Termination

In 2022 we recorded a gain of \$0.4 million relating to the settlement of our lease abandonment lawsuit.

Income Taxes

Our effective income tax rate was 0% in 2023 and 2022 as valuation allowances have been recorded for the entire amount of the net deferred tax assets due to uncertainty of realization.

Consolidated Statements of Cash Flows

Our cash flows for the years ended December 31, 2023, and 2022 (in thousands) were:

	Year Ended	
	December 31, 2023	December 31, 2022
Net cash used in operating activities	\$ (7,767)	\$ (13,190)
Net cash used in investing activities	(1,448)	(1,479)
Net cash provided by financing activities	6,339	13,584
Change in cash and cash equivalents	\$ (2,876)	\$ (1,085)

Operating Activities

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.

Net cash used in operations for the year ended December 31, 2022, was (\$13.2) million due to a net loss of (\$16.2) million offset by adjustments for non-cash items of \$5.0 million which are mostly comprised of depreciation, stock-based compensation and interest related to Streeterville notes, and changes in working capital consisting primarily of a reduction in trade receivables of \$0.5 million; an increase in other receivables relating principally to the remaining ERC refund outstanding (\$1.5) million; an increase in accounts payable and accrued expenses \$0.2 million; and a decrease in operating lease liabilities (\$1.0) million.

Investing Activities

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.

Net cash used in investing activities for the year ended December 31, 2022, totaled (\$1.5) million and was primarily related to capitalized internal use software of (\$1.2) million for the new *Shield* Cloud and End Point solutions as well as enhancements to the *Shield* On-Premise solution and, the purchase of equipment for use with the *Shield* On-Premise solution, in the data center and by employees of (\$0.3) million.

Financing Activities

For 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.

Net cash provided by financing activities was \$13.6 million for the year ended December 31, 2022. Primary sources of cash from financing activities included proceeds from the issuance of the two Streeterville notes payable, net of issuance costs, equal to \$9.3 million (see Note 6 *Notes Payable* to the Consolidated Financial Statements in Part II, Item 8 of this Form 10-K), net proceeds received from our registered direct offering of \$4.3 million, net proceeds from issuance of shares from our ATM program of \$2.0 million, and proceeds received from a private placement sale of common stock equal to \$0.1 million. Funds used in financing activities included (\$1.5) million in principal repayments on the Streeterville notes payable and (\$0.6) million payments on equipment financing leases.

Liquidity and Capital Resources

As of December 31, 2023, we had cash and cash equivalents of \$0.1 million and a working capital deficit of (\$13.1) million. We need to raise additional funds to continue operations and comply with our financial obligations.

We are executing a plan to regain compliance with the Nasdaq listing standards as described more fully in Item 1A Risk Factors. This multi-step plan includes: 1) continued utilization of our ATM program, 2) private offerings of common stock, 3) a warrant inducement offer for the sale of common stock at a reduced exercise price to warrant holders from the Company's 2022 registered direct offering and November 2023 private offerings, and 4) a series of three transactions in the fourth quarter 2023 and two transactions in March 2024 exchanging \$10.0 million in senior debt for \$750 thousand in common stock and \$9.3 million new preferred Series A stock. While the debt for equity exchanges does not provide funding for operations, it substantially deleverages the company and reduces the working capital deficit. We can provide no assurances that we will be able to close on or obtain such financing on acceptable terms or at all and, in the case of equity or equity-linked financings, such financings will result in additional dilution to our stockholders.

Our principal sources of cash for funding operations in 2023 has been net proceeds received from sales of common stock using our ATM program of \$4.7 million, a private placement offering completed in November 2023 of \$2.3 million, and net funds through changes in working capital which includes receipt of the remaining ERC refund in the March quarter of \$1.4 million. Our principal source of cash for funding operations and growth in 2022 was issuance of the two Streeterville notes which contributed \$9.3 million, net of issuance costs, and \$6.4 million from the sale and issuance of common stock and warrants.

ATM Program

B. Riley Securities, Inc. acts as sales agent under our ATM program, which allows us to potentially sell up to \$50.0 million of our common stock using the shelf-registration statement on Form S-3 filed on August 5, 2021. 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 we can sell pursuant to the ATM program to \$15.0 million. For the year ended December 31, 2023, we received \$4.7 million, net of fees for sales of common stock pursuant to the program.

For as long as our public float is less than \$75 million, we will be subject to the limitations set forth in General Instruction I.B.6 of Form S-3, which limit our ability to conduct primary offerings. Under such limitations, we may not sell, during any 12-month period, securities on Form S-3 having an aggregate market value of more than one-third of our public float. As of March 25, 2024, our public float calculated in accordance with General Instruction I.B.6 of Form S-3 was \$6.8 million.

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 is September 2024.

There can be no assurance that we will improve our liquidity position or our ability to make redemption or principal payments.

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 250-40 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 such activities 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 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 8. Financial Statements.

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

Item 9A. Controls and Procedures.

Evaluation of Effectiveness of Disclosure Controls and Procedures

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 are 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.

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 the year ended December 31, 2023, 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, 2023, 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, 2023, 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.

PART III

Certain information required by Part III is omitted from this Form 10-K because we will file a definitive Proxy Statement for our 2024 annual meeting of stockholders pursuant to Regulation 14A (the "Proxy Statement") no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and certain information to be included therein is incorporated herein by reference.

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

The information called for by this item is incorporated herein by reference to the Proxy Statement.

Item 11. Executive Compensation.

The information called for by this item is incorporated herein by reference to the Proxy Statement.

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

The information called for by this item 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 is incorporated herein by reference to the Proxy Statement.

Item 14. Principal Accounting Fees and Services.

The information called for by this item is incorporated herein by reference to the Proxy Statement.

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):

<u>Report of Independent Registered Public Accounting Firm (PCAOB ID 726)</u>	<i>F-1</i>
<u>Consolidated Balance Sheets on December 31, 2023, and 2022</u>	<i>F-2</i>
<u>Consolidated Statements of Operations for the years ended December 31, 2023, and 2022</u>	<i>F-3</i>
<u>Consolidated Statements of Changes in Stockholders' Equity (Deficit) for the years ended December 31, 2023, and 2022</u>	<i>F-4</i>
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2023, and 2022</u>	<i>F-5</i>
<u>Notes to Consolidated Financial Statements</u>	<i>F-6</i>

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
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(1)	Lease between dated September 29, 2023 by and between Registrant and JBA Portfolio, LLC
14.1(17)	Code Of Conduct
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(1)	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 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.

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: April 1, 2024

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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u> </u> /s/ Anthony Scott Anthony Scott	Chief Executive Officer, Director (Principal Executive Officer)	April 1, 2024
<u> </u> /s/ Kimberly Pinson Kimberly Pinson	Chief Financial Officer Principal Financial and Accounting Officer	April 1, 2024
<u> </u> /s/ Anthony J. LeVecchio Anthony J. LeVecchio	Executive Chairman, Director	April 1, 2024
<u> </u> /s/ James F. Gero James F. Gero	Director	April 1, 2024
<u> </u> /S/ KATRINKA B. MCCALLUM Katrinka B. McCallum	Director	April 1, 2024
<u> </u> /S/ GREGORY K. WILSON Gregory K. Wilson	Director	April 1, 2024

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, 2023 and 2022, and the related consolidated statements of operations, changes in stockholders’ 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, 2023, and 2022, 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.

Going Concern

The accompanying financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 2 to the financial statements, the entity has suffered recurring losses from operations, negative cash flows from operations, and has a net working capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

April 1, 2024

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

	December 31	
	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 139	\$ 3,015
Accounts receivable, net	364	530
Prepaid expenses and other assets	635	1,877
Total current assets	1,138	5,422
Noncurrent Assets:		
Property and equipment:		
Equipment	2,069	2,865
Capitalized software development	2,791	1,380
Furniture and fixtures	–	43
Leasehold improvements	15	78
Property and equipment, gross	4,875	4,366
Accumulated depreciation and amortization	(1,955)	(2,208)
Property and equipment, net	2,920	2,158
Finance leases, right-of-use assets, net	382	1,048
Operating leases, right-of-use assets, net	1,637	504
Other assets	171	143
Total noncurrent assets	5,110	3,853
TOTAL ASSETS	\$ 6,248	\$ 9,275
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable, trade	\$ 2,215	\$ 1,273
Accrued expenses	222	446
Finance lease liabilities, current portion	384	667
Operating lease liabilities, current portion	178	294
Notes payable	10,823	10,114
Deferred revenue	439	455
Total current liabilities	14,261	13,249
Noncurrent Liabilities:		
Finance lease liabilities, noncurrent portion	3	10
Operating lease liabilities, noncurrent portion	1,539	231
Total noncurrent liabilities	1,542	241
Commitments and Contingencies – (See Note 7)		
Stockholders' Deficit:		
Preferred stock, \$0.01 par value: Authorized shares – 5,000; Issued shares – 0 in 2023 and 2022	–	–
Common stock, \$0.01 par value: Authorized shares – 80,000; Issued shares – 1,791 in 2023 and 1,060 in 2022; Outstanding shares – 1,790 in 2023 and 1,059 in 2022	18	11
Common stock held in treasury, at cost – 1 shares	(362)	(362)
Additional paid-in capital	101,049	92,505
Accumulated deficit	(110,217)	(96,326)
Accumulated other comprehensive loss	(43)	(43)
Total stockholders' deficit	(9,555)	(4,215)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 6,248	\$ 9,275

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,	
	2023	2022
Revenue	\$ 5,611	\$ 7,529
Cost of Revenue	1,257	3,354
Gross Profit	4,354	4,175
Operating Expenses:		
Sales and marketing	5,670	6,510
Research and development	5,556	6,465
General and administrative	5,174	7,483
Operating Loss	(12,046)	(16,283)
Interest and Other Income	43	2,028
Interest Expense	(1,888)	(2,359)
Gain on Lease Termination	—	385
Loss Before Income Taxes	(13,891)	(16,229)
Income Tax	—	—
Net Loss	\$ (13,891)	\$ (16,229)
Net Loss Per Share:		
Basic	\$ (11.46)	\$ (16.39)
Diluted	\$ (11.46)	\$ (16.39)
Weighted Average Common Shares Outstanding:		
Basic	1,212	990
Diluted	1,212	990

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)

	Common Stock		Treasury Stock		Accumulated Other Comprehensive Loss	Additional Paid-In- Capital	Accumulated Deficit	Total
	Dollars	Shares	Dollars	Shares				
Balance, December 31, 2021	\$ 10	957	\$ (362)	1	\$ (43)	\$ 84,411	\$ (80,097)	\$ 3,919
Registered direct offering proceeds, net of fees	1	61	—	—	—	4,295	—	4,296
Restricted stock awards	—	5	—	—	—	—	—	—
Public stock offering, net of fees	—	27	—	—	—	1,985	—	1,985
Issuance of common stock to terminate operating lease	—	4	—	—	—	200	—	200
Nonregistered private placement	—	1	—	—	—	100	—	100
Stock-based compensation expense	—	—	—	—	—	1,456	—	1,456
Exercise of stock options	—	5	—	—	—	67	—	67
Tax withholdings related to stock-based compensation awards	—	—	—	—	—	(9)	—	(9)
Net loss	—	—	—	—	—	—	(16,229)	(16,229)
Balance, December 31, 2022	11	1,060	(362)	1	(43)	92,505	(96,326)	(4,215)
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
Purchase of common stock through employee stock purchase plan	—	1	—	—	—	2	—	2
Net loss	—	—	—	—	—	—	(13,891)	(13,891)
Balance, December 31, 2023	\$ 18	1,791	\$ (362)	1	\$ (43)	\$ 101,049	\$ (110,217)	\$ (9,555)

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,	
	2023	2022
Operating Activities:		
Net Loss	\$ (13,891)	\$ (16,229)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,659	1,308
Provision for credit losses	69	–
Stock-based compensation	972	1,456
Non-cash lease costs	328	304
Amortization of debt issuance costs	496	861
Non-cash interest on notes payable	1,163	1,463
Gain on lease termination	–	(385)
Changes in operating assets and liabilities:		
Accounts receivable	97	504
Prepaid expenses and other assets	1,214	(1,533)
Accounts payable and accrued expenses	411	206
Operating lease liabilities	(269)	(1,040)
Deferred revenue	(16)	(105)
Net cash used in operating activities	<u>(7,767)</u>	<u>(13,190)</u>
Investing Activities:		
Purchases of property and equipment	(157)	(307)
Capitalized software development	(1,291)	(1,172)
Net cash used in investing activities	<u>(1,448)</u>	<u>(1,479)</u>
Financing Activities:		
Proceeds from notes payable	–	10,000
Payments of notes payable issuance costs	–	(710)
Principal payments on notes payable	(400)	(1,500)
Reduction of finance lease liabilities	(290)	(645)
Proceeds from public stock offering, net of fees	4,678	1,985
Proceeds from sale of common stock and warrants, net of fees	2,346	–
Proceeds from registered direct offering, net of fees	–	4,296
Proceeds from non-registered private placement	–	100
Proceeds from stock options exercised	8	67
Proceeds related to the issuance of common stock under stock purchase plan	2	–
Withholdings related to stock-based compensation awards	(5)	(9)
Net cash provided by financing activities	<u>6,339</u>	<u>13,584</u>
Net decrease in cash and cash equivalents	(2,876)	(1,085)
Cash and cash equivalents at beginning of year	3,015	4,100
Cash and cash equivalents at end of year	<u>\$ 139</u>	<u>\$ 3,015</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW ACTIVITIES:		
Cash paid for interest	<u>\$ 229</u>	<u>\$ 35</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Capitalized assets and capitalized software included in accounts payable	<u>\$ 307</u>	<u>\$ 261</u>
Common stock issued for lease termination	<u>\$ –</u>	<u>\$ 200</u>
Common stock issued to reduce notes payable	<u>\$ 550</u>	<u>\$ –</u>
Assets acquired under a right of use (“ROU”) operating lease	<u>\$ 1,461</u>	<u>\$ –</u>
Assets acquired under a ROU finance lease	<u>\$ –</u>	<u>\$ 5</u>

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

INTRUSION INC. AND SUBSIDIARIES
NOTES TO 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 Company will continue as a going concern. As of December 31, 2023, the Company had cash and cash equivalents of \$0.1 million and a working capital deficit of \$13.1 million. In addition, the Company has incurred net operating losses during the last four years. These conditions raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date of these financial statements. The Company’s principal source of cash for funding operations in 2023 has been net proceeds received through the issuance of common stock using the Company’s ATM program which provided \$4.7 million, a private placement offering completed in November 2023 of \$2.3 million, and net funds through changes in working capital which includes receipt of the remaining ERC refund in the March quarter of \$1.4 million. Subsequent to December 31, 2023, through the date of these financial statements, the Company has received \$0.5 million in net proceeds from the sale of the ATM. Management plans to fund the operations of the Company through additional debt or equity financing and the issuance of common stock. If the Company is not able to obtain additional debt or equity financing or raise adequate funds under the Company’s ATM program, the Company may be unable to implement the Company’s business plan, fund its liquidity needs or even continue its operations. The financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that may be necessary if the Company is unable to continue as a going concern.

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, 2023, and 2022, the Company had approximately \$0.1 million and \$3.0 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, 2023, 2022, and January 1, 2022, the Company had accounts receivable balances of \$0.4 million, \$0.5 million, and \$1.0 million, respectively. As of December 31, 2023, the Company had an allowance for credit losses of \$0.1 million. The Company did not recognize an allowance for credit losses as of December 31, 2022.

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 46.2% of total revenues attributable to six government customers and 65.8% of total revenues attributable to seven government customers for the years ended December 31, 2023, and 2022, respectively. Two individual government customers and two individual commercial customers during the year ended December 31, 2023, individually accounted for over 10% of total revenues and during the year ended December 31, 2022, three government customers and two commercial customers, individually accounted for over 10% of total revenues. For 2023, four customers represent 86% of total revenue. For 2022, five customers represent 90% of total revenue. For *Shield*, one customer accounts for 79% and 68% of *Shield* revenue for 2023 and 2022, respectively. 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.

Prepaid Expenses and Other Assets

The Company's prepaid expenses and other assets balance is 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 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 such activities 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 and \$0.6 million for the years ended December 31, 2023, and 2022, respectively.

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, 2023, and 2022, there was no impairment of long-lived assets.

Leases

The Company accounts for leases using the 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' 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 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.

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 recognize 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 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, 2023, and 2022, the Company had accounts receivable balance of \$0.4 million and \$0.5 million, respectively. As of December 31, 2023, the Company had an allowance for credit losses of \$0.1 million. The Company did not recognize an allowance for credit losses as of December 31, 2022.

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, 2023, and 2022 (in thousands):

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Balance at beginning of year	\$ 455	\$ 560
Additions	4,727	1,877
Revenue recognized	(4,743)	(1,982)
Balance at end of year	<u>\$ 439</u>	<u>\$ 455</u>

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 2023 and 2022 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 sales 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 \$0.1 million and \$0.5 million for 2023 and 2022, respectively.

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, 2023, tax returns related to fiscal years ended December 31, 2020, through December 31, 2022, 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, 2019, through December 31, 2022. 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, 2023, and 2022 totaled 182 thousand and sixty-six thousand, respectively. Since the Company is in a net loss position for the year ended December 31, 2023, and 2022, basic and dilutive net loss per share is the same.

Recent Accounting Pronouncements

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 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,	
	2023	2022
Contract assets	\$ 304	\$ –
Prepaid insurance	143	107
Prepaid licenses	14	98
Employee retention credit receivable	–	1,363
Prepaid other	174	309
Total prepaid expenses and other assets	<u>\$ 635</u>	<u>\$ 1,877</u>

The Company had no contract assets as of January 1, 2022.

4. Accrued Expenses

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

	December 31,	
	2023	2022
Accrued legal and professional fees	\$ 6	\$ 189
Accrued payroll	141	195
Employee benefits payable	23	36
Other	52	26
Total accrued expenses	<u>\$ 222</u>	<u>\$ 446</u>

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 a three-year life 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 commences upon completion of tenant improvements. A temporary lease has been signed and is effective until tenant improvements are complete. The data service center operating lease liability has a life of one year nine months as of December 31, 2023.

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

	December 31,	
	2023	2022
Assets:		
Finance leases, right-of-use assets, net	\$ 382	\$ 1,048
Operating leases, right-of-use assets, net	1,637	504
Total lease assets	<u>\$ 2,019</u>	<u>\$ 1,552</u>
Liabilities:		
Current:		
Finance leases liabilities, current portion	\$ 384	\$ 667
Operating leases liabilities, current portion	178	294
Noncurrent:		
Finance leases liabilities, noncurrent portion	3	10
Operating leases liabilities, noncurrent portion	1,539	231
Total lease liabilities	<u>\$ 2,104</u>	<u>\$ 1,202</u>
Weighted average remaining lease term – Finance leases	0.58 years	1.58 years
Weighted average remaining lease term – Operating leases	9.66 years	2.20 years
Weighted average discount rate – Finance leases	3.32%	3.37%
Weighted average discount rate – Operating leases	7.67%	3.42%

As the implicit rate is not readily determinable for the Company's lease agreement, the Company uses an estimated incremental borrowing rate to determine the initial present value of lease payments. This discount rate for the lease approximates the federal reserves' prime rate.

Certain of the Company's 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 on the Statement of Operations (in thousands):

	Year Ended	
	December 30, 2023	December 31, 2022
Operating expense:		
Amortization expense – Finance ROU	\$ 666	\$ 665
Lease expense – Operating ROU	329	304
Other expense:		
Interest expense – Finance ROU	13	35
Total Lease Expense	\$ 1,008	\$ 1,004

Other supplemental information related to the Company's leases are as follows:

	Year Ended	
	December 30, 2023	December 31, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ (261)	\$ (1,085)
Financing cash flows for finance leases	(290)	(645)

Future minimum lease obligations consisted of the following as of December 31, 2023 (in thousands):

Year ending December 31,	Operating ROU Leases	Finance ROU Leases	Total
2024	\$ 310	\$ 384	\$ 694
2025	256	3	259
2026	196	–	196
2027	165	–	165
2028	223	–	223
Thereafter	1,517	–	1,517
	<u>\$ 2,667</u>	<u>\$ 387</u>	<u>\$ 3,054</u>
Less Interest*	(950)	–	
	<u>\$ 1,717</u>	<u>\$ 387</u>	

*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 extend 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.

The Company evaluated both the First and Second Note in accordance with ASC Topic 480 "*Distinguishing Liabilities from Equity*" because the promissory note (1) embodies an unconditional obligation, (2) may require the Company to settle the optional redemption obligation by issuing a variable number of common shares, and (3) is based solely on a fixed monetary amount known at inception.

The lender does not benefit if the fair value of the Company's common stock increases and does not bear the risk that the fair value of the Company's common stock might decrease. In accordance with ASC Topic 480, the promissory notes have been recorded as a liability and the company is recording interest expense over the term of the promissory note, using the interest method from ASC Topic 835-30, to accrete the carrying amount of the promissory note up to the redemption common stock settlement amount.

In 2023 and 2022, the Company paid \$0.4 million and \$1.5 million in cash principal payments on the notes, respectively. The Company has recorded debt issue costs totaling \$1.8 million associated with the issuance and amendment of the notes which are being amortized over their respective terms. As of December 31, 2023, the balance of unamortized debt issuance costs for both notes were \$0.4 million.

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.

For the years ended December 31, 2023, and 2022, the Company recorded \$1.7 million and \$2.3 million of interest expense, respectively, in the accompanying Consolidated Statement of Operations. The interest recorded associated with the promissory notes increases the associated notes payable on the accompanying Consolidated Balance Sheets. As a result of the Forbearance Agreement and subsequent amendment discussed above, the balance of the notes payable matures in September 2024 and December 2024. The effective interest rate of the notes payable including amortization of the debt issuance costs and accretion of BCF is 20.3% and 18.1% for the First and Second Note, respectively.

On March 7, 2024, the Company exchanged an additional \$0.2 million in principal on the Streeterville First Note for 52.2 thousand shares of common stock. Additionally, on March 15, 2024, the Company exchanged \$9.3 million in aggregate principal for 9,275 shares of newly designated Series A preferred stock. The issuance of both the common and preferred shares was made pursuant to the exemption from the registration requirements afforded by the Securities Act. This most recent exchange resulted in the Streeterville Second Note being paid in full and \$0.5 million remaining outstanding on the Streeterville First Note.

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

The Company is periodically involved in various litigation claims asserted in the normal course of business. The Company believes these actions are routine and incidental to the business. While the outcome of these actions cannot be predicted with certainty, the Company does not believe that any will have a material adverse impact on the Company's business.

Class Action Litigation

On April 16, 2021, a class action lawsuit was filed in the United States District Court, Eastern District of Texas, Sherman Division, captioned Celeste v. Intrusion Inc. et al., Case No. 4:21-cv-00307 (E.D. Tex.) against the Company, the Company's now-former chief financial officer, and now-former chief executive officer alleging, among other things, that the defendants made false and/or misleading statements or omissions about the Company's business, operations, and prospects in violation of Section 10(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 10b-5 promulgated thereunder, as well as Section 20(a) of the Exchange Act. The Celeste lawsuit claimed compensatory damages and legal fees.

On May 14, 2021, a related class action lawsuit was filed in the United States District Court, Eastern District of Texas, Sherman Division, captioned Neely v. Intrusion Inc., et al., Case No. 4:12-cv-00374 (E.D. Tex.) against the Company, the Company's now-former chief financial officer, and now-former chief executive officer. The Neely lawsuit alleged the same violations under the federal securities laws as those alleged in the Celeste lawsuit. The Neely lawsuit also sought compensatory damages and legal fees.

On November 23, 2021, the Court consolidated the Celeste and Neely actions, and appointed a lead plaintiff and lead plaintiff's counsel. The lead plaintiff filed his amended complaint on February 7, 2022.

The parties to the consolidated action held a mediation on April 5, 2022, at the conclusion of which the parties executed a settlement term sheet setting forth the material terms associated with the resolution of the action, subject to the preparation of formal documents and a plan of distribution approved by the Court. The settlement agreement was subject to certain terms and conditions and received final approval by the Court on December 16, 2022. At that time, a final judgment was entered dismissing the case, with the Court retaining jurisdiction over the action for purposes of enforcing the terms of the class settlement agreement. The \$3.3 million settlement was paid by the Company's insurance provider under its insurance policy as the Company's retention had previously been exhausted.

The lead plaintiff in the class action filed a motion for distribution of settlement funds on February 21, 2023. The Court approved the parties' class action settlement and plan of allocation on March 22, 2023, and cancelled the previously rescheduled March 31, 2023, hearing on the motion for distribution, all remaining matters in the class action then-pending having been fully and finally adjudicated.

Securities Investigation

On August 8, 2021, the Company received a notification from the Securities and Exchange Commission, Division of Enforcement, that it was investigating captioned *In the Matter of Intrusion Inc.* and requesting the Company produce certain documents and information. On November 9, 2021, the Securities and Exchange Commission served a subpoena to the Company in connection with this investigation which formally requested substantially similar information as in the prior request. On September 26, 2023, the Company consented to the entry of final judgment, in the action styled *Securities and Exchange Commission v Intrusion Inc.*, No. 4:23-cv-00859 (E.D. Tex. filed September 26, 2023). On October 5, 2023, the court approved the final judgment with no penalties assessed against the Company.

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. A hearing is scheduled for April 3, 2024, to obtain court approval of the settlement, agreement for the court to rule upon any objections to the proposed settlement, and for entry of final judgment in the matter.

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, 2023, the Company has received proceeds of approximately \$4.7 million net of fees from the sale of common stock pursuant to the program. As of December 31, 2023, the Company has received proceeds of approximately \$12.2 million net of fees from the sales of 498 thousand shares of common stock since the inception of the program.

Registered Direct Offering

On September 12, 2022, the Company entered in a Securities Purchase Agreement (the “Purchase Agreement”) with certain purchasers to issue and sell to the purchasers an aggregate of 68,934 shares of the Company’s common stock (the “Shares”) each of which was coupled with a warrant to purchase one share of common stock (the “Warrants”) at an aggregate offering price of \$85.80 per share and warrant, such offering is hereinafter referred to as the “registered direct offering”. Each warrant has an exercise price of \$104.40 per share of common stock, subject to adjustment for stock splits, reverse stock splits, stock dividends and similar transactions and is exercisable from the date of the issuance through September 14, 2027. The Company delivered 46,975 Shares and Warrants on or about September 14, 2022. After September 30, 2022, the Company issued an additional 13,666 Shares and related Warrants as a result of delayed closings. On November 10, 2022, the Company reached an agreement with the sole remaining delayed basis investor in the registered direct offering to reduce the purchaser’s subscription by \$0.7 million and, accordingly, reduce the Company’s obligation to issue securities. Following the final closing, the Company had received from the registered direct offering total aggregate proceeds of \$5.2 million in exchange for the issuance of an aggregate of 60,641 Shares and Warrants to purchase 60,641 Shares.

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.

9. Common Stock Warrants

On December 31, 2023, the Company had 60,641 warrants to purchase one share of common stock at an exercise price of \$104.40 and warrants to purchase 435,926 shares of common stock at an exercise price of \$12.00.

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, 2023, 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 fifty thousand 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 125 thousand 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 and employees, non-employee. Board members and independent contractors are eligible to participate in the Discretionary Option Grant and Stock Issuance Programs. During the year ended December 31, 2021, the Board of Directors (“Board”) approved a new clause to the 2015 Plan, to accelerate the vesting of any unvested equity grants held by outside directors upon their retirement from the Board.

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	113
2015 Plan	27
2005 Plan	4
Total	<u>144</u>

Total stock-based compensation expense is included in operating expense on the statement of operations of \$1.0 and \$1.5 million for the years ended December 31, 2023, and 2022, respectively.

Restricted Stock Awards

During the year ended December 31, 2023, the Company granted 10.7 thousand restricted stock awards (“RSAs”) compared to 6.6 thousand similar awards in the same period in 2022. The Company recognized compensation expense related to RSAs of \$0.4 million, for the year ended December 31, 2023, compared to \$0.6 million for the year ended December 31, 2022. As of December 31, 2023, the total unrecognized compensation cost related to non-vested RSAs not yet recognized in the Consolidated Statement of Operations totaled \$0.1 million. This amount is expected to be recognized over a weighted-average period of 0.4 years.

The following table summarizes the activities for the Company’s unvested RSAs in Intrusion Inc. stock for the year ended December 31, 2023:

	Unvested Restricted Stock Awards	
	Number of Shares (in thousands)	Weighted-Average Grant-Date Fair Value
Unvested as of December 31, 2022	8	\$ 57.60
Granted	11	26.20
Vested	(8)	56.60
Forfeited/canceled	—	—
Unvested as of December 31, 2023	11	\$ 28.20

Stock Option Awards

During the year ended December 31, 2023, the Company granted 31.4 thousand stock options awards compared to 16.7 thousand similar awards in the same period in 2022. The Company recognized compensation expenses related to stock options of \$0.6 million and \$0.9 million, for the year ended December 31, 2023, and 2022, respectfully. As of December 31, 2023, the total unrecognized compensation cost related to non-vested options not yet recognized in the Consolidated Statement of Operations totaled \$0.3 million. 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, 2023, and 2022 is as follows:

	2023		2022	
	Number of Options (in thousands)	Weighted Average Exercise Price	Number of Options (in thousands)	Weighted Average Exercise Price
Outstanding at beginning of year	33	\$ 104.40	31	\$ 129.40
Granted	31	24.80	17	72.60
Exercised	(4)	9.60	(5)	13.40
Forfeited	(8)	86.40	(8)	163.20
Expired	(2)	156.00	(2)	269.40
Outstanding at end of year	50	\$ 62.40	33	\$ 104.40
Options exercisable at end of year	23	\$ 85.60	14	\$ 82.60

Information related to stock options outstanding on December 31, 2023, is summarized below:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Outstanding at 12/31/23 (in thousands)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Exercisable at 12/31/23 (in thousands)	Weighted Average Exercise Price	
\$7.00 - \$23.00	1	3.87	\$ 12.60	1	\$ 13.20	
\$24.20 - \$36.40	31	8.12	\$ 25.80	8	\$ 29.60	
\$41.00 - \$61.60	1	0.99	\$ 41.20	1	\$ 41.20	
\$63.80 - \$95.80	12	8.03	\$ 75.20	9	\$ 76.40	
\$174.40 - \$261.60	4	9.96	\$ 240.60	3	\$ 235.80	
\$470.40 - \$715.60	1	7.17	\$ 470.40	1	\$ 470.40	
\$7.00 - \$715.60 (all)	50	7.81	\$ 62.40	23	\$ 85.60	

Summarized information about outstanding stock options as of December 31, 2023, that are expected to vest in the future as well as stock options that are fully vested and currently exercisable, are as follows:

As of December 31, 2023	Outstanding Stock Options (Expected to Vest)	Options that are Exercisable
Number of outstanding options (in thousands)	50	23
Weighted average remaining contractual life	7.81 years	6.23 years
Weighted average exercise price per share	\$ 62.40	\$ 85.60
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 fiscal years ended December 31, 2023, and 2022, respectively:

	2023	2022
Weighted average grant date fair value	\$ 21.60	\$ 66.40
Weighted average assumptions used:		
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	3.68%	2.17%
Expected volatility	114.17%	129.54%
Expected life (in years)	6.44	6.76

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, 2023, and 2022.

12. Related Party Transactions

During 2023 and 2022, the Company retained legal services of a third-party law firm for which the Company’s Chief Executive Officer is a senior advisor. The Company recognized \$0.1 and \$0.3 million for the years ended December 31, 2023, and 2022 respectively in general and administrative expense on the Consolidated Statements of Operations. On December 31, 2023, and 2022, \$0.1 and \$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.

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, 2023, and 2022 are as follows (in thousands):

	December 31	
	2023	2022
Net operating loss carryforwards	\$ 15,998	\$ 15,994
Net operating loss carryforwards of foreign subsidiaries	56	56
Depreciation expense	(182)	(73)
Stock-based compensation expense	528	349
Other	546	830
Net deferred tax assets	16,946	17,156
Valuation allowance for net deferred tax assets	(16,946)	(17,156)
Net deferred tax assets, net of valuation allowance	<u>\$ —</u>	<u>\$ —</u>

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 2023 and 2022.

The differences between the provision for income taxes and income taxes computed using the federal statutory rate for the years ended December 31, 2023, and 2022 are as follows (in thousands):

	<u>2023</u>	<u>2022</u>
Reconciliation of income tax benefit to statutory rate:		
Income benefit at statutory rate	\$ (2,917)	\$ (3,409)
State income taxes (benefit), net of federal income tax benefit	(109)	(107)
Permanent differences	(427)	89
Change in valuation allowance	(211)	(5,899)
Expiring federal net operating losses	3,341	9,745
Other	323	(419)
Income tax provision	<u>\$ —</u>	<u>\$ —</u>

On December 31, 2023, the Company had federal net operating loss carryforwards of approximately \$76.1 million for income tax purposes that begin to expire in 2024 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 periods 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

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. Under the Promissory Note, the Company shall make principal payments to Scott in the amount \$40 thousand per week each week prior to its maturity on June 15, 2024 ("Weekly Payments"). Interest accrues on the balance of the Promissory Note prior to its maturity at a rate of 7.0% per annum, compounded daily. In connection with the issuance of the Promissory Note, the Company and Scott also entered into a security agreement, which provides, according to its terms, a security interest in all accounts receivable or other receivables now existing or subsequently created prior to the payment of the Promissory Note, subject to prior permitted liens.

On February 1, 2024, the Company presented to the Nasdaq Hearings Panel its plan for regaining and sustaining compliance with all applicable requirements for continued listing on Nasdaq. On February 8, 2024, the Company was notified that the Panel had granted the Company's request for continued listing, and on February 15, 2024, the Company received a revised written notice from Nasdaq (the "Nasdaq Letter") regarding the Panel's grant of the Company's request for continued listing on the Nasdaq Capital Market until April 23, 2024.

On March 4, 2024, and March 11, 2024, the Company's Board of Directors approved entry into a warrant inducement (the "Inducement Letters") to lower the exercise price of the warrants issued in connection with the September 2022 registered direct offering and November 2023 private offering to the current Nasdaq minimum price. Pursuant to the terms of the Inducement Letters, the Company offered holders of the September 2022 and November 2023 warrants the opportunity to exercise the warrants at a reduced exercise price of \$3.80 and \$4.00 per share, respectively during the period beginning on March 4, 2024, and continuing through March 29, 2024.

On March 7, 2024, the Company agreed to exchange \$0.2 million aggregate principal amount of that certain Promissory Note #1 dated March 10, 2022, in the original principal amount of \$5.4 million, dated March 10, 2022, by and between Streeterville Capital, LLC, a Utah limited liability company, and the Company for an aggregate of 52,247 shares of its common stock, par value \$0.01 per share. The issuance of the 52,247 shares of its common stock is pursuant to the exemption from the registration requirements afforded by Section 3(a)(9) of the Securities Act.

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.

Also on March 15, 2024, the Company agreed to exchange \$9.3 million aggregate principal of the Streeterville First and Second Note for 9,275 shares of Series A preferred stock. The issuance of the Series A is pursuant to the exemption from the registration requirements afforded by Section 3(a)(9) of the Securities Act.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 333-258491) and Form S-8 (File Nos. 333-125816, 333-167577 and 333-224810) of our report dated April 1, 2024 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, 2023.

/s/ Whitley Penn LLP

Dallas, Texas
April 1, 2024

OFFICE LEASE

C

This Lease (the "Lease") is made this September 29, 2023 ("Effective Date") by and between **JBA Portfolio, LLC**, a Delaware limited liability company with an address of 7324 Southwest Freeway, Suite 1900, Houston, TX, 77074 ("**Landlord**") and **Intrusion Inc.**, a Delaware corporation ("**Tenant**").

BASIC LEASE PROVISIONS

BUILDING: The improvements known as Plano Tower located on the Project at the Address (the "**Building**").

PROJECT: The property described by legal description attached as Exhibit "C", including the Building (the "**Project**").

ADDRESS: 101 E. Park Blvd. Plano, TX, 75074

SUITE #: 1200

RENTABLE SQUARE FEET: Rentable Square Feet ("**RSF**") shall be calculated according to the Building Owner's and Manager's Association International ("**BOMA**") standards, namely the "Standard Method of Measuring Floor Area in Office Buildings – American National Standard," ANSI Z65.1-1996 (Revisions of ANSI Z65.1-1980) approved June 7, 1996 by American National Standards Institute, Inc. as interpreted by written guidance published by BOMA entitled "Answers to 26 Key Questions About the ANSI/BOMA Standard for Measuring Floor Area in Office Buildings."

PREMISES: 10,705 rentable square feet ("**RSF**") located on the 12th Floor of the Building as depicted on Exhibit "B" (the "**Premises**").

TERM: Eleven years One month (the "**Term**").

COMMENCEMENT DATE: December 1, 2023, or upon Substantial Completion of Tenant Improvements, whichever is later (to be further clarified in the Commencement Date Memorandum in

Exhibit “I”). The Parties anticipate that **Tenant Improvements** will be completed on or before **December 1, 2023** (the “**Target Completion Date**”). If the **Tenant Improvements** are not completed by the **Target Completion** due to a **Landlord Delay**, **Rent** shall be abated as provided in **Article 5** of **Exhibit G**.

EXPIRATION

DATE: See **Exhibit “I”**.

SECURITY DEPOSIT: Upon Lease execution Tenant shall pay to Landlord a security deposit in the amount of seventeen thousand three hundred ninety-five dollars and sixty-three cents (\$17,395.63) (the “**Security Deposit**”).

PRE-PAID RENT: Upon Lease execution Tenant shall pay to Landlord one month of rent in the amount of seventeen thousand three hundred ninety-five dollars and sixty-three cents (\$17,395.63).

BASE RENT SCHEDULE:

Lease Months	\$/SF-YR	Monthly
1-5	\$0.00	\$0.00
6-17	\$19.50	\$17,395.63
18-21	\$0.00	\$0.00
22-33	\$20.00	\$17,841.67
34-37	\$0.00	\$0.00
38-49	\$20.50	\$18,287.71
50-61	\$21.00	\$18,733.75
62-73	\$21.50	\$19,179.79
74-85	\$22.00	\$19,625.83
86-97	\$22.50	\$20,071.88
98-109	\$23.00	\$20,517.92
110-121	\$23.50	\$20,963.96
122-133	\$24.00	\$21,410.00

BASE OPERATING

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EXPENSE

(2024, 95% GROSS UP): "Base Operating Expenses" shall mean the actual Operating Expenses for calendar year 2024 (the "Base Year").

TENANT'S INITIAL

PRO RATA

SHARE: 10,705 / 225,445 = 4.75%

TENANT ADDRESS:

101 E. Park Blvd., Suite 12000, Plano, TX 75074

Attn: Paul Little

PHONE #: (469) 750-0093

EMAIL: paul.little@intrusion.com

With required copy to:

101 E. Park Blvd., Suite 1200, Plano, TX 75074

Attn: Doug Haloftis, General Counsel

Phone #: 469.947.6453 (work) 202.330.1490 (mobile)

EMAIL: doug.haloftis@intrusion.com

(Tenant shall notify Landlord of any changes to its address or email account)

LANDLORD ADDRESS (FOR RENT PAYMENTS):

JBA Portfolio, LLC

PO BOX 4737

Houston, TX 77210-4737

PHONE #: 214-651-7368

EMAIL: john.rentz@boxerproperty.com

(Landlord shall notify Tenant of any changes to its rent payment information)

(FOR ALL OTHER PURPOSES):

JBA Portfolio, LLC

7324 Southwest Freeway, Suite 1900

HOUSTON, TEXAS 77074

PHONE #: 214-651-7368

EMAIL: john.rentz@boxerproperty.com

(Landlord shall notify Tenant of any changes to its notification information)

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LEASE PROVISIONS

THIS LEASE is made by and between Landlord and Tenant. In consideration of the mutual covenants and agreements herein set forth, and any other consideration, Landlord leases the Premises to Tenant and Tenant leases the Premises from Landlord.

1. **TERM.** The Term of this Lease shall commence on the Commencement Date and continue to the Expiration Date, as such date may be extended pursuant to any Renewal Option, unless sooner terminated as provided hereinafter.
2. **ACCEPTANCE OF PREMISES.** Tenant is currently in possession of the Premises pursuant to a pre-existing sublease. Except for the work described in Exhibit "G" and Exhibit "H", the Premises are accepted by Tenant in "as is" condition and configuration, and there are no representations or warranties of any kind, express or implied, by Landlord regarding the Premises, the Building, or the Project. Tenant hereby agrees that the Premises as currently configured are in good order and satisfactory condition (subject to the completion of the required work described on Exhibit "G" and Exhibit "H"). Tenant waives all claims due to defects in the Premises, the Building and/or the Project as the Premises are currently configured (subject to the completion of the required work described on Exhibit "G" and Exhibit "H"; it being understood that Tenant does not waive any claims related to the required work described on Exhibit "G" and Exhibit "H"). Tenant waives the right to terminate this Lease due to the current condition of the Premises, the Building, or the Project as currently configured (subject to the completion of the required work described on Exhibit "G" and Exhibit "H"); it being understood that Tenant does not waive the right, if any, to terminate this Lease due to failure of Landlord to satisfactorily complete the required work described on Exhibit "G" and Exhibit "H".
3. **USE OF PREMISES.** Tenant will use the Premises for office purposes only. Tenant shall not: permit more than five (5) persons per 1,000 square feet to occupy the Premises at any time; use or occupy the Building for any purpose which is unlawful or inherently dangerous; cause a nuisance, disturb the quiet enjoyment for all of the Building, emit offensive odors or conditions into other portions of the Building; sell, purchase, or give away, or permit the sale, purchase or gift of food in the Building by its employees, or use any apparatus which might create undue noise or vibrations; or conduct any crypto mining or other high electricity demand activities. Tenant shall not permit anything to be done which would increase any insurance rates on the Building or its contents, and if there is any increase in insurance rates on the Building directly caused by Tenant, then Tenant agrees to pay such increase in insurance rates directly caused by Tenant promptly upon demand therefor by Landlord; however, any such payment shall not waive Tenant's duty to comply with this Lease. Landlord and any agent thereof does not represent or warrant that the Premises or Building conform to applicable restrictions, ordinances, requirements, or other matters that may relate to Tenant's

intended use, or with respect to the presence on, in or near the Premises or Building of hazardous substances, biological matter (including, but not limited to, mold, mildew and fungi) or materials which are legally defined as hazardous or toxic (except for cleaning substances used in reasonable amounts for their intended purpose). *Landlord does not make any representations as to the suitability, condition, layout, footage, expenses, or operation of the Premises, except as specifically set forth herein, and tenant expressly acknowledges that no such representations have been made. Landlord makes no other warranties, express or implied, or merchantability, marketability, or fitness, and any implied warranties are hereby expressly disclaimed.* Tenant must satisfy itself that the Premises may be used as Tenant intends by independently investigating all matters related to its intended use.

4. **BASE RENT AND SECURITY DEPOSIT.** Except as provided for in this Lease, Tenant will pay to Landlord without deduction or setoff, Rent for each month of the Term. "Rent" means Base Rent, the Operating Expense reimbursements pursuant to Section 5, the parking rent, plus other amounts provided for in this Lease to be paid by Tenant, all of which shall constitute rental in consideration for this Lease and the leasing of the Premises including any charges and late fees. The Security Deposit shall be held by Landlord, without interest, as security for Tenant's performance under this Lease, and not as an advance payment of rent or a measure of Landlord's damages. Upon an Event of Default (defined below) or any damage to the Building or Premises caused by Tenant, its employees or invitees, Landlord may, without prejudice to any other remedy, use the Security Deposit to cure such Event of Default or repair any damage, by providing a written notice to Tenant detailing the damages Landlord alleges have been caused by Tenant and the resultant amounts applied from the Security Deposit therefor. Following any application of the Security Deposit, Tenant shall, on demand, restore the Security Deposit to its original amount. If Tenant is not in default hereunder, any remaining balance of the Security Deposit shall be returned to Tenant upon termination of this Lease. If Landlord transfers its interest in the Premises, Landlord may assign the Security Deposit to the transferee and thereafter shall have no further liability for the Security Deposit so long as the transferee acknowledge its receipt thereof and liability to Tenant therefor. Rent is due, and must be received by Landlord, by the **first** day of every month, at the address specified by Landlord in either in this Lease (or as updated in writing). Landlord and its manager will not accept cash payments. Tenant agrees to pay by check, EFT, cashier's check, or certified funds only.
5. **OPERATING EXPENSE REIMBURSEMENT.**
 - (a) Calculation. In the event that Operating Expenses (defined in Section 6) of the Building during any calendar year of the Term shall exceed the Base Operating Expense for the Building, Tenant shall pay to Landlord its Pro Rata Share of the increase in such Operating Expenses over the Base Operating Expense. "**Tenant's Pro Rata Share**" means the proportion that the rentable square footage

occupied by Tenant bears to the total rentable square footage of the Building, as determined by Landlord (said Pro Rata Share shall be adjusted in the event the rentable area of the Building or the Project is increased or decreased). If the Project consists of more than one building, the Landlord reserves the right to contract for services and/or utilities on a Project wide basis. In such instance, Tenant's Percentage Share for such Project wide services, utilities or other costs shall be calculated based upon the rentable square footage of the Premises compared to the rentable square footage of the Project (instead of the Building). Controllable expenses, which shall be defined as all expenses other than Taxes, Insurance and Utilities, shall be capped at five percent (5%) per year

- (b) Payment. On or before the first anniversary of the Commencement Date, Landlord shall provide to Tenant the Estimated Operating Expense Increase for the calendar year during which the Commencement Date falls. Thereafter, from time to time (but no later than 30 days after each anniversary of the Commencement Date, Landlord shall provide to Tenant the Estimated Operating Expenses Increase (or an amendment thereto) for any year. In addition to the Base Rent, Tenant shall pay in advance on the first day of each calendar month during the Term, installments equal to 1/12th of Tenant's Pro Rata Share of the Estimated Operating Expense Increase. After the Base Year (as defined above), Landlord shall furnish to Tenant a statement certified by Landlord of the Actual Operating Expenses Increase for the immediately preceding calendar year, which statement shall specify the various types of Operating Expenses and set forth Landlord's calculations of Tenant's Pro Rata Share of the Actual Operating Expenses Increase. If Tenant's Pro Rata Share of the Estimated Operating Expenses Increase paid to Landlord during the previous calendar year exceeds Tenant's Pro Rata Share of the Actual Operating Expenses Increase, then Landlord shall credit the difference to Tenant at the time Landlord furnishes the statement of the Actual Operating Expenses Increase. Otherwise, within fifteen (15) days after Landlord furnishes such statement to Tenant, Tenant shall make a lump sum payment to Landlord equal to Tenant's Pro Rata Share of the positive difference between the Actual Operating Expenses Increase and the Estimated Operating Expenses Increase theretofore paid by Tenant. The "Estimated Operating Expenses Increase" shall equal Landlord's estimate of Operating Expenses for the applicable calendar year, less the Base Operating Expenses. Landlord's statement of the Estimated Operating Expenses Increase shall control for the year specified in such statement and for each succeeding year during the Term until Landlord provides a new statement of the Estimated Operating Expenses Increase. The "Actual Operating Expenses Increase" shall equal the actual Operating Expenses for the applicable calendar year, less the Base Operating Expenses.

- (c) Audit Rights. Within 60 days after Landlord furnishes its statement of actual Operating Expenses for any calendar year (the "**Audit Election Period**"), Tenant may, at its expense, elect to audit Landlord's Operating Expenses for such calendar year only, subject to the following conditions: (1) there is no uncured event of default under this Lease; (2) the audit shall be prepared by an independent certified public accounting firm of recognized national standing chosen by Tenant; (3) in no event shall any audit be performed by a firm retained on a "contingency fee" basis; (4) the audit shall commence within 30 days after Landlord makes Landlord's books and records available to Tenant's auditor and shall conclude within 60 days after commencement; (5) the audit shall be conducted during Landlord's normal business hours at the location where Landlord maintains its books and records and shall not unreasonably interfere with the conduct of Landlord's business; (6) Tenant and Tenant's auditor shall treat any audit in a confidential manner and shall each execute Landlord's confidentiality agreement for Landlord's benefit prior to commencing the audit; and (7) the audit report prepared by Tenant's auditor shall, at no charge to Landlord, be submitted in draft form for Landlord's review and comment before the final audit report is delivered to Landlord, and any reasonable comments by Landlord shall be considered by Tenant's auditor and if appropriate in the professional judgement of Tenant's auditor, may be incorporated into the final audit report. Notwithstanding the foregoing provisions of this Section, Tenant shall have no right to conduct an audit if Landlord furnishes to Tenant an audit report for the calendar year in question prepared by an independent certified public accounting firm of recognized national standing (whether originally prepared for Landlord or another party). This paragraph shall not be construed to limit, suspend, or abate Tenant's obligation to pay Rent when due, including operating expenses. In the event Landlord has overstated Operating Expenses, Landlord shall credit any overpayment determined by the final audit report against the next Rent due and owing by Tenant or, if no further Rent is due, refund such overpayment directly to Tenant within 30 days of determination. Likewise, Tenant shall pay Landlord any underpayment determined by the final audit report within 30 days of determination. In the event that the Landlord has overstated the Operating Expenses by more than 5%, then Landlord shall pay for the audit, or if Tenant has already paid for the audit, then reimburse Tenant for the cost of the audit within 30 days of determination. The foregoing obligations shall survive the expiration or termination of this Lease. If Tenant does not give written notice of its election to audit Landlord's Operating Expenses during the Audit Election Period, Landlord's Operating Expenses for the applicable calendar year shall be deemed approved for all purposes, and Tenant shall have no further right to review or contest the same. The right to audit granted hereunder is a right of the Tenant hereunder but shall not be available to any subtenant under a sublease of the Premises.

- (d) Gross Up. Notwithstanding any provision of this Paragraph to the contrary, if the Building (or Project, as applicable) is less than ninety-five percent (95%) leased and/or occupied during any calendar year **(including the Base Year for purposes of determining Base Year Operating Expenses)**, Landlord shall make an adjustment to the Operating Expenses for the year to determine what the Operating Expenses would have been for such year if the Building would have been ninety-five percent (95%) leased and/or occupied. Such adjustment shall be made by increasing those costs included in the Operating Expenses that vary with occupancy.

- (e) **OPERATING EXPENSES**. The term “**Operating Expenses**” shall mean all costs of operating, servicing, managing, repairing, and maintaining the Project, the landscaping of Common Areas of the Project and the parking lot or garage used as parking for the Project. All costs of operating, servicing, administering, repairing, and maintaining the Project include any reasonable and necessary costs of operation, maintenance and repair, computed in accordance with sound accounting principles applied on a consistent basis, and will include by way of illustration, but not limitation:
 - (i) all necessary costs of managing, operating, repairing and maintaining the Project, including, without limitation, wages, salaries, fringe benefits and payroll burden for employees on-site utilized in the day to day operation of the Project; public liability, flood, property damage and all other insurance premiums paid by Landlord with respect to the Project, including any amounts that would be charged as premiums if Landlord self-insures any of the insurance risks; liability disclaimers; water, sewer, heating, air conditioning, ventilating, gas and all other utility charges (other than with respect to utilities separately metered and paid directly by Tenant or other tenants); the cost of contesting the validity or amount of real estate and personal property taxes; janitorial services; access control; window cleaning; elevator maintenance; fire detection and security services; gardening and landscape maintenance; all costs of snow and ice removal; trash, rubbish, garbage and other refuse removal; pest control; painting; facade maintenance; lighting; exterior and partition (demising) wall repairs; roof repairs; maintenance of all steam, water and other water retention and discharging piping, lakes, culverts, fountains, pumps, weirs, lift stations, catch basins and other areas and facilities, whether or not on-site; canal embankment and related maintenance; repair and repainting of sidewalks due to settlement and potholes and general resurfacing and maintenance of parking areas; sanitary control;

depreciation of machinery and equipment used in any of such maintenance and repair activities; management fees; union increases; road sidewalk and driveway maintenance; and all other Project maintenance, repairs and insurance;

- (ii) the costs (amortized together with a reasonable finance charge) of any capital improvements: (A) made to the Project by Landlord primarily for the purpose of reducing Operating Expenses; or (B) made to the Project by Landlord primarily to comply with any governmental law or regulation that was not in force at the Commencement Date;
- (iii) the costs of supplies, materials, tools and equipment for repairs and maintenance;
- (iv) all real and personal property taxes, assessments (whether they be general or special), sewer rents, rates and charges, transit taxes, taxes based upon the receipt of Rent, dues from any HOA or similar association, and any other federal, state or local government charge, general, special, ordinary or extraordinary (but not including income taxes), which may now or hereafter be levied or assessed against the land upon which the Project stands or the Project for such year or the furniture, fixtures, machinery, equipment, apparatus, systems and appurtenances used in connection with the Project for the operation thereof (the "Taxes").

Operating Expenses shall not include:

- (i) depreciation on the Project or any Common Areas;
- (ii) costs of space planning, tenant improvements, marketing expenses, finders' fees and real estate broker commissions;
- (iv) any and all expenses for which Landlord is reimbursed (either by an insurer, condemnor, tenant or other person or entity), but only to the extent of such reimbursement;
- (v) that portion of the salaries for on or off site personnel to the extent any of them work for other projects owned by Landlord or the Project's managing agent;
- (vi) costs in connection with services or benefits of a type which are not Project standards and are not available to Tenant, but are available to another tenant or occupant;

- (vii) mark-ups on electricity and condenser cooling water for heat pumps in excess of Landlord's costs therefore;
- (viii) Landlord's general overhead and administrative expenses not directly allocable to the operation of the Project;
- (ix) attorneys' fees and cost related to negotiating or enforcing any tenant lease, or resolving disputes with any lender of Landlord;
- x) cost of capital improvements unless meeting the requirements of **Paragraph 5(b)**;
- (xi) interest on debt or amortization payments on any mortgage/deed of trust, or Rent on any ground lease; and
- (xii) federal and state taxes on income, death, estate, or inheritance; or franchise taxes

7. **LANDLORD'S OBLIGATIONS.**

- (a) Landlord will furnish to Tenant at Landlord's expense:
 - 1) water at those points of supply provided for the general use of tenants of the Building;
 - 2) heated and refrigerated air conditioning from Monday through Friday 7:00 am to 6:00 pm, Saturday 8:00 am to 1:00 pm at such temperatures and in such amounts as reasonably considered necessary by Landlord; service on Sundays, and holidays are optional on the part of the Landlord (there is an additional \$45.00 per hour after hours HVAC usage charge).
 - 3) janitorial services to the Premises on weekdays other than holidays and window washing as may, in Landlord's judgment, be reasonably required;
 - 4) passenger elevators for ingress to and egress from the Premises, in common with other tenants;
 - 5) replacement of Building standard light fixtures; and
 - 6) electric lighting for public areas and special service areas of the Building to the extent deemed by the Landlord to be reasonable.
- (b) Landlord shall furnish electrical current required for normal office use of the Premises. Upon the Commencement Date of the Lease, and thereafter, Tenant shall pay its estimated Pro Rata Share, using the RSF of the Premises and the total RSF of the Building, of the actual cost

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incurred by Landlord of providing electricity to the Premises, the common areas of the Building and the Building (“**Electricity Cost**”). Tenant shall pay such estimated amount to Landlord in equal monthly installments, in advance on the first day of each month. Landlord shall have the right from time to time during any such calendar year of the Term (as extended herein) to revise the written estimate of Tenant's Pro Rata Share of the projected Electricity Cost and Tenant shall pay such revised estimated amount to Landlord in equal monthly installments, in advance on the first day of each month. Within a reasonable period after the end of each calendar year, Landlord shall furnish Tenant a statement indicating in reasonable detail the Electricity Cost for the preceding year and the parties shall, within thirty (30) days thereafter, make any payment or allowance necessary to adjust Tenant's estimated payments to Tenant's actual share of Electricity Cost as indicated by such annual statement. Any payment due to Landlord shall be payable by Tenant on demand from Landlord. Any amount due Tenant shall be credited against installments next becoming due.

- (c) Failure to furnish, stoppage, or interruption of these services resulting from any cause shall not render Landlord liable in any respect for damages to either person, property or business, or be construed as an eviction of Tenant, work an abatement of rent, or relieve Tenant from performance of its obligations. Should any equipment furnished by Landlord cease to function properly, Landlord shall use reasonable diligence to repair the same promptly. Landlord shall not be obligated to furnish these services if Tenant is in default under this Lease. Notwithstanding the foregoing, if any particular service (designated in section 6(a) or 6(b) and within the sole control of Landlord) is discontinued for any continuous ten (10) day period, Tenant shall have the right to abate rent payments on a per diem basis.
- 8. **IMPROVEMENTS.** Landlord leases to Tenant the space and improvements described in "**Exhibit B**" attached hereto, hereinafter referred to as the "Premises." All other improvements to the Premises shall be installed at Tenant's expense only in accordance with plans and specifications and by contractors approved, in writing, by Landlord.
 - 9. **RELOCATION.** Intentionally Omitted.
 - 10. **TENANT'S OBLIGATIONS.** Tenant will not damage the Building and will pay the cost of repairing any damage done to the Building by Tenant or Tenant's agents, employees, or invitees. Tenant shall take good care of the Premises and keep them free of waste and nuisance. Tenant must immediately notify Landlord in writing of any water leaks, mold, electrical problems, malfunctioning lights, broken or missing locks, or any other condition that might pose a hazard to property, health, or safety. Tenant will keep the Premises and all fixtures in good condition and repair. If Tenant fails to make necessary repairs within fifteen (15) days after notice from Landlord,

Landlord may, at its option, make such repairs and Tenant shall, upon demand, pay Landlord the cost thereof. At the end of the Term, Tenant shall deliver to Landlord the Premises and all improvements in good repair and condition, and all keys to the Premises in Tenant's possession. Tenant will not make or allow to be made any alterations or physical additions in or to the Premises without prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. At the end of the Term, Tenant shall, if Landlord requires, remove all alterations, physical additions or improvements as directed by Landlord and restore the Premises to substantially the same condition as on the Commencement Date. All of Tenant's fixtures, and any personal property not removed from the Premises at the end of the Term, shall be presumed to have been abandoned by Tenant and shall become the property of the Landlord.

11. **INDEMNITY.** Landlord shall not be liable for and Tenant will defend, indemnify and hold harmless Landlord from all fines, suits, claims, demands, losses, and actions, including attorney's fees, (i) for any injury to persons or damage to or loss of property on or about the Premises or in or about the Building caused by the Tenant, its employees, invitees, licensees, or by another person entering the Premises or the Building under express or implied invitation of the Tenant, (ii) arising out of Tenant's use of Premises, or (iii) caused by fire, flood, water leaks, wind, ice, snow, hail, explosion, smoke, riot, strike, interruption of utilities, theft, burglary, robbery, assault, vandalism, other persons, environmental contaminants, or other occurrences or casualty losses to the Premises. This waiver and indemnity obligation shall survive the termination or expiration of the Lease.
12. **MORTGAGES.** This Lease is subordinate to any deeds of trust, mortgages or other security interests which might now or hereafter constitute a lien upon the Building or the Premises, and Tenant shall attorn to the lender thereunder, with such attornment to be effective upon lender's acquisition of the Building. Furthermore, such lender, as successor landlord, shall not be liable for any act, omission or obligation of any prior landlord, and lender shall have the option to reject such attornment. Tenant shall, promptly upon written request, execute such reasonable documents, including reasonable estoppel letters, as may be required for the purposes of subordinating or verifying this Lease.
13. **ASSIGNMENT; SUBLEASING.** Tenant shall not assign this Lease by operation of law or otherwise (including without limitation by transfer of stock, merger, or dissolution), mortgage or pledge the same, or sublet the Premises or any part thereof, without prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned, or delayed. Landlord's consent to an assignment or subletting shall not release Tenant from any obligation hereunder, and Landlord's consent shall be required for any subsequent assignment or subletting. If Tenant desires to assign or sublet the Premises, it shall so notify Landlord at least sixty (60) days in advance of such assignment or subletting, and shall provide Landlord with a copy of the proposed assignment or sublease and any additional information requested to allow Landlord to make informed judgments as to the proposed transferee.

After receipt of notice, Landlord may elect to: (i) consent to the proposed assignment or sublease; and if the Rent and other consideration payable in respect thereof exceeds the Rent payable hereunder, Tenant shall pay to Landlord fifty percent (50%) of such excess within ten (10) days following receipt thereof by Tenant; or (ii) withhold its consent, which shall be deemed to be elected unless Landlord gives Tenant written notice otherwise.

14. **EMINENT DOMAIN.** If the Premises are taken or condemned in whole or in part for public purposes or are sold under threat of condemnation, Landlord may terminate this Lease. Landlord shall be entitled to receive the entire award of any condemnation or the proceeds of any sale in lieu thereof.
15. **ACCESS.** Landlord and its agents may, at any time, enter the Premises to: inspect, supply janitorial or other services; show the Premises to prospective lenders, purchasers or tenants; alter, improve, or repair the Premises or the Building (including erecting scaffolding and other necessary structures where reasonably required by the character of the work to be performed, provided the business of Tenant and its access to the Premises shall be interfered with as little as is reasonably practicable). Tenant waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, or any other loss occasioned by Landlord's entry into the Premises so long as Landlord acts in accordance with this Section. Landlord shall at all times have a key to the Premises but shall not enter the Premises without providing 24 hours prior written notice, provided however, no notice shall be required in the event of an emergency and Landlord may use any means which it reasonably deems necessary and proper to open any door in an emergency without liability therefor. Landlord reserves the right to prevent access to or close the Building as reasonably determined by Landlord for the protection of the Building, its tenants, and visitors.
16. **CASUALTY.** If the Building should be totally destroyed by casualty or if the Premises or the Building be so damaged that Landlord reasonably determines that repairs cannot be completed within one hundred twenty (120) days after the date of such damage, Landlord or Tenant may terminate this Lease. Landlord shall not be required to rebuild, repair, or replace any part of the furniture, equipment, fixtures, and other improvements which may have been placed by Tenant in the Premises. Any insurance which may be carried by Landlord or Tenant against loss or damage to the Building or the Premises shall be for the sole benefit of the party carrying such insurance.
17. **WAIVER OF SUBROGATION.** Tenant waives every claim that arises or may arise in its favor against the Landlord or any other tenant of the Building during the Term, for any injury to or death of any person or any loss of or damage to any of Tenant's property located within or upon or constituting a part of the Premises, to the extent such injury, death, loss or damage is or could be covered by any insurance policies, whether or not such loss or damage is recoverable thereunder. This waiver shall be in addition to, and not in limitation of, any other waiver or release

contained in this Lease. Tenant shall give to each insurance company, which has issued to it any insurance policy covering the Premises or Tenant's operations, written notice of this waiver and have its insurance policies endorsed, if necessary, to prevent their invalidation by reason of this waiver. This waiver obligation shall survive the termination or expiration of the Lease.

18. **HOLDING OVER.** If Tenant fails to vacate at the end of the Term, then Tenant shall be a tenant at will and subject to all terms and conditions of the Lease, and, in addition to all other damages and remedies to which Landlord may be entitled, Tenant shall pay, in addition to the other Rent, a daily Base Rent, payable in full in advance each month, 150% of the Base Rent payable during the last month of the Term.
19. **TAXES ON TENANT'S PROPERTY.** Tenant shall be liable for all taxes levied or assessed against personal property or fixtures placed by Tenant in the Premises. If any such taxes are assessed against Landlord or Landlord's property, Landlord may pay the same, and Tenant shall upon demand, reimburse Landlord therefor. Any claim arising against Tenant by Landlord under this provision shall be assessed interest at ten percent (10%) per year until satisfied.
20. **LANDLORDS LIEN.** In addition to any statutory Landlord's lien, Tenant grants to Landlord a security interest to secure payment of all Rent and performance of all of Tenant's other obligations hereunder, in all equipment, furniture, fixtures, improvements and other personal property located in or on the Premises, and all proceeds therefrom. Such property shall not be removed from the Premises without Landlord's written consent until all Rent due and all Tenant's other obligations have been performed. In addition to any other remedies, upon an Event of Default, Landlord may exercise the rights afforded a secured party under the Uniform Commercial Code Secured Transactions for the state in which the Building is located. Tenant grants to Landlord a power of attorney to execute and file financing statements and continuation statements necessary to perfect Landlord's security interest, which power is coupled with an interest and shall be irrevocable during the Term. Any property left in the Premises at the time of a default, or termination of the Lease for whatever reason, shall be deemed abandoned, and after thirty (30) days from default or termination, the Landlord and its representative may dispose of it by any means they deem appropriate without notice to Tenant.
21. **MECHANIC'S LIENS.** Tenant shall not permit any mechanic's or other liens to be filed against the Premises or the Building for any work performed, materials furnished, or obligation incurred by or at the request of Tenant. Tenant shall, within ten (10) business days following receipt of written notice of the imposition of any such lien, cause it to be released of record by payment or posting of a proper bond, failing which Landlord may cause it to be released, and Tenant shall immediately reimburse Landlord for all costs incurred in connection therewith. The Tenant's obligations under this section

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shall survive any termination of or default under the Lease.

22. **EVENTS OF DEFAULT.** Any of the following shall constitute an event of default ("Event of Default") hereunder:

- (a) Any failure by Tenant to pay the Rent when due. Landlord shall not be required to provide Tenant with notice of failure to pay Rent.
- (b) Any failure by Tenant to observe and perform any provision of this Lease, other than the payment of Rent, that continues for five (5) days after written notice to Tenant describing such failure of performance with reasonable particularity; however, an Event of Default shall occur hereunder without any obligation of Landlord to give any notice if Landlord has given Tenant written notice under this Section on at least two (2) prior occasions during the twelve (12) month interval preceding such failure by Tenant.
- (c) Tenant: (1) being unable to meet its obligations as they become due, or being declared insolvent according to any law, (2) having its property assigned for the benefit of its creditors, (3) having a receiver or trustee appointed for itself or its property, (4) having its interest under this Lease levied on under legal process, (5) having any petition filed or other action taken to reorganize or modify its debts or obligations, or (6) having any petition filed or other action taken to reorganize or modify its capital structure if either Tenant or such is a corporation or other entity.
- (d) The abandonment of the Premises by Tenant (which shall be conclusively presumed if Tenant is (i) absent from the Premises for thirty (30) consecutive days and (ii) is also in Default on the payment of Rent).

23. **REMEDIES.** Upon any Event of Default, Landlord may, in addition to all other rights and remedies afforded Landlord hereunder or by law or equity, take any of the following actions:

- (a) Terminate this Lease by written notice to Tenant, in which event Tenant shall immediately surrender the Premises. If Tenant fails to surrender the Premises, Landlord may, without prejudice to any other remedy, enter and take possession of the Premises or any part thereof by changing the door locks or by any other means necessary in Landlord's sole judgment without being liable for prosecution or any claim for damages. If this Lease is terminated hereunder, Tenant shall pay to Landlord: (1) all Rent accrued through the date of termination, (2) all amounts due under "Events of Default", and (3) an amount equal to: (A) the total Rent that Tenant would have been required to pay for the remainder of the Term discounted to present value at a per annum rate equal to the interest rate on one-year Treasury bills as published on the nearest the date this lease is terminated by the Wall Street Journal, Southwest Edition, minus (B) the then present fair rental value of the

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Premises for such period, similarly discounted; provided, however, that in no event shall the result of the calculation in this subsection (3) result in an amount less than fifty percent (50%) of the total Rent that Tenant would have been required to pay for the remainder of the Term discounted to present value at a per annum rate equal to the interest rate on one-year Treasury bills as published on the nearest date this lease is terminated by the Wall Street Journal, Southwest Edition.

(b) Terminate Tenant's right to possession of the Premises without terminating this Lease by written notice to Tenant, in which event Tenant shall immediately surrender the Premises. If Tenant fails to surrender the Premises, Landlord may, without prejudice to any other remedy, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof by changing the door locks or by any other means necessary in Landlord's sole judgment without being liable for prosecution or any claim for damages. If Tenant's right to possession of the Premises is so terminated, Tenant shall pay to Landlord: (1) all Rent to the date of termination of possession, (2) all amounts due from time to time under "Events of Default", and (3) all Rent required hereunder to be paid by Tenant during the remainder of the Term, minus any net sums thereafter received by Landlord through reletting the Premises during such period. Landlord shall use reasonable efforts to relet the Premises on such terms and conditions as Landlord, in its sole discretion, may determine (including a term different from the Term, rental concessions, and alterations to, and improvement of, the Premises); however, Landlord shall not be obligated to relet the Premises before leasing other portions of the Building. Landlord shall not be liable for, nor shall Tenant's obligations be diminished because of, Landlord's failure to relet the Premises or to collect rent due for such reletting. Tenant shall not be entitled to any excess obtained by reletting over the Rent due hereunder. Reentry by Landlord shall not affect Tenant's obligations for the unexpired Term; rather, Landlord may, from time to time, bring action against Tenant to collect amounts due by Tenant, without the necessity of Landlord's waiting until the expiration of the Term. Unless Landlord delivers written notice to Tenant expressly stating that it has elected to terminate this Lease, all actions taken by Landlord to exclude or dispossess Tenant of the Premises shall be deemed to be taken under this Section. If Landlord elects to proceed under this Section, it may at any time elect to terminate this Lease.

(c) Change the door locks and deny Tenant access to the Premises until such Event of Default is cured.

(d) Enter the Premises without being liable for prosecution or any claim for damages and do whatever Tenant is obligated to do under the terms of this Lease. Tenant agrees to reimburse Landlord on demand for any expenses which Landlord may incur in so doing. Tenant further agrees that Landlord shall not be liable for any damages resulting to the Tenant from such action.

(e) Tenant expressly waives notice as to the disposal of any property in the Premises as of default, lockout, or termination, which has not claimed or redeemed within thirty (30) days.

24. **PAYMENT BY TENANT.** Upon any Event of Default, Tenant shall pay to Landlord all costs incurred by Landlord (including court costs and reasonable attorneys' fees) in (a) obtaining possession of the Premises, (b) removing and storing Tenant's or any other occupants' property, (c) repairing, restoring, altering, remodeling or otherwise putting the Premises into condition acceptable to a new tenant, (d) if Tenant is dispossessed of the Premises and this Lease is not terminated, reletting all or any part of the Premises (including brokerage commissions, costs of tenant finish work, and all other costs incidental to such reletting), (e) performing Tenant's obligations which Tenant failed to perform, and (f) enforcing, or advising Landlord of its rights, remedies, and recourses arising out of the Event of Default. After any default in payment by Tenant (i.e. late payment, a returned check or reversed credit card charge), the Landlord may require that Tenant make future payments by certified check, cashier's check, or money order, for so long as the Landlord may reasonably require.
25. **LANDLORD'S LIABILITY.** The liability of Landlord to Tenant for any default by Landlord under the terms of this Lease shall be limited to Tenant's actual direct, but not consequential, damages therefor and shall be recoverable from the interest of Landlord in the Building, and Landlord shall not be personally liable for any deficiency. Landlord's reservation of rights under this Lease, such as to enter upon or maintain the Premises, shall not be deemed to create any duty on the part of Landlord to exercise any such right. Landlord expressly advises Tenant that Landlord's intention is that Tenant shall have full responsibility for, and shall assume all risk to, persons and property while in, on or about the Premises.
26. **SURRENDER OF PREMISES.** No act of Landlord or its agents during the Term shall be deemed as acceptance of surrender of the Premises. No agreement to accept surrender of the Premises shall be valid unless the same is in writing and signed by the Landlord.
27. **ATTORNEYS FEES.** If Landlord employs an attorney to interpret, enforce or defend any of its rights or remedies hereunder, Tenant shall pay Landlord's reasonable attorney's fees incurred in such dispute.
28. **FORCE MAJEURE.** Whenever a period of time is prescribed for action to be taken by Landlord or Tenant, such party shall not be liable or responsible for, and there shall be excluded from the computation for any such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war, acts of terrorism, governmental laws, regulations, or restrictions, or any other causes of any kind whatsoever which are beyond the control of such party.
29. **GOVERNMENTAL REGULATIONS.** Tenant will comply with all laws,

ordinances, orders, rules, and regulations of all governmental agencies having jurisdiction over the Premises with reference to the use, construction, condition, or occupancy of the Premises. Tenant agrees that any cabling installed by or for its use during its occupancy shall meet the requirements of all applicable national and local fire and safety codes. Landlord will comply with all laws, ordinances, orders, rules and regulations of all governmental agencies having jurisdiction over the Building with reference to the use, construction, condition or occupancy of the Building.

30. **APPLICABLE LAW.** This Lease shall be governed by and construed pursuant to the laws of the state in which the Building is located.
31. **SUCCESSORS AND ASSIGNS.** Except as otherwise provided in this Lease, all of the covenants, conditions and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, successors, and assigns.
32. **SEVERABILITY.** If any provision of this Lease or the application thereof to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Lease and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.
33. **NAME.** Tenant shall not, without the written consent of Landlord, use the name of the Building for any purpose other than as the address of the business to be conducted by Tenant in the Premises, and in no event shall Tenant acquire any rights in or to such names.
34. **NOTICES.** Any notice or document required to be delivered hereunder shall be deemed to be delivered whether or not actually received, when sent via Federal Express or other overnight courier addressed to the parties hereto at their respective addresses set forth above, or delivered to Tenant's place of business in the Building, and when sent or delivered by Landlord or his representative, including its management company for the Building.
35. **DEFINED TERMS AND MARGINAL HEADINGS.** The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular. If more than one person is named as Tenant, the obligations of such persons are joint and several. The headings and titles to the sections of this Lease are not part of this Lease and shall have no effect upon the construction or interpretation of any part thereof. Captions contained herein are for the convenience of reference only and in no way limit or enlarge the terms or conditions of this Lease.
36. **AUTHORITY.** Tenant represents that Tenant (i) is duly authorized and validly existing, (ii) is qualified to do business in the state in which the Building is located, (ii) has full right and authority to enter into this Lease, and that (iii) the person signing on behalf of Tenant is authorized to do so. In the event Tenant and Landlord provide an email address to in this Lease,

Landlord and Tenant agrees that Landlord and Tenant, and their respective representatives and agents may contact Landlord and Tenant via that email address, and deliver marketing information and other announcements to such email address(es). Such email addresses, however, shall not be sufficient to be used for either Landlord or Tenant as official notices of default or other notifications which have time limits for action or response which, if missed, could result in loss of rights.

37. **LIQUIDATED DAMAGES.** If the Premises are not ready for occupancy by the Commencement Date, unless delayed by Tenant for any reason, the Base Rent shall not commence until the Premises are ready for occupancy by Tenant. Such allowance for Base Rent shall be in full settlement for any claim which Tenant might otherwise have by reason of the Premises not being ready for occupancy.
38. **INTEGRATED AGREEMENT.** This Lease contains the entire agreement of the parties with respect to any matter covered or mentioned in this Lease. No prior agreement, understanding or representation pertaining to any such matter shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties or their respective successors in interest. The Lease may be executed by the parties in multiple counterparts, which together shall have the full force and effect of a fully executed agreement between the parties. Electronic signatures by either party are valid, and Tenant agrees that the Lease and related documents and records may be created, kept, and transmitted as electronic files only.
39. **LATE FEE.** If Rent is not received by Landlord on or before the fifth (5th) day of any month, Tenant shall pay immediately upon written notice from Landlord a late fee equal to ten percent (10%) of the cumulative amount of Rent due, including Base Rent and all other amounts payable by Tenant under this Lease, including any charges and previously assessed late fees. Failure by Tenant to make immediate payment of the delinquent Rent plus the late fee shall constitute an Event of Default. This provision, expressly, does not relieve the Tenant's obligation to pay Rent on the first of each month and is not a waiver by the Landlord to require payment on the first day of each month.
40. **INTEREST ON SUMS EXPENDED BY LANDLORD.** All sums paid and all expenses incurred by Landlord in performing Tenant's duties hereunder or curing Events of Default shall accrue interest at the rate of ten percent (10%) per annum from the date of payment of such amount by Landlord. In no event, however, shall the charges permitted under this Section or elsewhere in this Lease, to the extent the same are considered to be interest under applicable law, exceed the maximum lawful rate of interest.
41. **INSURANCE.** Tenant agrees to maintain, at Tenant's sole cost and expense, insurance policies covering Tenant's use and occupancy of the Premises, as well as coverage for theft and damage. Such policies shall be issued in the

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name of Tenant and Landlord as their interest may appear or shall contain an "additional insured" endorsement in favor of Landlord, and with limits of liability of at least ONE MILLION DOLLARS (\$1,000,000.00) per occurrence for bodily injury and TWO HUNDRED THOUSAND DOLLARS (\$200,000.00) per occurrence for property damage. Duplicate originals of such policies and endorsements shall be delivered to Landlord within thirty (30) days from the execution date hereof.

42. **RULES.** Tenant shall abide by attached Building Rules and Regulations to the extent that such Building Rules and Regulations do not overtly conflict with the provisions of this Lease. Such Building Rules may be reasonably changed or amended, at any time, by Landlord to promote a safe, orderly, and professional Building environment. The Building Rules and Regulations shall be enforced equitably by Landlord.

[signature page to follow]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

TENANT:


Intrusion Inc.,
a Delaware corporation

By: 
6888880AE00CA7F
Tony Scott, President and CEO

LANDLORD:

JBA Portfolio, LLC

By: Boxer Property Management Corp.
a Texas Corporation
(Management Company for Landlord)

By:  10/10/2023
3015274E911C48E
[type in name and title of signatory]

- Exhibit "A" Building Rules and Regulations
- Exhibit "B" Premises
- Exhibit "C" Legal Description
- Exhibit "D" Renewal Option
- Exhibit "E" Termination Option
- Exhibit "F" Right of First Refusal
- Exhibit "G" Lease Improvements
- Exhibit "H" Construction Drawings
- Exhibit "I" Commencement Date Memorandum
- Exhibit "J" Information About Brokerage Services
- Exhibit "K" Parking Addendum

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Exhibit "A"
BUILDING RULES AND REGULATIONS

1. No sign, picture, advertisement, name or notice shall be inscribed, displayed or affixed on or to any part of the inside of the Building or the Premises without the prior written consent of Landlord and Landlord shall have the right to remove any such item at the expense of Tenant. All approved signs or lettering on doors and the building directory shall be printed, painted, affixed or inscribed at the expense of Tenant by a person approved by Landlord. Tenant shall not place anything in the Premises which is viewable from the common area or from outside the Building that is deemed unsightly by the Landlord; provided, however, that Landlord may furnish and install a Building standard window covering at all exterior windows. Tenant shall not, without written consent of Landlord, cover or otherwise sunscreen any window.
2. Landlord shall approve in writing, prior to installation, any attachment of any object affixed to walls, ceilings, or doors other than pictures and similar items.
3. The directory of the Building will be provided exclusively for the display of the name and location of Tenant only, and Landlord reserves the right to exclude any other names therefrom.
4. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by Tenant or used by Tenant for any purpose other than ingress to and egress from the Premises. The halls, passages, exits, entrances, elevators, stairways, balconies and roof are not for the use of the general public and the Landlord shall in all cases retain the right to control and prevent access thereto by all persons whose presence in the judgment of the Landlord shall be prejudicial to the safety, character, reputation and interests of the Building and its tenants, provided that nothing herein contained shall be construed to prevent such access to persons with whom the Tenant normally deals in the ordinary course of Tenant's business, unless such persons are engaged in illegal activities. No tenant and no employees or invitees of any tenant shall go upon the roof of the Building. Tenant shall not prop open the entry doors to Building or Premises.
5. No additional locks or bolts of any kind shall be placed upon any of the doors or windows of the Premises or the Building by Tenant, nor shall any changes be made in existing locks or the mechanisms thereof without the prior written consent of the Landlord. Tenant must, upon the termination of its tenancy, return to Landlord all keys to the Premises. If Tenant fails to return any such key, Tenant shall pay to Landlord the cost of changing the locks to the Premises if Landlord deems it necessary to change such locks.
6. The toilet rooms, urinals, wash bowls and other apparatus in the Premises or Building shall not be used for any purpose other than that of which they were constructed and no foreign substance of any kind whatsoever shall be thrown

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- therein. The expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by Tenant.
7. Tenant shall not overload the floor of the Premises, mark on, or drive nails, screw or drill into the partitions, woodwork or plaster or in any way deface the Premises or any part thereof. No boring, cutting or stringing of wires shall be permitted except with the prior written consent of and as the Landlord may direct.
 8. No furniture, freight or equipment of any kind shall be brought into the Building without the consent of Landlord and all moving of same into or out of the Building shall be done at such time and in such manner as Landlord shall designate. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving the same in and out of the Building and any damage caused by moving or maintaining such safe or other property shall be repaired at the expense of Tenant. There shall not be used in any space, or in the public halls, of the Building, either by any tenant or others, any hand trucks except those equipped with rubber tires and side guards.
 9. Tenant shall not employ any person or persons for the purpose of cleaning the Premises without the consent of Landlord. Landlord shall be in no way responsible to Tenant for any loss of property from the Premises or other damage caused by Landlord's janitorial service or any other person. Janitorial service will not include the cleaning of carpets and rugs, other than vacuuming. If the Premises requires more than building standard janitorial service, such excess service shall be at Tenant's cost.
 10. No Tenant shall place anything in the hallways of the Building. No trash shall be placed in the common area.
 11. Tenant shall only be permitted use as general office space. No tenant shall occupy or permit any portion of the Premises to be occupied for lodging or sleeping or for any illegal purposes or permit any pet within the Premises or Building.
 12. Tenant shall not use or keep in the Premises or the Building any combustible fluid or material, including the use of space heaters, and shall not permit any open flame, including candles, incense, etc.
 13. Landlord will direct electricians as to where and how telephone wiring shall be located. No boring or cutting for wires will be allowed without the written consent of Landlord. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord.
 14. No Tenant shall lay linoleum or other similar floor covering so that same shall be affixed to the floor of the Premises in any way except by a paste, or other material, which may easily be removed with water, the use of cement or other similar adhesive materials being expressly prohibited. The method

of affixing any such linoleum or other similar floor covering to the floor, as well as the method of affixing carpets or rugs to the Premises, shall be subject to approval by Landlord. The expense of repairing any damage resulting from a violation of this rule shall be borne by the tenant by whom, or by whose agents, employees, or invitees, the damage shall have been caused.

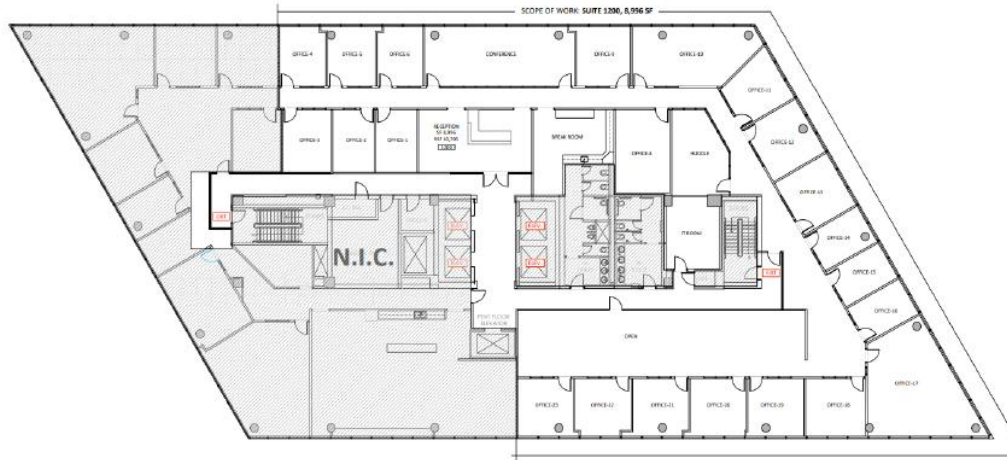
15. Tenant shall provide and use chair pads and carpet protectors at all desk and furniture locations.
16. No furniture, packages, supplies, equipment or merchandise will be received in the Building or carried up or down in the elevators, except between such hours and in such elevators as shall be designated by Landlord.
17. On Saturdays, Sundays and legal holidays and on any other days between the hours of 6:00 p.m. and 6:30 a.m., Landlord reserves the right to keep all doors to the Building locked, and access to the Building, or to the halls, corridors, elevators or stairways in the Building or to the Premises may be refused unless the person seeking access is an employee of the Building or is properly identified as a tenant of the Building. The Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of natural disaster, hurricane, tornado, evacuation, invasion, mob, riot, public excitement, or other commotion, the Landlord reserves the right to prevent access to the Building during the continuance of the same by closing the doors or closure of the Building for the safety of the tenants and protection of property in the Building.
18. Access to the Building and parking may be controlled by the use of electronic card key or by other method deemed necessary by Landlord. Tenant will be provided an allocation of three (3.0) electronic card keys per 1,000 rentable square feet, at no charge for the initial Term. Additional cards may be requested by Tenant for a one time nonrefundable deposit of \$35.00 each which shall be paid upon issuance of the cards. In the event that Tenant shall damage or lose the card key(s) or device(s), then Tenant's deposit for such card or device will be forfeited, and Tenant will be required to pay another equal deposit.
19. Smoking is prohibited in the Premises and common areas of the Building at all times.
20. In order to receive a refund of its security deposit, if any, Tenant agrees to provide a forwarding address to Landlord, in writing, on or before the termination date of the Lease. Landlord shall have sixty (60) days from the date Tenant surrenders the Premises and Landlord's receipt of Tenant's forwarding address, to refund the security deposit and/or provide a written description of damages and charges.
21. Landlord reserves the right to charge Tenant, and require payment in advance, for services and/or expenses not required of Landlord under this Lease, or incurred in relation to the Lease. Such charges include, but are not limited to, processing "bounced" checks, changing locks, reviewing and

signing lien waivers, lease assignments, sublet documents, providing after hours HVAC rates, etc. A list of charges can be obtained from the Landlord's representative. The charges are based on the cost to the Landlord or its management company to provide the service which is charged for, and are subject to change at anytime without notice.

22. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the Rules and Regulations of the Building.
23. Tenant and Tenant's employees and invitees are prohibited from parking for more than 48 hours in the same parking space or otherwise storing vehicles at the property. Landlord may tow those vehicles which Landlord deems are in violation of these Parking rules at the Tenant's expense.

EXHIBIT "B"

The Premises



By initialing below, Tenant agrees that the terms and conditions of this Exhibit "A" are incorporated into and become part of the Lease as an addendum thereto.

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DS
VS

Exhibit "C"

Legal Description

BEING A TRACT OF LAND IN THE JOHN SALMON SURVEY, ABSTRACT NO. 814, COLLIN COUNTY, TEXAS, AND BEING ALL OF BLOCK 1, LOT 1, A REPLAT OF BLOCK 1, LOT 1, CENTRAL PARK ADDITION, AN ADDITION TO THE CITY OF PLANO, TEXAS ACCORDING TO THE PLAT THEREOF RECORDED IN CABINET C, PAGE 695 OF THE MAP RECORDS OF COLLIN COUNTY, TEXAS (M.R.C.C.T.), SAME BEING A TRACT OF LAND DESCRIBED BY SPECIAL WARRANTY DEED TO CORNERSTONE SUBURBAN OFFICE, L.P., DATED MAY 28, 1997, AS RECORDED IN VOLUME 3921, PAGE 512 OF THE DEED RECORDS OF COLLIN COUNTY, TEXAS (D.R.C.C.T.), AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS (ALL BEARINGS BASED ON SOUTH RIGHT-OF-WAY LINE OF REPUBLIC DRIVE BEING SOUTH 75 DEGREES 04 MINUTES 13 SECONDS EAST):

BEGINNING AT A FOUND "X" AT THE INTERSECTION OF THE SOUTH RIGHT-OF-WAY LINE OF REPUBLIC DRIVE (65-FOOT RIGHT-OF-WAY) AND THE NORTH RIGHT-OF-WAY LINE OF PARK BOULEVARD (100-FOOT RIGHT-OF-WAY);

THENCE SOUTH 45 DEGREES 29 MINUTES 14 SECONDS WEST, ALONG SAID NORTH RIGHT-OF-WAY LINE OF PARK BOULEVARD, A DISTANCE OF 300.92 FEET TO A FOUND 3/4 INCH FOUND IRON PIPE WHICH BEARS SOUTH 54 DEGREES 17 MINUTES EAST 0.69 FEET FOR THE BEGINNING OF A CIRCULAR CURVE TO THE RIGHT, HAVING A RADIUS OF 1,150.00 FEET AND WHOSE CHORD BEARS SOUTH 58 DEGREES 37 MINUTES 03 SECONDS WEST, A DISTANCE OF 522.48 FEET;

THENCE IN A SOUTHWESTERLY DIRECTION, CONTINUING ALONG SAID NORTH RIGHT-OF-WAY LINE AND ALONG SAID CIRCULAR CURVE TO THE RIGHT, THROUGH A CENTRAL ANGLE OF 26 DEGREES 15 MINUTES 38 SECONDS AND AN ARC DISTANCE OF 527.08 FEET TO A 1/2-INCH FOUND IRON ROD WITH CAP FOR CORNER;

THENCE NORTH 82 DEGREES 35 MINUTES 50 SECONDS WEST, CONTINUING ALONG SAID NORTH RIGHT-OF-WAY LINE OF PARK BOULEVARD, A DISTANCE OF 322.32 FEET TO A 1/2-INCH FOUND IRON ROD WITH CAP FOR THE SOUTHEAST CORNER OF LOT 1, BLOCK 1 OF CASA ROSA RESTAURANT ADDITION, AN ADDITION TO THE CITY OF PLANO AS RECORDED IN VOLUME E, PAGE 12, M.R.C.C.T.;

THENCE NORTH 22 DEGREES 48 MINUTES 28 SECONDS EAST, DEPARTING SAID NORTH RIGHT-OF-WAY LINE AND ALONG A COMMON LINE BETWEEN SAID CENTRAL PARK ADDITION AND SAID CASA ROSA RESTAURANT ADDITION, A DISTANCE OF 251.40 FEET TO A 1/2-INCH FOUND IRON ROD FOR CORNER;

THENCE NORTH 67 DEGREES 11 MINUTES 32 SECONDS WEST, CONTINUING ALONG SAID COMMON LINE, A DISTANCE OF 225.91 FEET TO A 1/2-INCH FOUND IRON ROD ON THE EAST RIGHT-OF-WAY LINE OF U.S. HIGHWAY 75 (300-FOOT RIGHT-OF-WAY), SAID POINT BEING THE NORTHWEST CORNER OF SAID CASA ROSA RESTAURANT ADDITION, SAID POINT LYING ON A NON TANGENT CIRCULAR CURVE TO THE RIGHT, HAVING A RADIUS OF 5,569.58 FEET AND WHOSE CHORD BEARS NORTH 23 DEGREES 13 MINUTES 04 SECONDS EAST, A DISTANCE OF 50.00 FEET;

THENCE IN A NORTHEASTERLY DIRECTION, DEPARTING SAID COMMON LINE AND ALONG SAID CIRCULAR CURVE TO THE RIGHT AND SAID EAST RIGHT-OF-WAY LINE, THROUGH A CENTRAL ANGLE OF 00 DEGREES 30 MINUTES 52 SECONDS AND AN ARC DISTANCE OF 50.00 FEET TO A SET 5/8 INCH CAPPED IRON ROD FOR THE SOUTHWEST CORNER OF LOT 1, BLOCK 1 OF VINCENT'S SEAFOOD ADDITION, AN ADDITION TO THE CITY OF PLANO AS RECORDED IN VOLUME C, PAGE 441, M.R.C.C.T.;

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THENCE SOUTH 67 DEGREES 11 MINUTES 32 SECONDS EAST, DEPARTING SAID EAST RIGHT-OF-WAY LINE AND ALONG A COMMON LINE BETWEEN SAID CENTRAL PARK ADDITION AND SAID VINCENT'S SEAFOOD ADDITION, A DISTANCE OF 210.55 FEET TO A SET 5/8 INCH CAPPED IRON ROD FOR CORNER;

THENCE NORTH 67 DEGREES 48 MINUTES 28 SECONDS EAST, CONTINUING ALONG SAID COMMON LINE, A DISTANCE OF 21.21 FEET TO A SET 5/8 INCH CAPPED IRON ROD FOR CORNER;

THENCE NORTH 22 DEGREES 48 MINUTES 28 SECONDS EAST, CONTINUING ALONG SAID COMMON LINE, PASSING AT A DISTANCE OF 219.97 FEET THE NORTHEAST CORNER OF SAID VINCENT'S SEAFOOD ADDITION, SAME BEING THE SOUTHEAST CORNER OF PARK BOULEVARD PARK ADDITION NO. 1, AN ADDITION TO THE CITY OF PLANO AS RECORDED IN CABINET C, PAGE 155, M.R.C.C.T., AND CONTINUING ALONG A COMMON LINE BETWEEN SAID PARK BOULEVARD PARK ADDITION AND SAID CENTRAL PARK ADDITION, FOR A TOTAL DISTANCE OF 455.04 FEET TO A FOUND 1/2-INCH FOUND IRON ROD WHICH BEARS SOUTH 60 DEGREES 34 MINUTES EAST 0.36 FEET FOR THE NORTHEAST CORNER OF SAID PARK BOULEVARD PARK ADDITION, SAID CORNER BEING ON THE SOUTH RIGHT-OF-WAY LINE OF SAID REPUBLIC DRIVE, SAID POINT LYING ON A NON-TANGENT CIRCULAR CURVE TO THE LEFT, HAVING A RADIUS OF 1,121.71 FEET AND WHOSE CHORD BEARS SOUTH 71 DEGREES 25 MINUTES 46 SECONDS EAST, A DISTANCE OF 142.46 FEET;

THENCE IN A SOUTHEASTERLY DIRECTION, ALONG SAID SOUTH RIGHT-OF-WAY LINE AND ALONG SAID CIRCULAR CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 07 DEGREES 16 MINUTES 55 SECONDS AND AN ARC DISTANCE OF 142.56 FEET TO A 1/2-INCH FOUND WITH CAP IRON ROD FOR THE POINT OF TANGENCY;

THENCE SOUTH 75 DEGREES 04 MINUTES 13 SECONDS EAST, CONTINUING ALONG SAID SOUTH RIGHT-OF-WAY LINE, A DISTANCE OF 355.75 FEET TO A 1/2-INCH FOUND IRON ROD WITH CAP FOR THE BEGINNING OF A CIRCULAR CURVE TO THE RIGHT, HAVING A RADIUS OF 370.18 FEET AND WHOSE CHORD BEARS SOUTH 59 DEGREES 47 MINUTES 30 SECONDS EAST, A DISTANCE OF 195.10 FEET;

THENCE IN A SOUTHEASTERLY DIRECTION, CONTINUING ALONG SAID SOUTH RIGHT-OF-WAY LINE AND ALONG SAID CIRCULAR CURVE TO THE RIGHT, THROUGH A CENTRAL ANGLE OF 30 DEGREES 33 MINUTES 29 SECONDS, AN ARC DISTANCE OF 197.43 FEET TO A 1/2-INCH FOUND IRON ROD WITH CAP FOR THE POINT OF TANGENCY;

THENCE SOUTH 44 DEGREES 30 MINUTES 46 SECONDS EAST, CONTINUING ALONG SAID SOUTH RIGHT-OF-WAY LINE, A DISTANCE OF 48.26 FEET TO THE POINT OF BEGINNING.

BEING THE SAME TRACT OF LAND DESCRIBED IN THE TITLE REPORT ISSUED BY OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY, GF NUMBER 17003311T WITH AN EFFECTIVE DATE OF JULY 9, 2017.

By initialing below, Tenant agrees that the terms and conditions of this Exhibit "B" are incorporated into and become part of the Lease as an addendum thereto.



10970013877AMERICAS

Exhibit "D"
Renewal Option

Tenant is hereby granted two (2) five (5) year options to renew this Lease (each a "Renewal Option"). Provided there is no ongoing Event of Default, Tenant may exercise this Renewal Option by notifying Landlord, in writing, nine (9) months prior to the then current expiration date of the Lease. The Base Rent for the renewal period will be at Fair Market Value for comparable buildings in the immediate submarket at the time of exercise of the Renewal Option.

TENANT:

Intrusion Inc.,
a Delaware corporation

By: 
02882820AE1D9C47E
Tony Scott, President and CEO

EXHIBIT "E"
Special Provision

Lease Termination Option

Tenant is hereby granted the option to terminate this Lease in its entirety (the "Early Termination Option") effective as of the last day of the ninety-third (93rd) month of the Term ("Early Termination Date"). Provided there is no ongoing Event of Default, Tenant may exercise its Early Termination Option by notifying Landlord in writing of its exercise, not less than six (6) months prior to the Early Termination Date and by delivering to Landlord funds in the amount of the Termination Payment, plus the amount of any past due rent. The term "Termination Payment" shall mean an amount equal to the Landlord's unamortized (as of the Early Termination Date) costs of whatever kind and nature (including, without limitation, tenant improvement costs, architectural fees, free rent, leasing commissions and legal fees) incurred by Landlord in connection with the improvements of and leasing to Tenant of the Premises, which costs shall be amortized over the Term with interest at the rate of (8%) per annum.

By initialing below, Tenant agrees that the terms and conditions of this exhibit are incorporated into and become part of the Lease as an addendum thereto.

TENANT:

Intrusion Inc.,
a Delaware corporation


By:  _____
Tony Scott, President and CEO

Exhibit "F"
Right of First Refusal

Right-Of-First-Refusal

An *EXISTING* tenant already has a "right-of-first-refusal" on adjacent/all space: Check YES or NO X

Providing there is no ongoing Event of Default at the time of exercise, Tenant shall have a one-time five (5) business day "right of first refusal" on space directly adjacent to the Premises as well as on suite 1340 and 1360 on thirteenth (13th) floor (the "Tenant's Right of First Refusal"). The term "Adjacent" means space only on the same floor as the Premises which shares a common wall with the Premises. Said five (5) business day period shall begin to run immediately after delivery Landlord's written notice to Tenant. Tenant consents to delivery of such notice via Federal Express or other overnight courier, which shall be effective when sent without regard to actual receipt and Email delivery to the Tenant or the Premises (but only if Tenant is in the Premises at the time).

In the event Tenant is offered space and exercises Tenant's Right of First Refusal, Tenant shall notify Landlord of its exercise the Tenant's Right of First Refusal in writing within the five (5) business day period and Tenant shall then have fifteen (15) days in which to execute all required documents pertaining to the additional space. If Tenant is offered Tenant's Right of First Refusal and chooses to exercise Tenant's Right of First Refusal, Landlord shall bill Tenant an administrative fee equal to \$2,500.00 to be paid upon the execution of the required documents pertaining to the additional space. If terms have not been agreed upon and the documents not fully executed by Tenant within said fifteen (15) days, Tenant's Right of First Refusal shall expire without the ability to be revived for any reason whatsoever. This right is further subject to the following:

1. In the event there is an existing tenant in the Adjacent space to the Premises, Tenant's Right of First Refusal shall not be valid if the tenant in the Adjacent space renews its lease.
2. In the event the Adjacent space to the Premises has an existing tenant with a "right of first refusal" and such tenant's right of first refusal pre-dates the Tenant's Right of First Refusal and is otherwise superior to Tenant's Right of First Refusal, then Tenant's Right of First Refusal shall be subject to the pre-existing right of first refusal of the existing tenant(s).
3. Once Tenant's Right of First Refusal is relinquished by Tenant; this right will expire without the ability to be revived for any reason whatsoever. Tenant shall have only opportunity to exercise Tenant's Right of First Refusal, which option to exercise is limited in time.
4. In the event Landlord, in its sole discretion, chooses to build out any space that is subject to Tenant's Right of First Refusal on a speculative basis, Landlord's right to build out speculative space is superior to Tenant's Right of First Refusal, and Landlord shall provide 30 days prior written notice to Tenant and Tenant's Right of First Refusal shall automatically become null and void.

TENANT:

Intrusion Inc.,
a Delaware corporation


By:  _____
Tony Scott, President and CEO

Exhibit "G"
LEASEHOLD IMPROVEMENTS

1. Work by Landlord. Landlord shall cause to be constructed and/or installed in the Premises the permanent leasehold improvements and tenant finish (the "**Leasehold Improvements**") described in the plans attached as **Exhibit "H"** (the "**Construction Plans**") and cause such Leasehold Improvement to be completed **on or before December 1, 2023**.

2. Planning and Construction. Landlord and Tenant shall cooperate in good faith in the planning and construction of the Leasehold Improvements, and Tenant shall respond within ten (10) business days after written request to Tenant's designated person responsible for the Leasehold Improvements from Landlord or Landlord's architect, representative or contractor for Tenant's approval of any particular aspect thereof, it being agreed and understood that it is the intent and desire of the parties that the Premises be ready for Tenant's occupancy **on or before December 1, 2023**. In the event Tenant fails to respond within the time period provided above to any written request by Landlord or Landlord's architect, representative and/or contractor in connection with the design and/or construction of the Leasehold Improvements, Landlord, upon ten (10) days' additional prior written notice to Tenant, shall have the right to terminate this Lease Agreement.

3. Quality of Work. Landlord shall supervise the construction of the Leasehold Improvements and shall use good faith efforts to cause same to be constructed and installed in a good and workmanlike manner in accordance with industry practice and in conformance with the Construction Plans.

4. Completion of Construction. The "**Leasehold Improvements Completion Date**" shall mean the date upon which the Leasehold Improvements are substantially complete in conformance with the Construction Plans. The phrase "**substantially complete**" or "Substantial Completion" shall mean the occurrence, with respect to the Premises, when (i) all Tenant Improvements have been completed in accordance with the Construction Plans (punch list items excepted); (ii) the Premises may reasonably be used and occupied for the purposes intended by the Tenant; (iii) Tenant has full access to all of the Premises and is able to conduct its business in a reasonable manner; (iv) all construction debris has been removed from the Premises and the Premises are clean; (v) Landlord has obtained building inspection final approval from all appropriate regulatory authorities (as required) for the Premises; (vi) Tenant has accepted the Tenant Improvements, subject only to documented minor "punch list" items remaining to be completed, and such "punch list" items can be completed in no more than thirty (30) days without undue interference to the Tenant's use of the Premises (as attested to by the contractor).

5. Landlord Delay. If the Premises are not Substantially Complete by December 1, 2023 for any reason, Landlord shall not be liable or responsible for any claims, damages or liabilities in connection therewith or by reason thereof unless such delay is caused solely by Landlord's negligence, gross negligence, or willful conduct. In such event, Rent shall be abated during such Landlord Delay.

6. Tenant Delay. As used herein, "**Tenant Delay**" shall mean the sum of (i) the number of days of delay in responding to Landlord's request for approval of any documentation in connection with the Leasehold Improvements, (ii) the number of days of delay in preparing any of such documentation caused by changes requested by Tenant to any aspect of the Leasehold Improvements which were reflected in the documentation theretofore approved by Tenant, and (iii) the positive difference, if any, between the increase and decrease in the number of days required to complete the Leasehold Improvements caused by changes required by Tenant to the working drawings after Tenant's approval thereof.

7. Disclaimer of Warranty. **TENANT ACKNOWLEDGES THAT THE CONSTRUCTION AND INSTALLATION OF THE LEASHOLD IMPROVEMENTS WILL BE PERFORMED BY AN UNAFFILIATED CONTRACTOR OR CONTRACTORS OF LANDLORD AND THAT ACCORDINGLY LANDLORD HAS MADE AND WILL MAKE NO WARRANTIES TO TENANT WITH RESPECT TO THE QUALITY OF CONSTRUCTION THEREOF OR AS TO THE CONDITION OF THE PREMISES, EITHER EXPRESS OR IMPLIED, AND THAT LANDLORD EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTY THAT THE PREMISES ARE OR WILL BE SUITABLE FOR TENANT'S INTENDED COMMERCIAL PURPOSE. TENANT'S OBLIGATION TO PAY BASE AND ADDITIONAL RENTAL HEREUNDER IS NOT DEPENDENT UPON THE CONDITION OF THE PREMISES OR THE BUILDING OR THE PERFORMANCE BY LANDLORD OF ITS OBLIGATIONS HEREUNDER, AND TENANT SHALL CONTINUE TO PAY THE BASE AND ADDITIONAL RENTAL WITHOUT ABATEMENT, OFFERS OR DEDUCTION, NOTWITHSTANDING ANY BREACH BY LANDORD OF ITS DUTIES OR OBLIGATIONS HEREUNDER, WHETHER EXPRESS OR IMPLIED.** However, Landlord agrees that the contract between Landlord and Contractor shall contain standard warranties regarding the workmanship and, in the event that any defect in the construction of the Leasehold Improvements is discovered, Landlord will diligently pursue and seek to enforce such warranties of the contractor(s) and/or the manufacturer of any defective materials incorporated therein, or, upon written request of Tenant, assign such warranties to Tenant.

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8. Cost of Leasehold Improvements. Landlord shall pay all costs and expenses of the Leasehold Improvements (including labor, materials, architectural and engineering costs).

TENANT:

Intrusion Inc.,
a Delaware corporation


By:  _____
Tony Scott, President and CEO

Exhibit "H"
Construction Drawings

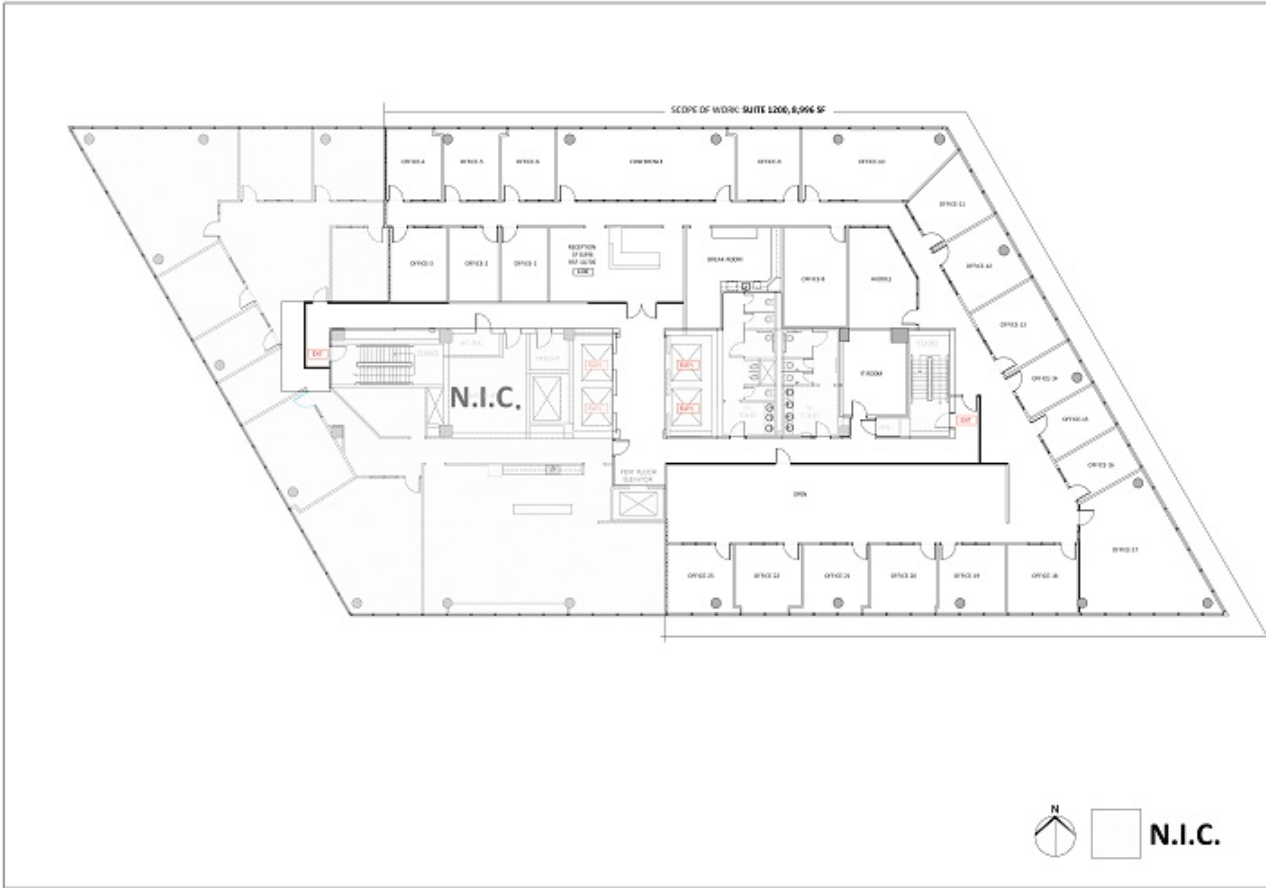
(Construction Drawings to be inserted once approved by Landlord)

TENANT:

Intrusion Inc.,
a Delaware corporation

By: 
Tony Scott, President and CEO

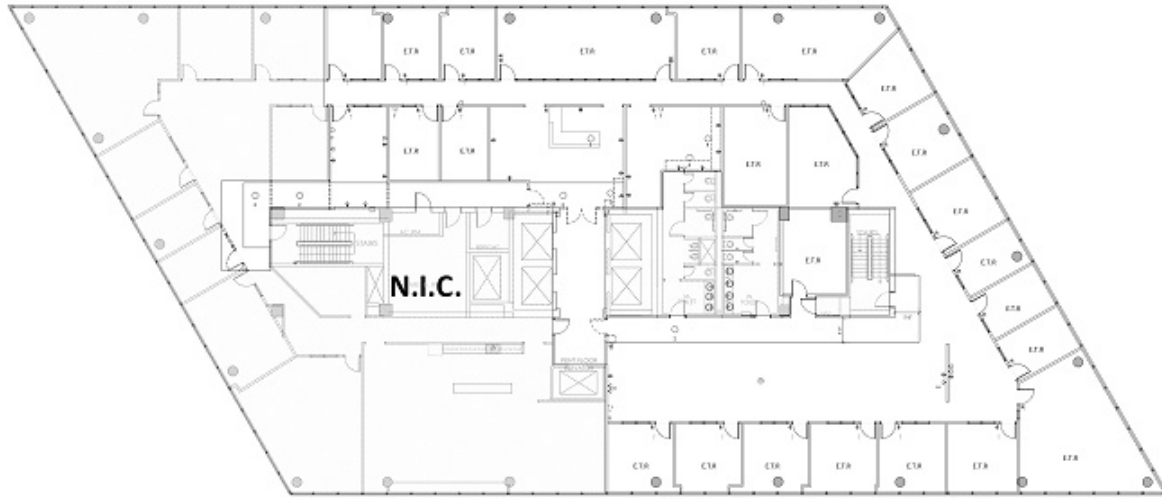




OWNER PROPERTY	
1201	1202
1203	1204
1205	1206
1207	1208
1209	1210
1211	1212
1213	1214
1215	1216
1217	1218
1219	1220

101_1200 - INTRUSION
101 EAST PARK BOULEVARD, PLANO, TEXAS 75074

DATE:	12/11/2023
SCALE:	1/8" = 1'-0"
PROJECT:	101_1200 - INTRUSION
CLIENT:	101 EAST PARK BOULEVARD
DATE:	12/11/2023
PROJECT:	101_1200 - INTRUSION
CLIENT:	101 EAST PARK BOULEVARD
DATE:	12/11/2023
PROJECT:	101_1200 - INTRUSION
CLIENT:	101 EAST PARK BOULEVARD



LEGEND
 [Symbol] ITEMS TO REMAIN
N.I.C.

OWNER PROPERTY	
3707 LBJ PARK, #100	DATE: TEXAS 75074
PROJECT NO.	
DATE	
DESIGNED BY	
CHECKED BY	
APPROVED BY	
DATE	

101_1200 - INTRUSION
 101 EAST PARK BOULEVARD, PLANO, TEXAS 75074

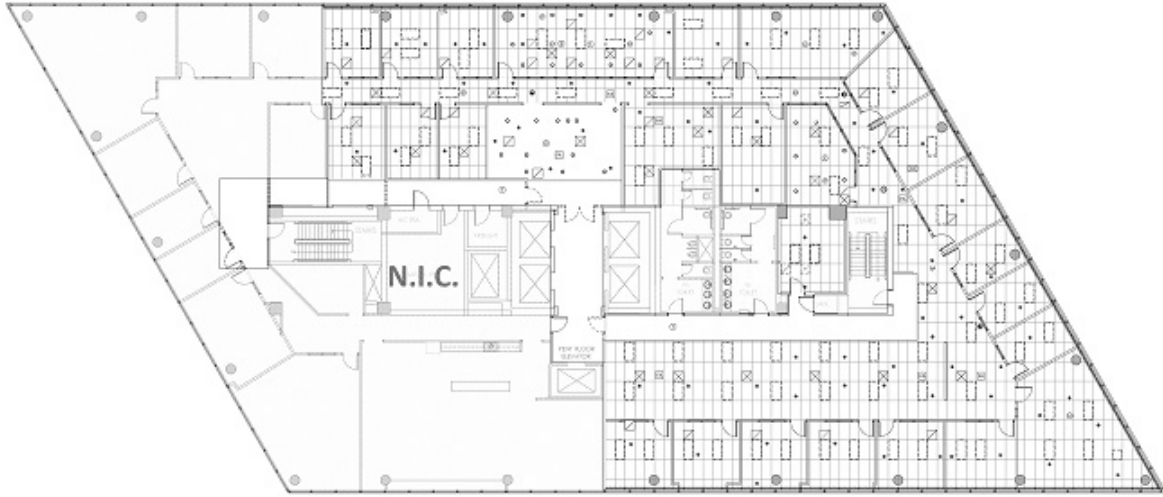
GENERAL NOTES

- CONTRACTOR TO VERIFY EXISTING CONDITIONS PRIOR TO BEGINNING DEMOLITION NOTIFY SPACE PLANNER IF ANY PORTION OF WORK WOULD CAUSE DAMAGE TO ANY ELEMENTS SCHEDULED TO REMAIN
- REMOVE ALL EXISTING ELEMENTS TO REMAIN DURING DEMOLITION. EXISTING FORMERLY WINDOW/DOORWAYS TO REMAIN UNLESS REMOVED AND DESIGN ALL NEW FUNCTIONAL BLINDS AS REQUIRED. COORDINATE BLINDS WITH ARCHITECT'S INTENTIONS
- CONTRACTOR SHALL REMOVE ALL FLOOR FINISHES AND ALL OTHER FINISHES TO EXPOSE ALL PLUMBING AND ELECTRICAL SYSTEMS UNLESS OTHERWISE NOTED
- REMOVE ALL EXISTING PARTITIONS AND WALLS AND ALL PLUMBING AND ELECTRICAL SYSTEMS UNLESS OTHERWISE NOTED. BRING BACK TO EXISTING CONDITION UNLESS OTHERWISE NOTED
- ALL EXISTING WALLS, PARTITIONS, AND CEILING SHALL BE DEMOLISHED UNLESS OTHERWISE NOTED. ALL EXISTING WALLS, PARTITIONS, AND CEILING SHALL BE DEMOLISHED UNLESS OTHERWISE NOTED. ALL EXISTING WALLS, PARTITIONS, AND CEILING SHALL BE DEMOLISHED UNLESS OTHERWISE NOTED. ALL EXISTING WALLS, PARTITIONS, AND CEILING SHALL BE DEMOLISHED UNLESS OTHERWISE NOTED.
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- REMOVE ALL FLOOR FINISHES AND ALL OTHER FINISHES TO EXPOSE ALL PLUMBING AND ELECTRICAL SYSTEMS UNLESS OTHERWISE NOTED. BRING BACK TO EXISTING CONDITION UNLESS OTHERWISE NOTED.

KEY NOTES

- REMOVE AND DEMOLISH EXISTING WALLS
- REFER DOCUMENT TO SET FOR EXISTING LAYOUT
- COVER AND PROTECT EXISTING MECHANICAL SYSTEMS
- REMOVE AND DEMOLISH EXISTING MECHANICAL SYSTEMS

OWNER PROPERTY			
101_1200 - INTRUSION			
DALLAS, TEXAS 75074			
DATE	BY	REVISION	DESCRIPTION



□ N.I.C.

GENERAL NOTES

- A. COORDINATE DIMENSIONS AND LOCATION WITH NEAR REFLECTED CEILING PLAN SHEET #113.
- B. ALL WORK SHALL BE IN ACCORDANCE WITH THE MANUFACTURER'S INSTALLATION AND MAINTENANCE MANUALS. SEE BEST CONDITION AND SEE SPECIFICATIONS FOR MATERIALS. ALL ELECTRICAL AND MECHANICAL WORK SHALL BE IN ACCORDANCE WITH THE MANUFACTURER'S INSTALLATION AND MAINTENANCE MANUALS.
- C. REMOVE AND DISPOSE ALL WORK MATERIALS, DEBRIS, PACKAGING, ETC. CONTRACTOR TO VERIFY. REMOVE COMPANY TAGS AS NOTED ON SHEET #113.
- D. ALL SLOT DRIVERS SHALL BE INSTALLED AND TESTED. ALL THERMOSTATS ARE EXISTING & S.S.
- E. CONTRACTOR TO VERIFY CONDITIONS OF ALL EXISTING WORK & MAKE AS NECESSARY PER SPECIFICATIONS, S.S.
- F. REMOVE AND DISPOSE ALL EXISTING OR REMOVED TUBING AND/OR FITTINGS TO BE RECYCLED, OR REMOVE ALL CEILING GRID & TIE WITH SCISSORS. CONTRACTOR TO VERIFY FOR ALL S.S.
- G. REMOVE AND DISPOSE ALL REMOVED CABLING, PIPING, ETC. WORK SHALL BE SCHEDULED TO BE BACK TO SQUARE.
- H. VERIFY ALL WORK IS COMPLIANT WITH ALL NECESSARY CODES & TO COORDINATE WITH NEAR SHEET #113.

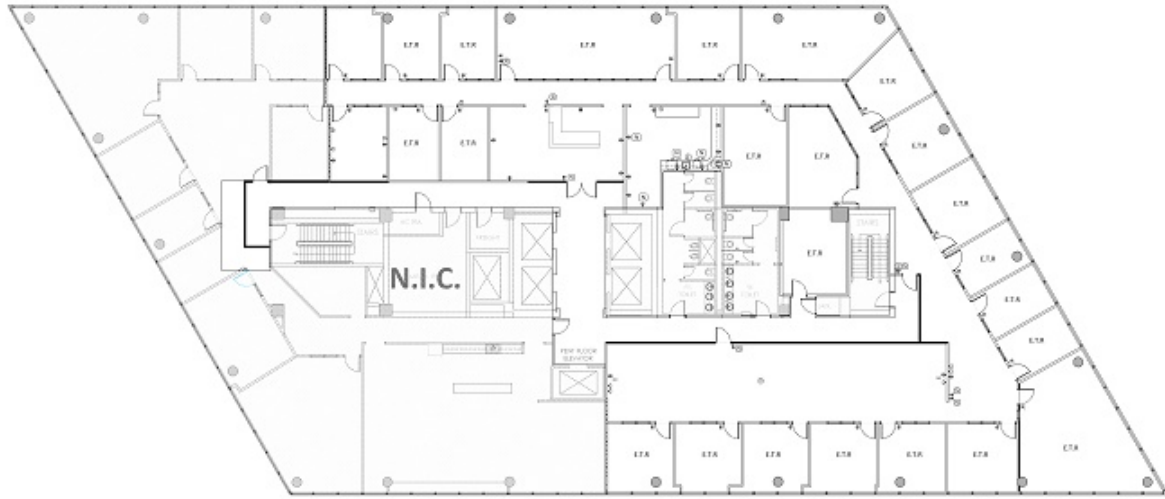
KEY NOTES

- 1. VERIFY AND PROTECT ALL EXISTING UTILITIES FOR PROTECTION.
- 2. REMOVE AND DISPOSE OF ALL EXISTING CEILING GRID, TYPICAL AND WORKING TO RECEIVE REFLECTED CEILING.

101_1200 - INTRUSION
 101 EAST PARK BOULEVARD, PLANO, TEXAS 75074

DATE:	12-11-23
DRAWN BY:	
CHECKED BY:	
SCALE:	AS SHOWN
PROJECT NO.:	101_1200
IA4.0	

OWNER PROPERTY	
101 EAST PARK WEST	
DALLAS, TEXAS 75074	
DATE	
BY	
REVISION	
NO.	
DESCRIPTION	
DATE	
BY	
REVISION	
NO.	
DESCRIPTION	
DATE	
BY	



E.T.A. EXISTING TO REMAIN
 N.I.C.

GENERAL NOTES

- A. ALL ALTERATIONS MUST COMPLY WITH ALL APPLICABLE CURRENT CITY REQUIREMENTS.
- B. OWNER IS NOT RESPONSIBLE FOR ANY UTILIZATION AND/OR OUT-OF-ORDER OPERATIONS OF THE SYSTEMS.
- C. ALL NEW AND EXISTING UTILITIES SHALL BE INSTALLED IN ACCORDANCE WITH ALL APPLICABLE CITY REQUIREMENTS AND ALL APPLICABLE CODES.
- D. ALL NEW UTILITIES ARE TO BE SET BACK TO THE EXISTING FINISH.
- E. ALL WORK SHALL BE COMPLETED WITHIN THE SPECIFIED TIME FRAME.
- F. ALL UTILITIES SHALL BE INSTALLED IN ACCORDANCE WITH ALL APPLICABLE CITY REQUIREMENTS AND ALL APPLICABLE CODES.
- G. ALL UTILITIES SHALL BE INSTALLED IN ACCORDANCE WITH ALL APPLICABLE CITY REQUIREMENTS AND ALL APPLICABLE CODES.
- H. ALL UTILITIES SHALL BE INSTALLED IN ACCORDANCE WITH ALL APPLICABLE CITY REQUIREMENTS AND ALL APPLICABLE CODES.

KEY NOTES

- 1. COORDINATE ALL UTILITIES WITH ALL APPLICABLE CITY REQUIREMENTS.
- 2. COORDINATE ALL UTILITIES WITH ALL APPLICABLE CITY REQUIREMENTS.
- 3. COORDINATE ALL UTILITIES WITH ALL APPLICABLE CITY REQUIREMENTS.
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- 9. COORDINATE ALL UTILITIES WITH ALL APPLICABLE CITY REQUIREMENTS.
- 10. COORDINATE ALL UTILITIES WITH ALL APPLICABLE CITY REQUIREMENTS.

101_1200 - INTRUSION
 101 EAST PARK BOULEVARD, PLANO, TEXAS 75074

DATE	10/1/2013
BY	IA&D
PROJECT	101 EAST PARK
LOCATION	PLANO, TEXAS
SCALE	AS SHOWN
DESIGNER	IA&D



□ N.I.C.

GENERAL NOTES

- A. ALL TESTED EQUIP SHALL BE IDENTIFIED BY CONTRACTOR BEFORE ANY WIRING IS INSTALLED
- B. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
- C. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE CITY OF PLANO, TEXAS.
- D. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE CITY OF PLANO, TEXAS.
- E. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
- F. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
- G. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
- H. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
- I. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
- J. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
- K. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
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- M. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
- N. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
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- R. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
- S. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
- T. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
- U. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
- V. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
- W. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
- X. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
- Y. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.
- Z. ALL WIRING SHALL BE INSTALLED IN ACCORDANCE WITH THE NATIONAL ELECTRICAL CODE (NEC) AND ALL LOCAL AMENDMENTS AND ORDINANCES THEREOF.

KEY NOTES

1. BUILDING SECURITY CENTER
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100. BUILDING SECURITY CENTER

OWNER PROPERTY			
101_1200 - INTRUSION			
101 EAST PARK BOULEVARD, PLANO, TEXAS 75074			
NO.	DESCRIPTION	DATE	STATUS

101_1200 - INTRUSION
 101 EAST PARK BOULEVARD, PLANO, TEXAS 75074

DATE	12/1/2019
PROJECT	101-1200
REVISION	IA7.0
DRAWN BY	IA7.0
CHECKED BY	IA7.0
DATE	12/1/2019

OWNER PROPERTY	
101200-INTRUSION	
101 EAST PARK BOULEVARD, PLANO, TEXAS 75074	
DATE: 08/14/2018	
PROJECT NO:	
ISSUE NO:	
ISSUE DATE:	
PROJECT MANAGER:	
DESIGNER:	
CHECKER:	
DATE:	



101_1200 - INTRUSION
 101 EAST PARK BOULEVARD, PLANO, TEXAS 75074

E.T.A. EXISTING TO REMAIN
 N.I.C.

GENERAL NOTES

- A. ALL WORKMANSHIP TO BE ACCORDING TO THE SPECIFICATIONS AND THE NATIONAL ELECTRICAL CODE.
- B. ALL WORKMANSHIP TO BE ACCORDING TO THE NATIONAL ELECTRICAL CODE.
- C. ALL WORKMANSHIP TO BE ACCORDING TO THE NATIONAL ELECTRICAL CODE.
- D. ALL WORKMANSHIP TO BE ACCORDING TO THE NATIONAL ELECTRICAL CODE.
- E. ALL WORKMANSHIP TO BE ACCORDING TO THE NATIONAL ELECTRICAL CODE.
- F. ALL WORKMANSHIP TO BE ACCORDING TO THE NATIONAL ELECTRICAL CODE.
- G. ALL WORKMANSHIP TO BE ACCORDING TO THE NATIONAL ELECTRICAL CODE.
- H. ALL WORKMANSHIP TO BE ACCORDING TO THE NATIONAL ELECTRICAL CODE.
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- J. ALL WORKMANSHIP TO BE ACCORDING TO THE NATIONAL ELECTRICAL CODE.
- K. ALL WORKMANSHIP TO BE ACCORDING TO THE NATIONAL ELECTRICAL CODE.
- L. ALL WORKMANSHIP TO BE ACCORDING TO THE NATIONAL ELECTRICAL CODE.
- M. ALL WORKMANSHIP TO BE ACCORDING TO THE NATIONAL ELECTRICAL CODE.
- N. ALL WORKMANSHIP TO BE ACCORDING TO THE NATIONAL ELECTRICAL CODE.

KEY NOTES

- 1. PROVIDE PAINT TO MATCH EXISTING ADJACENT SPEC. CONTRACTOR TO VERIFY ON FIELD.
- 2. PROVIDE AND INSTALL WALL BASE, TYPICAL EXISTING ADJACENT SPEC. CONTRACTOR TO VERIFY ON FIELD.
- 3. PROVIDE AND INSTALL BALANCE STANDARD VCT. **BLANK**
- 4. EXISTING COVERS TO REMAIN AS IS.
- 5. REFER ENCLOSURE OR METHOD CONNECTION LIST.

FINISH SCHEDULE

ITEM NO.	FINISH DESCRIPTION	UNIT	QUANTITY	DATE
101	VCT	SQ. FT.	10,000	08/15/18
102	WALL BASE	LINEAL FT.	100	08/15/18
103	PAINT	SQ. YD.	100	08/15/18
104	CONCRETE	SQ. YD.	100	08/15/18
105	CEILING	SQ. FT.	10,000	08/15/18
106	MECHANICAL	SQ. FT.	10,000	08/15/18
107	ELECTRICAL	SQ. FT.	10,000	08/15/18
108	PLUMBING	SQ. FT.	10,000	08/15/18
109	MECHANICAL	SQ. FT.	10,000	08/15/18
110	ELECTRICAL	SQ. FT.	10,000	08/15/18
111	PLUMBING	SQ. FT.	10,000	08/15/18

DATE:	08/14/2018
PROJECT NO:	101200-INTRUSION
ISSUE NO:	01
ISSUE DATE:	08/14/2018
PROJECT MANAGER:	
DESIGNER:	
CHECKER:	
DATE:	
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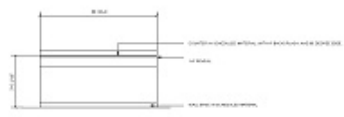
NOT USED

101_1200 - INTRUSION

101 EAST PARK BOULEVARD, PLANO, TEXAS 75074

NO.	DESCRIPTION	DATE	BY	CHKD.

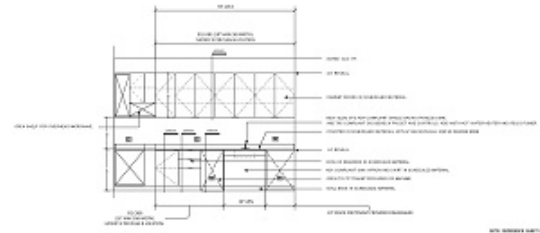
SCHEDULE			
NO.	DESCRIPTION	QUANTITY	UNIT
1	1/2" X 1/4" STEEL STUDS		
2	1/2" X 1/4" STEEL STUDS		
3	1/2" X 1/4" STEEL STUDS		
4	1/2" X 1/4" STEEL STUDS		
5	1/2" X 1/4" STEEL STUDS		
6	1/2" X 1/4" STEEL STUDS		
7	1/2" X 1/4" STEEL STUDS		
8	1/2" X 1/4" STEEL STUDS		
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10	1/2" X 1/4" STEEL STUDS		



WITH MEMBER IDENTICAL TO SECTION 090500.00

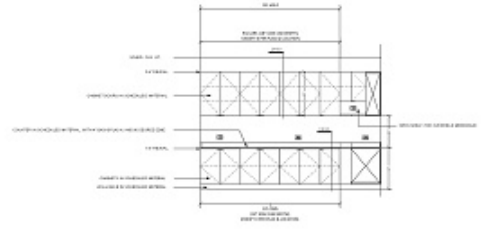
TYPICAL TENANT COFFEE BAR ELEVATION

101_1200 - INTRUSION
 101 EAST PARK BOULEVARD, PLANO, TEXAS 75074



WITH MEMBER IDENTICAL TO SECTION 090500.00

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WITH MEMBER IDENTICAL TO SECTION 090500.00

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DATE:	05/20/14
BY:	DAVID R. WILSON
PROJECT:	101 EAST PARK BOULEVARD
DESCRIPTION:	INTRUSION
SCALE:	AS SHOWN
REVISIONS:	

IA13.0

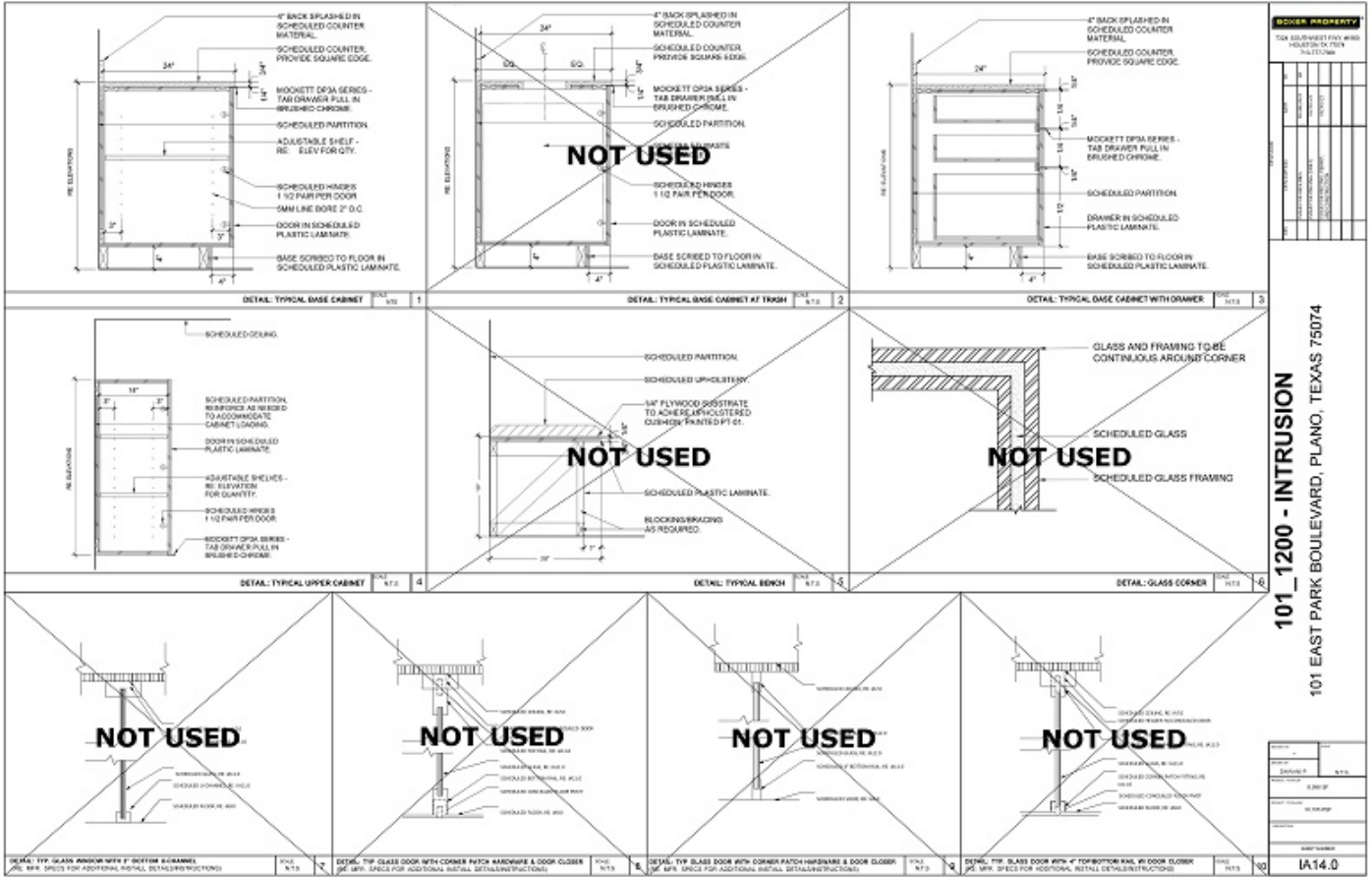


EXHIBIT "I"

Commencement Date Memorandum

Reference is made to that certain Office Lease ("Lease") dated _____, between **Intrusion** ("Tenant"), and **JBA Portfolio, LLC** ("Landlord"), whereby Landlord leased to Tenant and Tenant leased from Landlord that certain space defined as the "Premises".

Landlord and Tenant hereby acknowledge as follows:

- 1) Landlord delivered possession of the Premises to Tenant in a Substantially Complete condition on _____, 20__;

 - (a) "Substantial Completion" or "Substantially Complete" shall mean the occurrence, with respect to the Premises, when (i) all Tenant Improvements have been completed in accordance with the Construction Plans (except for punch list items); (ii) the Premises may reasonably be used and occupied for the purposes intended by the Tenant; (iii) Tenant has full access to all of the Premises and is able to conduct its business in a reasonable manner; (iv) all construction debris has been removed from the Premises and the Premises are clean; (v) Landlord has obtained building inspection final approval from all appropriate regulatory authorities (as required) for the Premises; (vi) Tenant has accepted the Tenant Improvements, subject only to documented minor "punch list" items remaining to be completed, and such "punch list" items can be completed in no more than thirty (30) days without undue interference to the Tenant's use of the Premises (as attested to by the contractor).

- 2) Tenant has accepted possession of the Premises and now occupies the same;
- 3) The initial term of the Lease shall commence on _____ ("Commencement Date") and will expire on _____ ("Expiration Date"); and
- 4) The Premises contains approximately 10,705 rentable square feet of space;

IN WITNESS WHEREOF, this Commencement Date Memorandum is executed this ___ day of _____, 20__.

TENANT:

Intrusion Inc.
a Delaware Corporation

By: _____
Tony Scott, President and CEO

LANDLORD:

JBA Portfolio, LLC,
a _____ Corporation

BY: Boxer Property Management Corp.
A Texas Corporation
Management Company for Landlord

(signature)

Exhibit "J"

Approved by the Texas Real Estate Commission for Voluntary Use
Texas law requires all real estate licensees to give the following information about brokerage services to prospective buyers, tenants, sellers and landlords.

Information about Brokerage Services

Before working with a real estate broker, you should know that the duties of a broker depend on whom the broker represents. If you are a prospective seller or landlord (owner) or a prospective buyer or tenant (buyer), you should know that the broker who lists the property for sale or lease is the owner's agent. A broker who acts as a subagent represents the owner in cooperation with the listing broker. A broker who acts as a buyer's agent represents the buyer. A broker may act as an intermediary between the parties if the parties consent in writing. A broker can assist you in locating a property, preparing a contract or lease, or obtaining financing without representing you. A broker is obligated by law to treat you honestly.

IF THE BROKER REPRESENTS THE OWNER:

The broker becomes the owner's agent by entering into an agreement with the owner, usually through a written listing agreement, or by agreeing to act as a subagent by accepting an offer of sub agency from the listing broker. A subagent may work in a different real estate office. A listing broker or subagent can assist the buyer but does not represent the buyer and must place the interests of the owner first. The buyer should not tell the owner's agent anything the buyer would not want the owner to know because an owner's agent must disclose to the owner any material information known to the agent.

IF THE BROKER REPRESENTS THE BUYER:

The broker becomes the buyer's agent by entering into an agreement to represent the buyer, usually through a written buyer representation agreement. A buyer's agent can assist the owner but does not represent the owner and must place the interests of the buyer first. The owner should not tell a buyer's agent anything the owner would not want the buyer to know because a buyer's agent must disclose to the buyer any material information known to the agent.

IF THE BROKER ACTS AS AN INTERMEDIARY:


A broker may act as an intermediary between the parties if the broker complies with The Texas Real Estate License Act. The broker must obtain the written consent of each party to the transaction to act as an intermediary. The written consent must state who will pay the broker and, in conspicuous bold or underlined print, set forth the broker's obligations as an intermediary. The broker is required to treat each party honestly and fairly and to comply with The Texas Real Estate License Act. A broker who acts as an intermediary in a transaction: (1) shall treat all parties honestly; (2) may not disclose that the owner will accept a price less than the asking price unless authorized in writing to do so by the owner; (3) may not disclose that the buyer will pay a price greater than the price submitted in a written offer unless authorized in writing to do so by the buyer; and (4) may not disclose any confidential information or any information that a party specifically instructs the broker in writing not to disclose unless authorized in writing to disclose the information or required to do so by The Texas Real Estate License Act or a court order or if the information materially relates to the condition of the property. With the parties' consent, a broker acting as an intermediary between the parties may appoint a person who is licensed under The Texas Real Estate License Act and associated with the broker to communicate with and carry out instructions of one party and another person who is licensed under that Act and associated with the broker to communicate with and carry out instructions of the other party. If you choose to have a broker represent you, you should enter into a written agreement with the broker that clearly establishes the broker's obligations and your obligations. The agreement should state how and by whom the broker will be paid. You have the right to choose the type of representation, if any, you wish to receive. Your payment of a fee to a broker does not necessarily establish that the broker represents you. If you have any questions regarding the duties and responsibilities of the broker, you should resolve those questions before proceeding.

TENANT REPRESENTATION

Tenant certifies that Chris Mathis – chris.mathis@nmrk.com (broker) represents Tenant in the negotiation and/or site selection of commercial space for lease. Check if none.

TENANT:

Intrusion Inc.,
a Delaware corporation

By: 

Tony Scott, President and CEO

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NEW TENANT SIGN INFORMATION

BUILDING NAME and ADDRESS: Plano Tower - 101 E. Park Blvd. Plano, TX. 75074 (Address)

Please fill out the space below in the manner you would like the door sign to read.

DOOR SIGN:

SUITE #: 1200

Intrusion

LOBBY DIRECTORY:

SUITE #: 1200

Intrusion

TENANT:

Intrusion Inc.,
a Delaware corporation

By: 
Tony Scott, President and CEO

Do not write below the line – to be filled out by management

Please return collateral to the following address:

Attn: _____

Authorized Signature & Printed Name

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JANITORIAL AUTHORIZATION

BUILDING NAME and ADDRESS: Plano Tower - 101 E. Park Blvd. Plano, TX. 75074

COMPANY NAME and SUITE: Intrusion, Suite # 1200

ALARM COMPANY and CODE (if applicable):

Clean the entire suite - no special instructions.

Janitorial Exceptions:

Janitorial Special Instructions:

TENANT:

Intrusion Inc.,
a Delaware corporation

By: 
Tony Scott, President and CEO

1097001387V7AMERICAS

TENANT CONTACT INFORMATION AND AUTHORIZED SIGNATURES

Building Name: Plano Tower
Tenant Name: Intrusion
Address: 101 E. Park Blvd. Plano, TX. 75074 Suite #: 1200
Phone No: 469-750-0093 Fax No:
E-mail Address: paul.little@intrusion.com

Please list below persons to be contacted in case of an emergency. Emergency numbers will remain confidential and are used only in the event of an emergency involving the Premises.

- 1. Name: Mike McClure Phone: 210-940-2662
2. Name: Jack Pickett Phone: 469-877-9576
3. Name: Blake Dumas Phone: 972-249-6462

CORPORATE OFFICE:

ACCOUNTING:

Contact: Doug Haloftis
Address: 101 E. Park Blvd. Suite 1200
City, State, Zip: Plano, TX 75074
Phone: 888-637-7770
Fax: 972-972-8781
Email: Doug.haloftis@intrusion.com

Contact: Melody Crowl
Address: 101 E Park Blvd. Suite 1200
City, State, Zip: Plano, TX 75074
Phone: 888-637-7770
Fax: 972-972-8781
Email: Melody.crowl@intrusion.com

PERSON(S) AUTHORIZED TO APPROVE BILLABLE SERVICES (locks, keys and other billable services):

- Name: Tony Scott Phone: 888-637-7770 Name: Doug Haloftis Phone: 888-637-7770
Name: Paul Little Phone: 888-637-7770 Name: Joe Head Phone: 888-637-7770
Name: Kim Pinson Phone: 888-637-7770 Name: Melody Crowl Phone: 888-637-7770

Building management is often asked to grant access to the Premises by one of your employees when they have locked themselves out of their office or when they have left their keys at home, etc. Please list the names of those who management is allowed to let into the Premises upon presenting proper identification. If you choose not to list anyone then building management will not be allowed to open the door to the Premises unless it is for the owners of the business who are personally known by building management.

- Name: Tony Scott ID #/State: Texas Name: Doug Haloftis ID #/State: Texas
Name: Paul Little ID #/State: Texas Name: Joe Head ID #/State: Texas
Name: Kim Pinson ID #/State: Texas Melody Crowl ID #/State: Texas
Name: Mike McClure ID #/State: Texas

MARKETING RELEASE:

In the event Tenant permits photo(s) to be taken of Tenant by Landlord or its representative, Tenant grants Landlord and its management company a non-exclusive, transferable, royalty free, worldwide license to the use thereof.

TENANT:

Intrusion Inc.,
a Delaware corporation

By: [Signature]
Tony Scott, President and CEO

Exhibit "K"

FIRST (1st) ADDENDUM TO THE LEASE BETWEEN Intrusion (TENANT) AND JBA Portfolio, LLC (LANDLORD).

Tenant agrees to License eight (8) cover parking spaces as designated by Landlord at a rate of \$0.00 plus applicable taxes per month and one (1) reserved space, which is due with rent payments beginning on the Commencement Date on a month to month basis.

Initial:

TS

Parking space/s shall be available to Tenant between the hours of 6:00 am to 7:30 pm, Monday through Friday, and 6:00 am to 3:00 pm Saturdays. Parking is reserved for the vehicle belonging to Tenant only, and vehicle must display a reserved permit issued by Landlord.

Landlord reserves the right to increase or decrease the monthly rental for said parking spaces with thirty (30) days' written notice to Tenant. Upon expiration of this agreement the parking permit card (if applicable) must be returned immediately, in working condition. Landlord has the exclusive right to immediately terminate this agreement with written notice to Tenant.

Landlord assumes no responsibility whatsoever for loss or damage of the vehicle or its contents, however, caused. Vehicle/s shall be limited in size and weight as designated by the Landlord. Vehicles must be properly insured, in good working condition and properly licensed by the controlling governmental authority. Vehicles may not be left in the parking lot for more than twenty-four (24) hours at a time. Vehicles left in the parking lot for more than twenty-four (24) hours are subject to immediate removal by Landlord or its representatives at Tenant's sole cost and expense.

Tenant hereby acknowledges receipt of Parking Permit/Card Number TBD and understands that this permit must be displayed at all times when the vehicle/s is parked on the subject lot. There will be a charge of \$35.00 per card, for the replacement of this parking permits card. Tenant shall pay in addition to the monthly parking fee, a one-time non-refundable fee of \$0.00 for each permit or card issued.

All other provisions of the Lease shall remain the same.


The Lease may be executed by the parties in multiple counterparts, which together shall have the full force and effect of a fully executed agreement between the parties. Electronic signatures by either party are valid, and Tenant agrees that the Lease and related documents and records may be created, kept and transmitted as electronic files only.

TENANT:

LANDLORD: JBA Portfolio, LLC
BY: Boxer Property Management Corp.
A Texas Corporation
Management Company for Landlord

Intrusion Inc.,
a Delaware corporation

By: 
Tony Scott, President and CEO

 10/10/2023
(signature) (date)

9/29/2023
(date)

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: April 1, 2024

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

I, Kimberly Pinson, 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: April 1, 2024

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

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, 2023, 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.

April 1, 2024

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

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, 2023, 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.

April 1, 2024

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

COMPENSATION RECOVERY POLICY**Effective December 1, 2023**

Intrusion, Inc. (the "Company") is committed to strong corporate governance. As part of this commitment, the Company's Board of Directors (the "Board") has adopted this Compensation Recovery Policy (the "Policy"). The Policy is intended to further the Company's pay-for performance philosophy and to comply with applicable law by providing for the reasonably prompt recovery of certain incentive-based compensation received by Executive Officers in the event of an Accounting Restatement.

Capitalized terms used in the Policy are defined below, and the definitions have substantive impact on its application, so reviewing them carefully is important to your understanding. The application of the Policy to Executive Officers is not discretionary, except to the limited extent provided below, and applies without regard to whether an Executive Officer was at fault.

The Policy is intended to comply with, and will be interpreted in a manner consistent with, Section 10D of the Securities Exchange Act of 1934 (the "Exchange Act"), with Exchange Act Rule 10D-1 and with the listing standards of the national securities exchange (the "Exchange") on which the securities of the Company are listed, including any interpretive guidance provided by the Exchange.

Persons Covered by the Policy

The Policy is binding and enforceable against all Executive Officers. "Executive Officer" means each individual who is or was ever designated as an "officer" by the Board in accordance with Exchange Act Rule 16a-1(f). Each Executive Officer will be required to sign and return to the Company an acknowledgement that such Executive Officer will be bound by the terms and comply with the Policy. The failure to obtain such acknowledgement will have no impact on the applicability or enforceability of the Policy.

Administration of the Policy

The Compensation Committee of the Board (the "Committee") has full delegated authority to administer the Policy. The Committee is authorized to interpret and construe the Policy and to make all determinations necessary, appropriate, or advisable for the administration of the Policy. In addition, if determined in the discretion of the Board, the Policy may be administered by the independent members of the Board or another committee of the Board made up of independent members of the Board, in which case all references to the Committee will be deemed to refer to the independent members of the Board or the other Board committee. All determinations of the Committee will be final and binding and will be given the maximum deference permitted by law.

Accounting Restatements Requiring Application of the Policy

If the Company is required to prepare an accounting restatement due to the material noncompliance by the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (an "Accounting Restatement"), then the Committee must determine the Excess Compensation, if any, that must be recovered. The Company's obligation to recover Excess Compensation is not dependent on if or when the restated financial statements are filed.

Compensation Covered by the Policy

The Policy applies to certain Incentive-Based Compensation that is Received on or after December 1, 2023 (the "Effective Date"), during the Covered Period while the Company has a class of securities listed on a national securities exchange. The Incentive-Based Compensation is considered "Clawback Eligible Incentive-Based Compensation" if the Incentive-Based Compensation is Received by a person after such person became an Executive Officer and the person served as an Executive Officer at any time during the performance period to which the Incentive-Based Compensation applies. The "Excess Compensation" that is subject to recovery under the Policy is the amount of Clawback Eligible Incentive-Based Compensation that exceeds the amount of Clawback Eligible Incentive-Based Compensation that otherwise would have been Received had such Clawback Eligible Incentive-Based Compensation been determined based on the restated amounts (this is referred to in the listings standards as "erroneously awarded incentive based compensation").

To determine the amount of Excess Compensation for Incentive-Based Compensation based on stock price or total shareholder return, where it is not subject to mathematical recalculation directly from the information in an Accounting Restatement, the amount must be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received and the Company must maintain documentation of the determination of that reasonable estimate and provide the documentation to the Exchange.

"Incentive-Based Compensation" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure. For the avoidance of doubt, no compensation that is potentially subject to recovery under the Policy will be earned until the Company's right to recover under the Policy has lapsed.

The following items of compensation are not Incentive-Based Compensation under the Policy: Salaries, bonuses paid solely at the discretion of the Committee or Board that are not paid from a bonus pool that is determined by satisfying a Financial Reporting Measure, bonuses paid solely upon satisfying one or more subjective standards and/or completion of a specified employment period, non-equity incentive plan awards earned solely upon satisfying one or more strategic measures or operational measures, and equity awards for which the grant is not contingent upon achieving any Financial Reporting Measure performance goal and vesting is contingent solely upon completion of a specified employment period (e.g., time-based vesting equity awards) and/or attaining one or more non-Financial Reporting Measures.

"Financial Reporting Measures" are measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also Financial Reporting Measures. A Financial Reporting Measure need not be presented within the financial statements or included in a filing with the Securities and Exchange Commission.

Incentive-Based Compensation is "Received" under the Policy in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment, vesting, settlement or grant of the Incentive Based Compensation occurs after the end of that period. For the avoidance of doubt, the Policy does not apply to Incentive-Based Compensation for which the Financial Reporting Measure is attained prior to the Effective Date.

"Covered Period" means the three completed fiscal years immediately preceding the Accounting Restatement Determination Date. In addition, Covered Period can include certain transition periods resulting from a change in the Company's fiscal year.

"Accounting Restatement Determination Date" means the earliest to occur of: (a) the date the Board, a committee of the Board, or one or more of the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement; and (b) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.

Repayment of Excess Compensation

The Company must recover Excess Compensation reasonably promptly and Executive Officers are required to repay Excess Compensation to the Company. Subject to applicable law, the Company may recover Excess Compensation by requiring the Executive Officer to repay such amount to the Company by direct payment to the Company or such other means or combination of means as the Committee determines to be appropriate (these determinations do not need to be identical as to each Executive Officer). These means may include:

- (a) requiring reimbursement of cash Incentive-Based Compensation previously paid;
- (b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
- (c) offsetting the amount to be recovered from any unpaid or future compensation to be paid by the Company or any affiliate of the Company to the Executive Officer;
- (d) cancelling outstanding vested or unvested equity awards; and/or
- (e) taking any other remedial and recovery action permitted by law, as determined by the Committee.

The repayment of Excess Compensation must be made by an Executive Officer notwithstanding any Executive Officer's belief (whether or not legitimate) that the Excess Compensation had been previously earned under applicable law and therefore is not subject to clawback.

To the extent that the Executive Officer has already reimbursed the Company for any erroneously awarded compensation received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of erroneously awarded compensation that is subject to recovery under this Policy.

In addition to its rights to recovery under the Policy, the Company may take any legal actions it determines appropriate to enforce an Executive Officer's obligations to the Company or to discipline an Executive Officer, including (without limitation) termination of employment, reporting of misconduct to appropriate governmental authorities, reduction of future compensation opportunities or change in role. The decision to take any actions described in the preceding sentence will not be subject to the approval of the Committee and can be made by the Board, any committee of the Board. The applicable Executive Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such erroneously awarded compensation in accordance with this paragraph.

Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by this Section of the Policy if the Committee (which, as specified above, is composed entirely of independent directors) determines that recovery would be impracticable and any of the following two conditions are met:

- The Committee has determined that the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered, provided that, before making this determination, the Company must make a reasonable attempt to recover the erroneously awarded compensation, documented such attempt(s) and provided such documentation to the Exchange; or
- Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder; or
- Recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of erroneously awarded compensation based on violation of home country law, the Company must obtain an opinion of home country counsel, acceptable to the Exchange, that recovery would result in such a violation, and must provide such opinion to Exchange.

The Company shall file all disclosures with respect to this Policy required by applicable U.S. Securities and Exchange Commission ("SEC") filings and rules.

Limited Exceptions to the Policy

The Company must recover Excess Compensation in accordance with the Policy except to the limited extent that the conditions set forth below are met, and the Committee determines that recovery of the Excess Compensation would be impracticable:

- (a) The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before reaching this conclusion, the Company must make a reasonable attempt to recover the Excess Compensation, document the reasonable attempt(s) taken to so recover, and provide that documentation to the Exchange; or
- (b) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the legal requirements as such.

Other Important Information in the Policy

The Policy is in addition to the requirements of Section 304 of the Sarbanes-Oxley Act of 2002 that are applicable to the Company's Chief Executive Officer and Chief Financial Officer, as well as any other applicable laws, regulatory requirements, or rules.

Notwithstanding the terms of any of the Company's organizational documents (including, but not limited to, the Company's certificate of incorporation and bylaws), any corporate policy or any contract (including, but not limited to, any indemnification agreement), neither the Company nor any affiliate of the Company will indemnify or provide advancement for any Executive Officer against any loss of Excess Compensation. Neither the Company nor any affiliate of the Company will pay for or reimburse insurance premiums for an insurance policy that covers potential recovery obligations. In the event that pursuant to the Policy the Company is required to recover Excess Compensation from an Executive Officer who is no longer an employee, the Company will be entitled to seek recovery in order to comply with applicable law, regardless of the terms of any release of claims or separation agreement such individual may have signed.

The Committee or Board may review and modify the Policy from time to time.

If any provision of the Policy or the application of any such provision to any Executive Officer is adjudicated to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of the Policy or the application of such provision to another Executive Officer, and the invalid, illegal or unenforceable provisions will be deemed amended to the minimum extent necessary to render any such provision or application enforceable.

The Policy will terminate and no longer be enforceable when the Company ceases to be a listed issuer within the meaning of Section 10D of the Exchange Act.

Mandatory Disclosures

The Company shall file this Policy as an exhibit to its Annual Report on Form 10-K and, if applicable, disclose information relating to the occurrence of an accounting restatement in accordance with applicable law, including, but not limited to, the rules of the Exchange, and the Exchange Act.

In the event the Company is required to clawback any erroneously awarded incentive-based compensation from Executive Officers in accordance with the rules of the Exchange and the Exchange Act., and the occurrence of such is disclosed by the Company in a public filing required by the Exchange Act, the Company will disclose (i) the aggregate amount recovered, or (ii) if no amount was recovered, the absence of a recoverable amount.

Noncompliance

Failure by the Company to adhere to this policy governing the recovery of erroneously awarded compensation could result in the Company being subject to delisting from the Exchange.

Amendment and Termination

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything herein to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or Nasdaq rules. The Board may terminate this Policy at any time.

ACKNOWLEDGEMENT

- I acknowledge that I have received and read the Compensation Recovery Policy (the "Policy") of Intrusion, Inc. (the "Company").
- I understand and acknowledge that the Policy applies to me, and all of my beneficiaries, heirs, executors, administrators or other legal representatives and that the Company's right to recovery in order to comply with applicable law will apply, regardless of the terms of any release of claims or separation agreement I have signed or will sign in the future.
- I agree to be bound by and to comply with the Policy and understand that determinations of the Committee (as such term is used in the Policy) will be final and binding and will be given the maximum deference permitted by law.
- I understand and agree that my current indemnification rights, whether in an individual agreement or the Company's organizational documents, exclude the right to be indemnified for amounts required to be recovered under the Policy.
- I understand that my failure to comply in all respects with the Policy is a basis for termination of my employment with the Company and any affiliate of the Company, as well as any other appropriate discipline.
- I understand that neither the Policy, nor the application of the Policy to me, gives rise to a resignation for good reason (or similar concept) by me under any applicable employment agreement or arrangement.
- I acknowledge that if I have questions concerning the meaning or application of the Policy, it is my responsibility to seek guidance from the Legal Department or my own personal advisers.
- I acknowledge that neither this Acknowledgement nor the Policy is meant to constitute an employment contract.
- In the event of any inconsistency between the provisions of the Policy and this Acknowledgment or any applicable incentive-based compensation arrangements, employment agreement, equity agreement, indemnification agreement or similar agreement or arrangement setting forth the terms and conditions of any Incentive-based Compensation, the terms of the Policy shall govern.

Please review, sign and return this form to Human Resources.

Executive Officer: _____
(name)

(signature)

(print name)

(date)