

INTRUSION INC
Form 8-K
January 04, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) **December 28, 2006**

INTRUSION INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of Incorporation)

000-20191
(Commission File Number)

75-1911917
(IRS Employer
Identification Number)

**1101 East Arapaho Road
Suite 200
Richardson, TX 75081**
(Address of principal executive
offices)

(972) 234-6400
(Registrant's Telephone
Number)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On December 28, 2006, we executed a Subscription Agreement with G. Ward Paxton, our Chairman, President and Chief Executive Officer, and Michael L. Paxton, our Vice President and Chief Financial Officer, in connection with a private placement of our common stock. Please see Item 3.02 - Unregistered Sales of Securities for additional details.

Item 3.02. Unregistered Sales of Securities.

Private Placement

On December 28, 2006, we completed a private placement of unregistered securities (the December Private Placement) to two individual accredited investors at a purchase price equal to \$0.40 per share. The purchase price was determined by taking the average closing price for our common stock for the prior twenty trading days and multiplying this average by a factor of 110%. G. Ward Paxton, our Chairman, President and Chief Executive Officer purchased 1,000,000 shares for a total of \$400,000, increasing his beneficial ownership to 2,119,608 shares or 23.8% of our common stock. Michael L. Paxton, our Vice President and Chief Financial Officer purchased 250,000 shares for a total of \$100,000, increasing his beneficial ownership to 651,875 shares or 7.8% of our common stock.

We intend to use the proceeds from the December Private placement for general working capital purposes, including ongoing operating expenses, trade payables and the payment of dividends on our existing preferred stock. Our management will have broad discretion over how we use the net proceeds of this offering and could spend proceeds in ways with which stockholders do not agree. Pending deployment of the funds, we may invest the proceeds in ways that do not yield favorable returns.

We relied on Section 4(2) of the Securities Act of 1933 and Rule 506 of Regulation D as the basis for our exemption from registration for the issuance of the common stock.

The foregoing description does not purport to be complete and is qualified in its entirety by reference to the Subscription Agreements, attached hereto as exhibits.

Item 3.03. Material Modification to Rights of Security Holders.

On December 2, 2005, we issued a series of Stock Purchase Warrants to certain investors (the Series 3 Warrants) allowing such investors (the Series 3 Investors) to purchase 282,306 shares of our common stock at an exercise price equal to \$2.58 per share (the Initial Exercise Price). The shares of common stock issued in the December Private Placement were issued at a per share price equal to \$0.40, a price below the Initial Exercise Price. Pursuant to Section 3(b) under the Series 3 Warrants, the issuance of the common stock in the December Private Placement causes the Initial Exercise Price of the Series 3 Warrants to be reduced to \$0.40 per share, but does not result in an increase in the number of shares to be issued under the Warrants if and when exercised. Mr. G. Ward Paxton, our Chairman, President and Chief Executive Officer, holds a Series 3 Warrant for the purchase of 27,523 shares of common stock and Mr.

Jim Gero, one of the our directors, holds a Series 3 Warrant for the purchase of 13,762 shares of common stock.

Item 8.01 Other Material Events

On December 28, 2006, we issued a press release relating to the private placement, a copy of which is attached hereto as Exhibit 99.1 which is hereby incorporated by reference.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

Exhibit

| No. | Description of Exhibits |
|------------|---|
| 10.1 | Subscription and Investment Representation Agreement by and between Intrusion Inc. and G. Ward Paxton, dated December 28, 2006. |
| 10.2 | Subscription and Investment Representation Agreement by and between Intrusion Inc. and Michael L. Paxton, dated December 28, 2006 |
| 99.1 | Press release |

3

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INTRUSION INC.

Dated: January 3, 2007

By:

/s/ MICHAEL L. PAXTON
Michael L. Paxton
Chief Financial Officer

4

EXHIBIT INDEX

Exhibit

| No. | Description of Exhibits |
|------------|--|
| 10.1 | Subscription Agreement by and between Intrusion, Inc. and Ward Paxton, dated December 28, 2006. |
| 10.2 | Subscription Agreement by and between Intrusion, Inc. and Michael Paxton, dated December 28, 2006. |
| 99.1 | Press release |

5
