

# Code of Ethics for Senior Financial Employees



Adopted by the Board of Directors on March 18, 2004

In addition to the requirements and expectations detailed in the Code of Business Conduct and Ethics for Intrusion Inc. (the “Company”), the Board of Directors believes that the Company’s Senior Financial Employees should abide by a separate Code of Ethics that focuses on their unique and important roles. Accordingly, this Code of Ethics for Senior Financial Employees (the “Code of Ethics”) shall apply to the Company’s chief executive officer, chief financial officer and controller or to persons performing similar functions (collectively referred to as the “Senior Financial Employees”).

The Board of Directors of the Company has adopted this Code of Ethics in accordance with Section 4067 of the Sarbanes-Oxley Act of 2002 and Item 406 of regulation S-K promulgated by the Securities and Exchange Commission (the “SEC”).

## **Honest and Ethical Conduct**

Each Senior Financial Employee shall conduct business with honesty and integrity and in compliance with this Code of Ethics, the Company’s Code of Business Conduct and Ethics, and all other Company policies and procedures and applicable federal, state and local laws, rules and regulations.

Proper business conduct is required when dealing with other Company employees, officers and directors, the public, the business community, stockholders, customers, suppliers, financial sources and advisors, auditors and governmental and regulatory authorities. To this end, the Senior Financial Employees shall endeavor to promote and model a culture of honesty, integrity, ethical behavior and accountability within the Company and its affiliated entities whereby all employees of the Company are encouraged to conduct themselves and their activities on behalf of the Company and its affiliated entities in an honest and ethical manner and in a manner which complies with the Company’s Code of Business Conduct and Ethics.

Senior Financial Employees shall act in good faith, responsibly, with reasonable care, competence and diligence, without misrepresenting material facts or allowing their independent judgment to be subordinated.

## **Conflicts of Interest**

A Senior Financial Employee shall avoid situations that create an actual or potential conflict between his/her personal interests and the interests of the Company and its stockholders. A conflict of interest exists when the loyalties or actions of a Senior Financial Employee are divided between the Company’s interests and those of another person, such as a person who is, or at such time could reasonably be expected to be, a competitor, supplier, customer, distributor, agent or financial source or advisor. A

conflict of interest may also exist when a Senior Financial Employee is involved in an activity or has a personal interest that might interfere with his/her objectivity in performing Company duties and responsibilities. A Senior Financial Employee shall, and he/she shall cause persons having a close personal or business relationship with him/her to, avoid both the fact and the appearance of a conflict of interest.

Although not inclusive, some of the more common conflicts of interest of a Senior Financial Employee are listed below:

- Accepting excessive business courtesies (gifts, gratuities, entertainment, etc.) from any person who is, or at such time could reasonably be expected to be, a competitor, supplier, customer, distributor, agent or financial source or advisor.
- Offering or accepting cash in any amount.
- Engaging in any business transaction with the Company, including acquiring any interest in property or assets of any kind for the purpose of selling or leasing it to the Company, borrowing money from the Company or having the Company guaranty a personal obligation.
- Having a direct or indirect financial interest in or relationship with, a competitor, supplier, customer, distributor, agent or financial source or advisor (excluding a financial interest resulting solely from the ownership of less than 1% of any outstanding class of publicly traded securities of such competitor, supplier, customer, distributor, agent, financial source or advisor).
- Using proprietary or confidential Company information for personal gain or to the Company's detriment
- Taking for personal gain opportunities that are discovered through the use of Company property, information or position.
- Using Company assets or labor for personal use.
- Developing a person relationship as a close companion with an employee, officer, or director of the Company that might interfere with the exercise of impartial judgment in decisions affecting the Company or any employee, officer or director of the Company.
- Causing or encouraging the Company to make a charitable contribution in an amount greater than that which would be routine and customary for the Company to a charitable organization of which the Senior Financial Employee, or a person with whom he/she has a close personal or business relationship, serves as a director, trustee, or officer or in some other significant leadership capacity.

A Senior Financial Employee shall not make bribes or accept personal kickbacks in connection with any Company business transaction. A Senior Financial Employee who makes or approves expenditures for gratuities, meals or entertainment shall use discretion and care to ensure that such expenditures are in the normal course of business and reasonably could not be construed as bribes or improper inducement. A kickback is any money, fee, credit, gift, gratuity, compensation or anything of value that is provided, directly or indirectly, to a Senior Financial Employee, or a person with whom he/she has

a close personal or business relationship for the purpose of improperly obtaining or rewarding favorable treatment in connection with the receipt or awarding of business.

No Senior Financial Employee shall offer, pay, give, promise to pay or give, or authorize the payment of money or anything of value directly or indirectly to any foreign official, foreign political party or party official, or any candidate for foreign political office for purposes of:

- influencing any act or decision of such foreign official, political party, party official or candidate in such person's official capacity; inducing such foreign official, political party, party official or candidate to do or omit to do any act in violation of such person's lawful duty; or securing any improper advantage; or
- inducing such foreign official, political party, party official or candidate to use such person's influence with a foreign government or instrumentality to affect or influence any act or decision of such government or instrumentality;

in order to assist the Company or its affiliates to obtain or retain business for, with, or directing business to, any person.

If a Senior Financial Employee or someone with whom he/she has a close relationship (a family member or close companion) has a financial or employment relationship with a person who is, or at such time could reasonably be expected to be, a competitor, supplier, customer, distributor, agent or financial source or advisor, the Senior Financial Employee shall disclose this fact in writing to the Chair of the Audit Committee of the Board of Directors (the "Audit Committee").

A Senior Financial Employee shall be aware that if he/she enters into a personal relationship with an employee, officer or director of the Company or with an employee, officer or director of a competitor, supplier, customer, distributor, agent or financial source or advisor, a conflict of interest might exist that requires full disclosure to the Company.

A Senior Financial Employee shall not, nor shall he/she permit a person having a close personal or business relationship with him/her to, offer, solicit or accept employment or business opportunities for himself/herself of such person based on the Company starting or continuing a business relationship with any supplier, customer, distributor, agent or financial source or advisor. The Company also prohibits payment or loan of Company funds or assets to any governmental or political party, candidate, employee, official, etc., for the purpose of supporting or opposing any governmental or political person, entity or agenda.

Each Senior Financial Employee shall fully inform the Chair of the Audit Committee with respect to (i) any prior employment of such officer with any accounting firm which the Company has engaged, or is proposing to engage, to perform auditing services and (ii) the scope of any work performed by such Senior Financial Employee for the Company while employed by such accounting firm and the time period during which such work was performed.

## **Disclosure in SEC Filings and Other Public Communications**

Each Senior Financial Employee shall endeavor, through actions which include, without limitation, the establishment, maintenance and periodic evaluation of appropriate disclosure controls and procedures and internal controls, to ensure that, with respect to each report or documents that the Company files with or submits to the SEC (each an “SEC Filing”) and with respect to each other public communication made by the Company, (i) the SEC Filing or other communication does not contain any untrue statement of a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading, (ii) the financial statements, and other financial information contained in each such SEC Filing or other communication fairly present in all material respects the financial condition and results of operations of the Company as of, and for, there periods presented in the SEC Filing or other communication and (iii) the SEC Filing or other communication discloses financial information relating to the Company in a full, fair, accurate, timely and understandable manner (other than SEC Filings and communications that by their nature are intended to convey financial or other information in a summary, conclusory or general fashion).

The Senior Financial Employees shall endeavor to design disclosure controls and procedures and internal controls to

- ensure that material information relating to the Company and its consolidated subsidiaries is made known to such Senior Financial Employees by others within the entities; and
- enable the principal executive officer or officers and the principal financial officer or officers, or persons performing similar functions to make certifications required by Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002 and the disclosures required by Item 307 of Regulation S-K promulgated by the SEC.

The Senior Financial Employees, as the primary employees responsible for the complete and accurate financial reporting of the Company, to the best of their ability, shall not permit the disclosure of any financial information of the Company which they believe is false or misleading financial information, he/she shall promptly advise the Chair of the Audit Committee, or in his or her absence, any other member of the Audit Committee.

Each Senior Financial Employee shall promptly disclose to the Company’s independent auditors and to the Chair of the Audit Committee (i) all significant deficiencies in the design or operation of the company’s internal controls which could adversely affect the Company’s ability to record, process, summarize, and report financial data, (ii) any material weakness in the Company’s internal controls, and (iii) any fraud, whether or not material, that involves the Company’s management or other employees who have a significant role in the Company’s internal controls.

The Senior Financial Employees shall ensure that each quarterly and annual report filed with the SEC (each a “Report”) fully, accurately and timely discloses whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of such Senior Financial

Employee's evaluation of internal controls in connection with such Report, including any corrective action(s) with regard to significant deficiencies and material weaknesses.

### **Reporting any Illegal or Unethical Behavior**

Senior Financial Employees shall report to the Chair of the Audit Committee, or in his/her absence, any other member of the Audit Committee, information concerning (i) any illegal or unethical behavior by an officer of the Company, or (ii) any behavior by an officer of the Company in violation of this Standard. In addition, all Senior Financial Employees are encouraged to consult and visit the Chair of the Audit Committee or the Company's General Counsel if they have any questions or concerns about the terms or implementation of these Standards, or any legal or ethical matters concerning the Company whatsoever.

### **Consequences for Non-Adherence to Provisions of this Code of Ethics**

Each Senior Financial Employee shall be personally responsible and accountable for his or her adherence to the provisions of this Code of Ethics. The Company, at the direction of the Board of Directors, may impose such sanctions, including dismissal for cause, for a Senior Financial Employee's violation of this Code of Ethics as the Board of Directors shall determine, under the circumstances, to be in the best interests of the Company and its stockholders.

### **Disclosure of this Code of Ethics and Waivers of its Terms**

This Code of Ethics shall be:

- filed with the SEC as an exhibit to the Company's Annual Report on Form 10-K or posted on the Company's website; and
- provided to any person without charge, upon request (with the Company's Annual Report on Form 10-K including an undertaking by the Company to so provide a copy of this Code of Ethics and explaining the manner in which a request for a copy of this Code of Ethics may be made).

This Code of Ethics shall otherwise be made publicly available as required by law and/or stock exchange rule.

Waivers of any provisions of this Code of Ethics can be made only by the Audit Committee and any waivers so granted shall be disclosed as required by law and/or stock exchange rule. In like respect, any amendments or modifications to this Code of Ethics be disclosed as required by law and/or stock exchange rule.

### **ANY AUDIT COMMITTEE WAIVERS OR APPROVALS OF OR CONSENTS TO ANY ACTIVITIES OR MATTERS THAT OTHERWISE WOULD VIOLATE OR CONFLICT WITH THIS CODE OF ETHICS, SHALL BE DISCLOSED IN A FORM 8-K FILED WITH THE SEC.**

These disclosures shall remain publicly available and maintained by the Company for the specified period(s) of time required by law and/or stock exchange rule. Likewise, information concerning these disclosures shall be retained by the Company for the specified period(s) of time mandated by law and/or stock exchange rule.

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## ACKNOWLEDGEMENT

By signing below I hereby represent that:

1. I have received a copy of the Code of Ethics for Senior Financial Employees; and
2. I had ample time and opportunity to ask the Company's Board Members and/or Company Management to clarify anything that I did not understand; and
3. I have read and do understand the Code of Ethics for Senior Financial Employees; and
4. I agree to comply with the Code at all times.

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_