

ION NETWORKS INC  
Form 8-K  
March 16, 2006

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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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): March 15, 2006

ION NETWORKS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

000-13117

22-2413505

(State or Other Jurisdiction

(Commission File Number)

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

120 Corporate Boulevard

South Plainfield, New Jersey

07080

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(Address of Principal Executive Offices)

(Zip Code)

(Registrant's telephone number, including area code): (908) 546-3900

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(Former Name or Former Address, if Changed Since Last Report)

ITEM 2.02. Results of Operations and Financial Conditions.

On March 15, 2006, ION Networks Incorporated (the Company ) issued a press release in which it announced its financial results for the year ended December 31, 2005.

The Company's net sales for the year ended December 31, 2005 were \$4,558,000 compared to \$3,616,000 for the previous year. The Company posted net income of \$182,000 or \$0.01 per share for 2005 compared to a net loss of \$250,000 or a loss of \$0.01 per share for 2004.

Gross margin grew from \$2,199,000 in 2004 to \$3,015,000 in 2005. This 37% increase in gross margin was due to several factors including increased revenues due to volume gains, lower costs related to new products, operating efficiencies and reduced amortization of capitalized software costs offset in part by reduction in selling prices. Operating expenses including selling, general & administrative expenses, research & development and depreciation expenses increased from \$2,970,000 in 2004 to \$3,187,000 in 2005, a \$217,000 increase. This 7% increase was due primarily to higher salary-related expenses with increased commissions and incentive compensation based on higher net sales, offset in part by reduced professional services and insurance expenses. The Company's benefit from restructuring activities declined to \$60,000 for the year ended December 31, 2005 from \$181,000 for the year ended December 31, 2004, while the benefit from sale of income tax benefits declined from \$323,000 in 2004 to \$299,000 in 2005.

A copy of the press release issued by the Company is included as an Exhibit to this Current Report on Form 8-K.

ITEM 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit 99 Press Release of the Company dated March 15, 2006.

**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.

Date:

March 15, 2005

ION NETWORKS, INC.

By: /s/ Patrick E. Delaney

Patrick E. Delaney  
Chief Financial Officer

Exhibit 99

**ION NETWORKS REPORTS FINANCIAL RESULTS**  
**FOR YEAR ENDED DECEMBER 31, 2005**  
**COMPANY POSTS FIRST YEARLY PROFIT SINCE 1998**

South Plainfield, N.J. March 15, 2006--ION Networks Incorporated (OTC: [IONN.OB](#)), a leading provider of solutions that secure access and administration to a wide variety of devices serving voice and data networks, announced today that the Company posted a net profit for the year for the first time since 1998.

ION's net sales for the year ended December 31, 2005 were \$4,558,000 compared to \$3,616,000 for the previous year. The Company posted net income of \$182,000 or \$0.01 per share for 2005 compared to a net loss of \$250,000 or a loss of \$0.01 per share for 2004.

Gross margin grew from \$2,199,000 in 2004 to \$3,015,000 in 2005. This 37% increase in gross margin was due to several factors including increased revenues due to volume gains, lower costs related to new products, operating efficiencies and reduced amortization of capitalized software costs offset in part by reduction in selling prices. Operating expenses including selling, general & administrative expenses, research & development and depreciation expenses increased from \$2,970,000 in 2004 to \$3,187,000 in 2005, a \$217,000 increase. This 7% increase was due primarily to higher salary-related expenses with increased commissions and incentive compensation based on higher net sales, offset in part by reduced professional services and insurances expenses. The Company's benefit from restructuring activities declined to \$60,000 for the year ended December 31, 2005 from \$181,000 for the year ended December 31, 2004, while the benefit from sale of income tax benefits declined from \$323,000 in 2004 to \$299,000 in 2005.

We are proud of the progress made during 2005, particularly posting the first yearly profit since 1998, said Norman E. Corn, ION's Chief Executive Officer. Though we continue to face many challenges and have not yet achieved operating profitability, the market and our customers have begun to validate the ION solution which meets their emerging secure access and network administration requirements."

**About ION Networks**

ION, headquartered in New Jersey, designs, develops, manufactures and sells security solutions that protect enterprise network administrative interfaces from improper, unauthorized or otherwise undesirable access from external and internal sources. Founded in 1982, ION's secure access solutions are in use in over 35 countries.

For more information please call +1 908-546-3900 or visit our web site at [www.ion-networks.com](http://www.ion-networks.com).

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\*\*\*\*\* Financial Tables Follow \*\*\*\*\*

**ION Networks, Inc. and Subsidiary****Consolidated Balance Sheet****December 31, 2005****(Unaudited)****Assets**

|  |    |           |
|--|----|-----------|
| Current assets   |    |           |
| Cash and cash equivalents  | \$ | 196,342   |
| Accounts receivable, net of allowance for doubtful accounts \$16,520 |    | 1,023,914 |
| Inventories, net   |    | 526,078   |
| Prepaid expenses and other current assets                            |    | 75,379    |
| Total current assets   |    | 1,821,713 |
| Property and equipment, net  |    | 29,293    |
| Capitalized software, net  |    | 891,676   |
| Deferred financing costs, net  |    | 57,436    |
| Other assets   |    | 22,911    |
| Total assets   | \$ | 2,823,029 |

**Liabilities and Stockholders Equity**

|   |    |           |
|---|----|-----------|
| Current liabilities                     |    |           |
| Accounts payable                        | \$ | 436,349   |
| Accrued expenses                        |    | 265,567   |
| Accrued payroll and related liabilities |    | 260,762   |
| Current portion of long-term debt       |    | 2,410     |
| Deferred income                         |    | 167,110   |
| Other current liabilities               |    | 10,000    |
| Total current liabilities               |    | 1,142,198 |
| Long-term liabilities                   |    |           |
| Convertible debenture related party     |    | 214,118   |
| Long term debt, net of current portion  |    | 9,529     |
| Total long-term liabilities             |    | 223,647   |
| Total liabilities                       | \$ | 1,365,845 |

Commitments and contingencies

Stockholders' equity

|   |              |
|---|--------------|
| Preferred stock - par value \$.001 per share; authorized 1,000,000 shares,<br>200,000 shares designated Series A; 155,557 shares issued and outstanding<br>(Aggregate Liquidation Preference \$280,003) | 156          |
| Common stock - par value \$.001 per share; authorized 50,000,000 shares;<br>27,050,044 shares issued and outstanding  | 27,050       |
| Additional paid-in capital  | 44,840,882   |
| Deferred compensation   | (16,597)     |
| Accumulated deficit   | (43,394,307) |
| Total stockholders' equity  | 1,457,184    |
| Total liabilities and stockholders' equity  | \$ 2,823,029 |



**ION Networks, Inc. and Subsidiary**  
**Consolidated Statements of Operations**

|   | Years Ended December 31, |              |
|---|--------------------------|--------------|
|   | 2005                     | 2004         |
|   | (Unaudited)              |              |
| Net sales   | \$ 4,557,764             | \$ 3,616,261 |
| Cost of sales   | 1,542,395                | 1,417,603    |
| Gross margin  | 3,015,369                | 2,198,658    |
| Research and development expenses   | 523,060                  | 598,012      |
| Selling, general and administrative expenses, including \$ 770<br>and \$58,750 of non-cash stock based compensation in 2005 and<br>2004, respectively | 2,653,865                | 2,314,834    |
| Depreciation  | 9,872                    | 57,325       |
| Restructuring and other credits   | (59,908)                 | (180,533)    |
| Loss from operations  | (111,520)                | (590,980)    |
| Other income  | 15,339                   | 25,810       |
| Interest income/(expense)- related party  | (9,951)                  | (4,167)      |
| Interest income/(expense) (1)   | (10,604)                 | (3,334)      |
| Loss before income taxes  | (116,736)                | (572,671)    |
| Income tax benefit  | 299,007                  | 322,831      |
| Net income/(loss)   | \$ 182,271               | \$ (249,840) |
| Per share data:   |                          |              |
| Net income (loss) per share   |                          |              |
| Basic   | \$ 0.01                  | \$ (0.01)    |

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|  |            |            |
|--|------------|------------|
| Diluted  | \$ 0.01    | \$ (0.01)  |
| Weighted average number of common shares outstanding |            |            |
| Basic  | 25,970,265 | 23,294,325 |
| Diluted  | 31,027,879 | 23,294,325 |

(1) Includes amortization of deferred financing costs of \$8,122 and \$0 in 2005 and 2004, respectively.