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ION NETWORKS INC  
Form 8-K  
March 25, 2005

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): March 23, 2005

ION NETWORKS, INC.  
(Exact Name of Registrant as Specified in its Charter)

|   |                          |   |
|---|--------------------------|---|
| Delaware  | 000-13117                | 22-2413505                              |
| (State or Other Jurisdiction<br>of Incorporation) | (Commission File Number) | (I.R.S. Employer<br>Identification No.) |

|   |            |
|---|------------|
| 120 Corporate Boulevard<br>South Plainfield, New Jersey | 07080      |
| (Address of Principal Executive Offices)                | (Zip Code) |

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

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

Form 8-K for ION NETWORKS INC

23-Mar-2005

Press Release for Results of Operations and Financial Conditions

ITEM 2.02. Results of Operations and Financial Conditions.

ION Networks Reports Financial Results for Year  
Ended December 31, 2004

SOUTH PLAINFIELD, N.J.--(BUSINESS WIRE)--March 23, 2005--ION Networks  
Incorporated (OTC: IONN.OB), a leading provider of solutions that secure access

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and administration to a wide variety of devices serving voice and data networks, announced today results for the year ended December 31, 2004.

Net sales for the year ended December 31, 2004 were \$3,616,000 compared to \$3,343,000 for the previous year. Net losses incurred were \$250,000 or \$0.01 per share for 2004 compared to \$604,000 or \$0.03 per share for the year 2003.

Gross margin grew from \$2,450,000 for the year ended December 31, 2003 to \$2,550,000 for 2004. This increase in gross margin was due to increased revenues offset by a slight reduction in prices. Operating expenses including selling, general & administrative expenses, research & development and depreciation & amortization expenses declined from \$3,692,000 to \$3,322,000 a \$370,000 reduction. This improvement was due primarily to lower depreciation, facilities costs, professional services and insurances expenses. The benefits from restructuring activities declined to \$181,000 for the year 2004 from \$405,000 for the year ended December 31, 2003.

"We are proud of the progress we made during 2004 particularly during the second half of the year," said Norman E. Corn, ION's Chief Executive Officer. "Though we continue to face many challenges we are excited about our opportunities in 2005."

### About ION Networks

ION, headquartered in New Jersey, is the leading provider of products that protect network administrative interfaces from improper, unauthorized or otherwise undesirable access by either external or internal sources. ION, founded in 1982 as MicroFrame, has over 300 customers in 35 countries. There are over 50,000 ION devices currently in use today worldwide. ION distributes its products throughout the world through partnering arrangements with large well-known telecommunications and service providers, such as Avaya and AT&T and counts many Fortune 500 companies among their clients.

More information can be obtained from [www.ion-networks.com](http://www.ion-networks.com).

Included in this release are certain "forward-looking" statements, involving risks and uncertainties, which are covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements regarding the Company's financial performance. Such statements are based on management's current expectations and are subject to certain factors, risks and uncertainties that may cause actual results, events and performance to differ materially from those referred to or implied by such statements. These statements include, but are not limited to, statements regarding the Company's plan to secure additional capital. In addition, actual future results may differ materially from those anticipated. The factors that could cause actual future results to differ materially from the forward-looking statements include the following: sales and earnings growth, ability to attract and retain personnel, technological changes, product development, competition, protection of our intellectual property, our working capital balance and our reliance on several key customers and members of our management, uncertainties relating to global political conditions, such as terrorism. Information with respect to important factors that should be considered is contained in the Company's Annual Report on Form 10-KSB, the Company's Quarterly Reports on Forms 10-QSB, and other filings and releases as filed with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company does not intend to update any of the forward-looking statements after the date of this release to conform these statements to actual results or to changes in its expectations, except as may be required by law.

ION Networks(TM) is a trademark of ION Networks, Incorporated. All other trademarks and registered trademarks in this document are the properties of their respective owners.

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### ION Networks, Inc and Subsidiary Consolidated Balance Sheets

| Assets   | December 31, |             |
|--|--------------|-------------|
|  | 2004         | 2003        |
| <hr/>  |              |             |
| Current assets   |              |             |
| Cash and cash equivalents  | \$287,437    | \$357,711   |
| Accounts receivable, less allowance for doubtful accounts of \$16,923 and \$66,549, respectively   | 578,491      | 397,744     |
| Inventory, net   | 511,426      | 702,042     |
| Prepaid expenses and other current assets  | 78,436       | 128,138     |
|  | <hr/>        |             |
| Total current assets   | 1,455,790    | 1,585,635   |
| Property and equipment, net  | 11,847       | 57,432      |
| Capitalized software, net  | 406,351      | 448,288     |
| Other assets   | 12,836       | 13,301      |
|  | <hr/>        |             |
| Total assets   | \$1,886,824  | \$2,104,656 |
|  | <hr/> <hr/>  |             |
| Liabilities and Stockholders' Equity   |              |             |
| Current liabilities  |              |             |
| Current portion of capital leases  | -            | 73,551      |
| Current portion of long-term debt  | 2,311        | 2,202       |
| Accounts payable   | 354,602      | 340,740     |
| Accrued expenses   | 549,730      | 574,930     |
| Deferred income  | 160,212      | 200,305     |
| Sales tax payable  | 6,075        | 52,640      |
| Other current liabilities  | 10,000       | 53,337      |
|  | <hr/>        |             |
| Total current liabilities  | \$1,082,930  | \$1,297,705 |
|  | <hr/>        |             |
| Convertible debenture - related party  | 204,167      | -           |
| Long term debt, net of current portion   | 6,942        | 9,441       |
|  | <hr/>        |             |
| Total liabilities  | \$1,294,039  | \$1,307,146 |
|  | <hr/> <hr/>  |             |
| Commitments and contingencies  |              |             |
| Stockholders' equity   |              |             |
| Preferred stock - par value \$.001 per share; authorized 1,000,000 shares at December 31, 2004 and 2003; 200,000 shares designated Series A at December 31, 2004 and 2003; 158,335 and 166,835 shares issued and outstanding at December 31, 2004 and 2003; (Aggregate Liquidation Preference \$285,003 and \$300,303 at December 31, 2004 and 2003, respectively) | 158          | 167         |
| Common stock - par value \$.001 per share; authorized 50,000,000 shares at December 31, 2004 and 2003; 22,610,500 and 24,875,500 shares issued and outstanding at December 31, 2004 and 2003   | 22,611       | 24,876      |

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|  |              |              |  |
|--|--------------|--------------|--|
| Additional paid-in capital                 | 44,146,594   | 44,585,740   |  |
| Notes receivable from former officers      | -            | (486,535)    |  |
| Accumulated deficit                        | (43,576,578) | (43,326,738) |  |
|  |              |              |  |
| Total stockholders' equity                 | 592,785      | 797,510      |  |
|  |              |              |  |
|  |              |              |  |
| Total liabilities and stockholders' equity | \$1,886,824  | \$2,104,656  |  |
|  |              |              |  |

### ION Networks, Inc and Subsidiary Consolidated Statement of Operations

|  | Year Ended<br>December 31, |              |
|--|----------------------------|--------------|
|  | 2004                       | 2003         |
| Net sales  | \$3,616,261                | \$3,342,620  |
| Cost of sales  | 1,065,443                  | 892,373      |
| Gross Margin   | 2,550,818                  | 2,450,247    |
| Research and development expenses                    | 598,012                    | 503,146      |
| Selling, general and administrative expenses         | 2,314,834                  | 2,452,031    |
| Depreciation and amortization expenses               | 409,485                    | 736,694      |
| Restructuring, asset impairments and other credits   | (180,533)                  | (405,402)    |
| Loss from operations                                 | (590,980)                  | (836,222)    |
| Interest income                                      | 25,810                     | 19,872       |
| Interest income/(expense)-related party              | (4,167)                    | -            |
| Interest income/(expense)                            | (3,334)                    | (14,593)     |
| Loss before income taxes                             | (572,671)                  | (830,943)    |
| Income tax benefit                                   | 322,831                    | 227,151      |
| Net Loss   | \$ (249,840)               | \$ (603,792) |
| Per share data                                       |                            |              |
| Basic & Diluted                                      | \$ (0.01)                  | \$ (0.03)    |
| Weighted average number of common shares outstanding |                            |              |
| Basic & Diluted                                      | 23,294,325                 | 23,900,500   |

CONTACT: Investor/Press:  
 ION Networks, Inc.  
 Mark Santus, 908-546-3903  
 investor-relations@ion-networks.com

SIGNATURES

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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 24, 2005

ION NETWORKS, INC.

By: /s/ Patrick E. Delaney

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Patrick E. Delaney  
Chief Financial Officer