ION NETWORKS INC
Form DEF 14A
December 10, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrantx Filed by a Party other than the Registrant¨

Check the appropriate box:

o Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

ION Networks, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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x No fee required.

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(3) Filing Party:

(4) Date Filed:

ION NETWORKS, INC.
120 Corporate Boulevard
South Plainfield, NJ 07080

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 31, 2007

To the Stockholders of ION Networks, Inc.:

NOTICE IS HEREBY GIVEN that the 2007 Annual Meeting of Stockholders (the "Meeting") of ION Networks, Inc., a Delaware corporation (the "Company"), will be held at the offices of the Company at 120 Corporate Boulevard, South Plainfield, New Jersey, on Monday, December 31, 2007 at 10:00 a.m., local time, to consider and act upon the following matters:

1. To elect four directors to the Company's Board of Directors, to serve until the next annual meeting of stockholders and until their respective successors are duly elected and qualified.

2. To approve the sale of substantially all of the assets of the Company to Cryptek, Inc ("Cryptek").

3. To amend Article FOURTH of the Company's certificate of incorporation to increase the number of authorized shares of Common Stock from 50,000,000 to 750,000,000.

4. To amend Article FIRST of the Company's certificate of incorporation to change the name of the Company from ION Networks, Inc. to Clacendix, Inc.

The foregoing items of business are more fully described in the Proxy Statement accompanying this notice. Management is aware of no other business which will come before the Meeting.

The Board of Directors has fixed the close of business on December 3, 2007 as the record date (the "Record Date") for the determination of stockholders entitled to notice of and to vote at the Meeting or any adjournment or postponement thereof.

The Board of Directors believes that the election of the nominees and the proposals being submitted to the stockholders are in the best interest of the Company and its stockholders and urges you to vote in favor of the nominees and these proposals.

ALL STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, YOU ARE URGED TO SIGN, DATE AND OTHERWISE COMPLETE THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE.

By Order of the Board of Directors,

NORMAN E. CORN
Chief Executive Officer
South Plainfield, New Jersey
December 10, 2007

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Appendix A: Asset Purchase Agreement, dated November 19, 2007, by and between Cryptek, Inc. and ION Networks, Inc.

Appendix B: Proposed Certificate of Amendment to the Certificate of Incorporation of ION Networks, Inc. to amend Article FOURTH to increase the Company’s authorized number of shares of Common Stock from 50,000,000 to 750,000,000.

Appendix C: Proposed Certificate of Amendment to the Certificate of Incorporation of ION Networks, Inc to amend Article FIRST to change the Company’s name to Clacendix, Inc.

SUMMARY TERM SHEET – PROPOSAL NO. 2

The following information summarizes the material terms of our proposed asset sale to Cryptek (the "Asset Sale"). For a complete description of the terms and conditions of the Asset Sale, you are advised to carefully read this entire Proxy Statement and the other documents referred to herein before voting your shares of Common Stock. The actual terms and conditions of the Asset Sale are contained in the Asset Purchase Agreement, which is included as Appendix A to this Proxy Statement (the "Asset Purchase Agreement").

§ Ion Networks, Inc. has agreed to sell substantially all of its assets to a privately held Delaware corporation called Cryptek, Inc. We require the approval of our stockholders to consummate this transaction and that approval is being sought by Proposal 2 in this Proxy Statement. See Proposal No. 2 - "The Parties" on Page 19 herein.

§ The Company is taking this measure as a result of belief of the Board of Directors that this measure will be in the best interests of its stockholders, and that Ion is not able to attract sufficient capital and other resources to grow and expand its business. See Proposal No. 2 - "Reasons for the Asset Sale" on Page 23 herein.

§ The purchase price is $3.2 million, plus the assumption of certain liabilities by Cryptek. See Proposal No. 2 - "The Sale of Assets to Cryptek" on Page 19 herein.

§ $320,000 of the purchase price will be held in escrow for 12 months to secure certain representations we made about the condition of our intellectual property, certain financial "true ups" and certain other matters. See Proposal No. 2 - "The Sale of Assets to Cryptek" on Page 19 herein.

§ We anticipate the net proceeds of the sale to be approximately $1.75 million, after payment of various debts and transaction related expenses and assuming that the escrow proceeds are returned to the Company. See Proposal No. 2 - "Use of Proceeds" on Page 26 herein.

§ We will continue to operate after the sale as a public company. We will not be distributing the proceeds of the sale, but rather will retain them and seek to acquire or combine with another company. See Proposal No. 2 - "The Structure of the Company After the Asset Sale" on Page 24 herein.

§ All of the Company's employees are being hired by Cryptek, except for the Chief Executive Officer and Chief Financial Officer. Those executive officers will stay on with the Company for several months until an appropriate combination or acquisition transaction can be identified and consummated. See Proposal No. 2 - "The Structure of the Company After the Asset Sale" on Page 24 herein.

What Vote Is Required To Approve The Asset Sale?

Approval of the Asset Sale requires the affirmative vote of holders of a majority in voting power of the outstanding shares of our Common Stock. Each share of our Common Stock is entitled to one vote per share.

What Constitutes A Majority In Voting Power Of The Shares?

On the Record Date, there were 32,785,565 outstanding shares of Common Stock outstanding. 16,392,784 shares constitute a majority of the voting power of the outstanding shares of our Common Stock.

What Are The Terms Of The Asset Purchase Agreement?

On November 15, 2007, our Board of Directors, acting at a meeting duly called and held, approved the Asset Purchase Agreement, pursuant to which we have agreed to sell, and Cryptek has agreed to purchase, substantially all of the assets of the Company (including our intellectual property rights and all relevant company records and equipment to sustain the business as it currently exists, along with the existing customer maintenance contracts, and certain assets and liabilities as mutually agreed, all as further described in the Asset Purchase Agreement). As consideration for these assets, Cryptek has agreed to pay us $3.2 million, of which $320,000 will be placed in escrow as security against any "true-up payment" and claims against the indemnities relating to intellectual property which the Company has given to Cryptek pursuant to the terms of the Asset Purchase Agreement. This escrow will be terminated after twelve months at which time any amounts remaining will be paid to the Company, less any amounts released to Cryptek due to valid claims asserted against the escrow and less any amounts subject to unresolved claims.

Why Is The Company Selling its Assets?

In 2003, the Company changed management teams in an attempt to stop the downward spiral of declining revenues and increasing losses. While significant progress was made in halting the decline in revenues and reducing the losses, we feel there is limited growth potential based upon the Company's current lack of resources. We do not believe that we can raise the necessary capital to organically expand our customer base. We believe that by selling the assets and redeploying the proceeds we may be able to increase shareholder value.

What Will Happen To The Company After The Asset Sale?

After completion of the Asset Sale, the Company will use the proceeds, after paying down all debt and transaction related expenses, to seek to identify and to effect a business combination with a private company, which has potential for growth as a public entity. It is anticipated that the combined corporation will continue to operate as a public company. The Common Stock will continue to be traded during the search period as IONN.OB. After combining with the selected candidate, the stock symbol may change.

What Factors Were Considered By Management And Our Board of Directors In Deciding To Sell Substantially All Of The Company's Assets?

Management and our Board of Directors considered a number of factors before deciding to enter into the Asset Purchase Agreement, including, but not limited to, the following:

1. The inability to grow the Company based upon the limited resources available to the Company;
2. The inability to secure additional financing on terms and conditions that the management and Board of Directors considered acceptable;
3. The terms and conditions of the proposed Asset Sale;
4. Preliminary indications of interest made by other companies for both the assets of the Company or the Company as a whole; and
5. The belief that the offered purchase price by Cryptek is a fair price for the assets of the Business.

Will Our Stockholders Receive Any Of The Proceeds From The Asset Sale?

No. Cryptek is paying us cash for the assets of the Company. The proceeds we receive from the Asset Sale will be retained by the Company and used to eliminate outstanding debt and payables, pay professional fees for legal and accounting services, fund the costs of maintaining the public status of the remaining entity and identifying and selecting the best possible business combination candidate. We believe that this will provide the best opportunity to increase shareholder value by redeploying the remaining assets.

How Is Cryptek Financing The Purchase Price For The Asset Sale?

Cryptek has provided documentation to us that the $3.2 million of the purchase price to be paid to us at closing will be funded from Cryptek's current investors buying additional capital stock in Cryptek.

What Rights Do Stockholders Have To Dissent From The Asset Sale?

In connection with Asset Sale, our stockholders do not have dissenters' rights of appraisal under Delaware law.

What Are The Conditions Of The Asset Sale?

The following list includes what our Board of Directors and Management believe are the material conditions to the Asset Sale, all of which must be satisfied at or prior to the time of the closing, unless waived by the party in whose favor the condition exists. In view of the fact that interpretations of "materiality" can be subjective, the list is qualified by reference to the Asset Purchase Agreement, which is attached as Appendix A to this Proxy. You are urged to carefully read this entire document including the Asset Purchase Agreement.

1. There are no legal restraints rendering the Asset Purchase Agreement unlawful or preventing the consummation of the transactions contemplated there under and no pending litigation that seeks to prohibit, alter, prevent or materially delay those transactions;
2. Certain consents and waivers to the consummation of the Asset Sale shall have been obtained;

3. The Stockholders of the Company entitled to vote in accordance with the Delaware General Corporation Law and the Company's Certificate of Incorporation shall have approved the Asset Sale and the name change of the Company;

4. The respective representations and warranties made in the Asset Purchase Agreement by each of the parties to the Asset Purchase Agreement shall be true and correct;

5. There shall have been no Material Adverse Effect (as defined in the Asset Purchase Agreement) with respect to the Company whether covered by insurance or not;

6. Each Transferred Employee shall have resigned from, or been terminated by, Administaff (the Professional Employer Organization (PEO) that provides human resources, outsourcing services, through the use of a co-employment relationship with the Company), effective as of the closing;

7. Certain employees shall have entered into an inventions assignment agreement, in a form satisfactory to Cryptek, sufficient to assign all rights such employees may have in any intellectual property such employees created while employed by the Company;

8. The Company shall have procured the discharge of certain encumbrances and indebtedness as set forth in the Asset Purchase Agreement; and

9. The Company shall be in total compliance with all licenses included in the intellectual property licensed by Company and to be sold to Cryptek and provide evidence of such total compliance.

ION NETWORKS, INC.
120 Corporate Boulevard
South Plainfield, New Jersey 07080

PROXY STATEMENT

This proxy statement (the "Proxy Statement") is furnished to the holders of common stock, par value $.001 per share ("Common Stock") of ION Networks, Inc., a Delaware corporation (the "Company"), in connection with the solicitation by and on behalf of the Board of Directors ("Board of Directors" or the "Board") of proxies to be voted at the Annual Meeting of Stockholders of the Company to be held on Monday, December 31, 2007 (the "Meeting"), at 10:00 a.m., local time, at 120 Corporate Boulevard, South Plainfield, New Jersey 07080 and at any adjournment or postponement thereof.

This proxy solicitation is being made by the Board of Directors. The cost of the solicitation will be borne by the Company. In addition to the use of the mails, proxies may be solicited personally or by telephone, facsimile, email, or other electronic means by officers, directors and employees of the Company. We will not specially compensate those persons for such solicitation activities. We may retain a proxy-soliciting firm to assist us in soliciting proxies. If so, we would pay the proxy-soliciting firm a fee and reimburse it for certain out-of-pocket expenses. Arrangements may be made with brokerage houses and other custodians, nominees and fiduciaries for forwarding solicitation materials to the beneficial owners of Common Stock held of record by such persons, and we will reimburse such persons for their reasonable expenses incurred in forwarding the materials. This Proxy Statement and the accompanying form of proxy will be first mailed to stockholders on or about December 11, 2007.

A form of proxy is enclosed for use at the Meeting. When such proxy is properly executed and returned, the shares it represents will be voted at the Meeting in accordance with any instructions noted thereon. If no direction is indicated, all shares represented by valid proxies received pursuant to this solicitation (and not revoked prior to exercise) will be voted as the Board recommends, that is, "**FOR**" the election of the nominees for director named in this Proxy Statement, **"FOR"** the approval of the sale of substantially all of the assets of the Company to Cryptek, Inc., "**FOR**" the amendment of Article FOURTH of the Company' certificate of incorporation to increase the number of authorized shares of Common Stock from 50,000,000 to 750,000,000, "**FOR**" the amendment of Article FIRST of the Company's certificate of incorporation to change the name of the Company from ION Networks, Inc. to Clacendix, Inc., and in connection with the conduct of other business, if properly raised, in accordance with the judgment of the person or persons voting the proxy. If, for any reason, any of the nominees for director are unable or unavailable to serve or for good cause will not serve, an event that we do not anticipate, the shares represented by the accompanying proxy will be voted for a substitute nominee designated by the Board.

If any other matters are properly presented at the Meeting for consideration, such as consideration of a motion to adjourn the Meeting to another time or place, the persons named as proxies will have discretion to vote on those matters according to their best judgment to the same extent as the Stockholder delivering the proxy would be entitled to vote. At the date of this Proxy Statement, we do not anticipate that any other matters will be raised at the Meeting.

It is important that your shares are represented at the Meeting, and, therefore, all stockholders are cordially invited to attend the Meeting. However, whether or not you plan to attend the Meeting, you are urged to, as promptly as possible, mark, sign, date and return the enclosed proxy card, which requires no postage if mailed in the United States in the enclosed pre-paid envelope.

Any stockholder giving a proxy has the right to attend and vote at the Meeting in person. If you hold shares directly in your name and attend the Meeting, you may vote your shares in person, even if you previously submitted a proxy card. You may revoke your proxy and change your vote by submitting a valid, later-dated proxy card or by giving written notice of such revocation to the Chief Financial Officer of the Company prior to or at the Meeting or by voting in person at the Meeting. Your attendance at the Meeting itself will not revoke your proxy unless you give written notice of revocation to the Chief Financial Officer before your proxy is voted or you vote in person at the Meeting. If your shares are held in "street name", you should contact your bank, brokerage firm or other nominee and follow its procedures for changing your voting instructions. You may also vote in person at the Meeting if you obtain a legal proxy from the record holder.

Outstanding Voting Securities, Quorum and Voting Requirements

The close of business on December 3, 2007 has been fixed by the Board of Directors as the record date (previously defined as the "Record Date") for the determination of stockholders entitled to notice of, and to vote at, the Meeting or any adjournments or postponements thereof. As of the Record Date, there were 32,785,565 outstanding shares of Common Stock. Each share of Common Stock that is outstanding on the Record Date is entitled to one vote on each matter to come before the Meeting. In addition, as of the Record Date, there were 155,557 outstanding shares of the Series A Preferred Stock, par value $.001 per share ("Series A Preferred Stock"), of the Company. Each share of Preferred Stock is convertible into ten shares of Common Stock. The shares of Series A Preferred Stock do not have voting rights and do not vote on an as converted basis with the Common Stock, except that, under the provisions of the Certificate of Designations which sets forth the terms of such shares, the prior consent of the holders of a majority of the outstanding shares of Series A Preferred Stock were required to approve Proposal No. 3. Such Proposal No. 3 has been approved by the holders of the Series A Preferred prior to the mailing of this Proxy Statement.

The holders of a majority of the shares of Common Stock outstanding on the Record Date, present in person or by proxy, will constitute a quorum for the transaction of business at the Meeting and at any adjournment or postponement thereof. Votes withheld in the election of directors, and abstentions and broker non-votes with respect to any other proposal, will be deemed as present for purposes of determining a quorum at the Meeting. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary power with respect to that item and has not received instructions from the beneficial owner.

Voting requirements for each proposal are discussed below and amplified in the sections dealing with each proposal.

Required Vote

Proposal No. 1: To elect four directors to the Board of Directors, to serve until the next annual meeting of stockholders and until their respective successors are duly elected and qualified. The affirmative vote of a plurality of the votes cast at the Meeting is required to elect a director. Votes withheld in the election of directors and abstentions or broker non-votes, if any, will not be counted towards the election of any person as director.

Proposal No. 2: To approve the sale of substantially all of the assets of the Company to Cryptek, Inc. The affirmative vote of a majority of the outstanding shares of Common Stock is required to approve this proposal. An abstention or broker non-vote will have the effect of a vote against this proposal.

Proposal No. 3: To amend Article FOURTH of the certificate of incorporation of the Company to increase the number of authorized shares of Common Stock from 50,000,000 to 750,000,000. The affirmative vote of a majority of the outstanding shares of Common Stock is required to approve this proposal. An abstention or broker non-vote will have the effect of a vote against this proposal. A required affirmative vote by a majority of the holders of the Series A Preferred Stock for the increase in the number of authorized shares of Common Stock has already been

obtained.

Proposal No. 4: To amend Article FIRST of the certificate of incorporation of the Company to change the name of the Company from ION Networks, Inc. to Clacendix, Inc. The affirmative vote of a majority of outstanding shares of Common Stock is required to approve this proposal. An abstention or broker non-vote will have the effect of a vote against this proposal.

Election inspectors appointed for the Meeting will tabulate the votes cast by proxy or in person at the meeting. The election inspectors will determine whether or not a quorum is present, as well as any other matter relating to the tabulation of votes.

Multiple Copies of Annual Report and Proxy Statement

When more than one holder of Common Stock shares the same address, we may deliver only one annual report and one Proxy Statement to that address unless we have received contrary instructions from one or more of those stockholders. Similarly, brokers and other intermediaries holding shares of Common Stock in “street name” for more than one beneficial owner with the same address may deliver only one annual report and one Proxy Statement to that address if they have received consent from the beneficial owners of the stock.

We will deliver promptly upon written or oral request a separate copy of the annual report and one Proxy Statement to any stockholder, including a beneficial owner of stock held in “street name,” at a shared address to which a single copy of either of those documents was delivered. To receive additional copies of our annual report and Proxy Statement, you may call or write Patrick E. Delaney, Chief Financial Officer, ION Networks, Inc., at 120 Corporate Boulevard, South Plainfield, New Jersey 07080, telephone (908) 546-3900.

You may also contact the Company’s Chief Executive Officer at the address or telephone number above if you are a stockholder of record of the Company and you wish to receive a separate annual report and Proxy Statement in the future, or if you are currently receiving multiple copies of our annual report and Proxy Statement and want to request delivery of a single copy in the future. If your shares are held in “street name” and you want to increase or decrease the number of copies of our annual report and Proxy Statement delivered to your household in the future, you should contact the broker or other intermediary who holds the shares on your behalf.

The Company’s Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006 and the Company’s Quarterly Report on Form 10Q-SB for the fiscal quarter ended September 30, 2007 (which are not part of the proxy soliciting material), which contains financial data and other information about the Company, is enclosed herewith.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

At the Meeting, the stockholders will elect four directors to serve until the next annual meeting of stockholders and until their respective successors are elected and qualified. Unless otherwise directed, the persons named in the Proxy Statement intend to cast all proxies received "**FOR**" the election of Messrs. Stephen M. Deixler, Frank S. Russo, Philip Levine and Norman E. Corn (the "Nominees") to serve as directors upon their nomination at the Meeting. The Company's bylaws provide that the number of directors consist of one or more, such number of directors to be fixed by the Board from time to time. The total number of directors of the Company is currently fixed at four. At the Meeting, four nominees will stand for election. Proxies cannot be voted for more than four nominees for director. Each of the Nominees has consented to serve as a director if elected. Each of the Nominees currently serves as a director of the Company. In the event that any of the Nominees for director should become unavailable for election to the Board of Directors for any reason, the persons named in the proxies will have discretionary authority to vote the proxies for one or more substitute nominees who will be designated by the existing Board or the size of the Board may be reduced. The Board believes that the named nominees are available and, if elected, will be able to serve. Unless authority to vote for any director is withheld in a proxy, each proxy will be voted "**FOR**" each of the Nominees.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth (i) the names and ages of the nominees for election as director, (ii) the other positions and offices presently held by such persons with the Company, if any, and (iii) the date upon which such persons began their service on the Board.

NOMINEES FOR ELECTION AT 2007 ANNUAL MEETING

Name and Position with the Company, if any	Age	Director Since
Stephen M. Deixler, Chairman of the Board	72	May 1982
Norman E. Corn, Chief Executive Officer and Director	61	November 2005
Frank S. Russo, Director	64	November 2000
Philip Levine, Director	60	June 2006

Set forth below is the name of, and certain biographical information regarding, the directors of the Company.

STEPHEN M. DEIXLER has been Chairman of the Board of Directors since May 1982 and served as Chief Executive Officer of the Company from April 1996 to May 1997. He was President of the Company from May 1982 to June 1985 and served as Treasurer of the Company from its formation in 1982 until September 1993. During the period from March 2003 to September 2003, Mr. Deixler served as the interim Chief Financial Officer of the Company. He also serves as Chairman of the Board of Trilogy Leasing Co., LLC and President of Resource Planning Inc. Mr. Deixler was the Chairman of Princeton Credit Corporation until April 1995.

NORMAN E. CORN has served as Chief Executive Officer of the Company since August 15, 2003. Prior to joining the Company, from 2000 until 2003, Mr. Corn was Executive Vice President of Liquent, Inc., a Pennsylvania-based software company that provides electronic publishing solutions, focused on the life sciences industry. Mr. Corn has also served from 1994 to 2000 as Chief Executive Officer of TCG Software, Inc., an offshore software services organization providing custom development to large corporate enterprises in the US. Mr. Corn has led other companies, including Axiom Systems Group, The Cobre Group, Inc., The Office Works, Inc. and Longview Results, Inc. He spent the early part of his career in sales, marketing and executive positions with AT&T Corporation and IBM Corporation.

FRANK S. RUSSO has served as a director of the Company since November 2000. Mr. Russo was with AT&T Corporation (AT&T) from September 1980 to September 2000 lastly serving as its Corporate Strategy and Business Development Vice President. While at AT&T, Mr. Russo held a number of other management positions including that of General Manager, Network Management Services, from which he helped architect and launch AT&T's entry into the global network outsourcing and professional services business. Mr. Russo retired from AT&T in 2000. Prior to joining AT&T, Mr. Russo was employed by IBM Corporation in a variety of system engineering, sales and sales management positions. Mr. Russo served on the Board of Directors of Oak Industries, Inc., a manufacturer of highly engineered components, from January 1999 to February 2000, and currently serves on the Board of Directors of Retail Solutions, a private e-commerce company headquartered in Waltham, Massachusetts.

PHILIP LEVINE has served as a director of the Company since June 30, 2006. He has served as Chief Financial Officer and General Counsel of Teldata, which later became Control Point Solutions. Prior positions included Vice President with the American Arbitration Association and the Chief Financial Officer, Treasurer, and Corporate Secretary of both Computron Software and Numerax. Mr. Levine is a certified public accountant and attorney and teaches accounting courses at Berkeley College. He has been an Arbitrator with the National Association of Securities Dealers for over 25 years. He received his JD from Rutgers Law School, his MBA from Baruch Graduate School of the City University of New York, and a BS from Brooklyn College, also CUNY.

Executive Officers

Set forth below is the name of, and certain biographical information regarding, the executive officers of the Company who do not serve as directors of the Company.

Name	Age	Position Held with the Company
Patrick E. Delaney	54	Chief Financial Officer
William Whitney	52	Chief Technology Officer and Vice President of Research and Development
Henry A. Hill	48	Chief Operating Officer

PATRICK E. DELANEY has served as Chief Financial Officer of the Company since September 15, 2003. Prior to joining the Company, from 2000 until 2003, Mr. Delaney was the President of Taracon, Inc. a privately owned independent consulting firm that provides management consulting for early and mid-stage technology and financial services companies. Mr. Delaney also served as Chief Financial Officer for two publicly traded telecommunications providers, Pointe Communications Corporation from 1993 to 2000 and Advanced Telecommunications Corporation from 1986 to 1993. Mr. Delaney has held executive positions with other companies including RealCom Communications, Argo Communications and ACF Industries.

WILLIAM WHITNEY has served as Vice President of Research and Development of the Company since March 2002 and Chief Technology Officer of the Company since October 1, 2002. Prior to joining the Company, from April 2000 to February 2002, Mr. Whitney served as the Vice President of Development and Chief Technology Officer for Outercurve Technologies, a provider of wireless application development and deployment solutions. Previously, from May 1998 to March 2002, Mr. Whitney served as President of CTO Systems.

HENRY A. HILL has served as Chief Operating Officer since August 2006 and prior to that as Senior Vice President of Technical Services since August 31, 2004. Prior to joining ION, from 2002 to 2004 Mr.. Hill was Vice President of Client Services and Operations at Fast Track Systems, Inc., a Pennsylvania-based global provider of protocol design and clinical trial software for the pharmaceutical industry. Mr.. Hill served as Chief Operating Officer at both Liquent, Inc., a software company that provides electronic publishing solutions and TCG Software, Inc., an offshore software services organization providing custom development to large corporate enterprises in the US. Mr.. Hill has also held client services, operations, and technology management positions with global organizations including Accenture and Sea-Land Service.

Required Vote

Directors are elected by a plurality of the votes of the shares present by in person or represented by proxy at the Meeting and entitled to vote on the election of directors. Votes withheld in the election of directors and abstentions or broker non-votes, if any, will be deemed as present for the purposes of determining the presence of a quorum at the Meeting, but will not be counted in favor of the election of any person as a director. Brokers who hold shares of Common Stock as nominees will have discretionary authority to vote such shares on this proposal if they have not received voting instructions from the beneficial owner by the tenth day before the Meeting, provided that this Proxy Statement has been transmitted to the beneficial holder at least 15 days prior to the Meeting. In the event that any of the nominees should become unavailable before the Meeting, it is intended that shares represented by the enclosed proxy will be voted for such substitute nominee as may be nominated by the current Board of Directors.

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THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" EACH NOMINEE NAMED IN THE PROXY STATEMENT.

CORPORATE GOVERNANCE

General

The Company is committed to establishing sound principles of corporate governance which promote honest, responsible and ethical business practices. The Company's corporate governance practices are regularly reviewed and evaluated by the Board of Directors. This review includes comparing the Board's current governance policies and practices with those suggested by authorities active in corporate governance as well as the practices of other public companies. Based upon this evaluation, the Board has adopted those policies and practices that it believes are the most appropriate corporate governance policies and practices for the Company.

Board Independence and Composition

The Board of Directors has determined that Stephen M. Deixler, Frank S. Russo and Philip Levine, constituting a majority of the directors and all current members of the audit committee, are "independent" within the meaning of Nasdaq Rule 4200(a)(15), and that the members of the audit committee are also "independent" for purposes of Rule 10A-3 of the Securities Exchange Act of 1934, as amended ("Exchange Act"). The Company has further determined that all of the members of the compensation committee and nominating committee are independent within the meaning of Nasdaq Rule 4200(a)(15).

In making each of these independence determinations, the Board considered and broadly assessed, from the standpoint of materiality and independence, all of the information provided by each director in response to detailed inquiries concerning the director's independence and any direct or indirect business, family, employment, transactional or other relationship or affiliation of such director with the Company.

Board Meetings and Committees

During the Company's fiscal year ended December 31, 2006, there were seven meetings of the Board of Directors. Each member of the Board of Directors (other than Mr. Levine during the part of fiscal year 2006 during which he was not a director) attended all of the meetings of the Board of Directors and committees on which each director served during fiscal year 2006. The Board of Directors has a separate Audit Committee, Nominating Committee and Compensation Committee.

The Board does not have a policy regarding attendance by its members at annual meetings of stockholders. The 2006 annual meeting of stockholders was attended by Messrs. Deixler, Russo, Levine and Corn, all of whom are current members of the Board.

Audit Committee

The Company's Audit Committee currently consists of Messrs. Stephen M. Deixler, Frank S. Russo and Philip Levine. The Board of Directors has determined, based on information provided to it by Mr. Levine, that Mr. Levine qualifies as a "audit committee financial expert" as defined by Item 407(d)(5) of Regulation S-B.

The function of the Audit Committee is to review and advise the Board with respect to matters concerning the financial condition and operations of the Company, to select independent auditors, to determine the scope of their engagement and their compensation, to review the effectiveness of the Company's internal accounting methods and procedures and to determine through discussions with the independent auditors whether any instructions or limitations

have been placed upon them in connection with the scope of their audit or its implementation. The specific functions and responsibilities of the Audit Committee are set forth in a written charter of the Audit Committee adopted by the Board. The Audit Committee reviews and reassesses its charter annually and recommends any changes to the Board for approval. A report of the Audit Committee appears under the caption “Audit Committee Report” below. During the fiscal year ended December 31, 2006, the Audit Committee held five meetings.

Nominating Committee and Compensation Committee

At a meeting on November 8, 2006, the Board of Directors established a separate Nominating Committee and Compensation Committee. As of the present time, neither the Nominating Committee nor the Compensation Committee has adopted a formal committee charter. The members of each of the Nominating Committee and the Compensation Committee are Messrs Deixler, Russo and Levine. Mr. Russo was elected as chairperson of the Nominating Committee and Mr. Deixler was elected as chairperson of the Compensation Committee. Stephen M. Deixler, Frank S. Russo, and Philip Levine, each of whom has been determined by the Board to be "independent" within the meaning of the Nasdaq independence standards, participate in the consideration of director nominees. Norman E. Corn is not "independent" pursuant to the Nasdaq independence standards but does participate, although not as a member of the Nominating Committee, in the nominating process.

The Nominating Committee seeks to identify appropriate board candidates, and recommends nominees to the Board. The Board nominates current members of the Board of Directors and it will consider nominees recommended by stockholders. Stockholders may forward the name, address and biographical information of a potential nominee to: c/o ION Networks, Inc., 120 Corporate Boulevard, South Plainfield, NJ 07080, Attn: Patrick Delaney. A nominee to the Board of Directors must have such experience in business or financial matters as would make such nominee an asset to the Board of Directors. The Board of Directors will evaluate a potential nominee by personal interview, and/or any other method the Board deems appropriate, which may, but need not, include a questionnaire.

The Compensation Committee reviews, establishes and approves salary and benefit levels for officers, equity compensation plans for employees, and directors' compensation. The Compensation Committee's decisions on salary and benefits for officers and equity compensation plans for employees are based in part on recommendations by the Company's management to the Compensation Committee. The Compensation Committee considers the recommendations in light of the factors stated below. Due to the Company's lack of resources, the Compensation Committee does not employ compensation consultants but rather the Compensation Committee makes decisions based on its members' business experience, independent research and the financial position of the Company. The Board evaluates the Compensation Committee's recommendations and makes the final decisions on employee, officer and director compensation.

Audit Committee Report

The Audit Committee reviewed and discussed with management of the Company and with Marcum & Kliegman, LLP, the independent auditors of the Company, the audited financial statements of the Company as of December 31, 2006 (the "Audited Financial Statements"). In addition, the Audit Committee discussed with Marcum & Kliegman, LLP the matters required by Codification of Statements on Auditing Standards No. 61, as amended by Statement on Auditing Standards No. 90.

The Audit Committee also received and reviewed the written disclosures and the letter from the Marcum & Kliegman, LLP required by Independence Standards Board Standard No. 1, and has discussed with them their independence from the Company. The Audit Committee also discussed with management of the Company and the independent auditors such other matters and received such assurances from them as it deemed appropriate.

Management is responsible for the Company's internal controls and the financial reporting process. Marcum & Kliegman, LLP is responsible for performing an independent audit of the Company's financial statements in accordance with generally accepted auditing standards and issuing a report thereupon. The Audit Committee's responsibility is to monitor and oversee these processes.

Based on the foregoing review and discussions and a review of the report of the independent auditors with respect to the Audited Financial Statements, and relying thereon, the Audit Committee has recommended to the Company's Board of Directors the inclusion of the Company's Audited Financial Statements in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2006.

Audit Committee

Philip Levine, Chairman
Stephen M. Deixler
Frank S. Russo

Stockholder Communications

Stockholders may communicate directly with the Board of Directors by sending communications to the Board of Directors, c/o of ION Networks, Inc., 120 Corporate Boulevard, South Plainfield, New Jersey 07080.

Code of Ethics

The Company has a Code of Ethics in place for all of its employees. A copy of the Company's Code of Ethics will be provided free of charge, upon written request to the Company at 120 Corporate Blvd., South Plainfield, New Jersey 07080.

EXECUTIVE COMPENSATION

The following table sets forth the compensation earned, whether paid or deferred, by the Company's Chief Executive Officer and its other three most highly compensated executive officers during the year ended December 31, 2006 (the "Named Executive Officers") for services rendered in all capacities to the Company.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($)(4)	All Other Compensation ($)	Total ($)
Norman E. Corn, Chief Executive Officer	2006	235,000	42,000	3,286	17,881 (1)	298,167
	2005	235,800 (5)	30,000		9,296 (6,7)	
Patrick E. Delaney, Chief Financial Officer	2006	200,000	13,000	3,286	7,200 (2)	223,486
	2005	210,000 (5)	27,500		4,500 (6)	
William Whitney, Vice President and Chief Technology Officer	2006	155,000	9,500	26,195	-	190,695
	2005	155,000	12,500			
Henry A. Hill, Chief Operating Officer	2006	154,167	9,500	3,286	7,200 (3)	174,153
	2005	150,000	12,500			

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(1) Includes $10,800 in auto allowance and premiums on life insurance and disability insurance paid by the Company.
(2) Includes $2,700 in auto allowance and premiums on medical benefits paid by the Company.
(3) Consists of auto allowance.
(4) The amounts in the “Option Awards” column reflect the dollar amounts recognized as compensation expense for financial statement reporting purposes for stock options for the fiscal year ended December 31, 2006 in accordance with SFAS123(R). The assumptions we used to calculate these amounts are discussed in Note 2 to our consolidated financial statements included in this Form 10-KSB for the year ended December 31, 2006.
(5) Includes $10,800 in auto allowance.
(6) Includes $4,500 in Medical reimbursement.
(7) Includes $4,796 in Life Insurance reimbursement.

Employment Contracts, Termination of Employment and Change of Control Arrangements

The Company entered into an employment agreement with Norman E. Corn, dated August 15, 2003 and amended on November 10, 2004. Pursuant to the employment agreement, Mr. Corn is employed as Chief Executive Officer of the Company. Mr. Corn receives a base salary at an annualized rate of $235,000. In addition, he receives a monthly car allowance of $900, plus reimbursement for additional life and disability insurances. On January 28, 2004, the Company awarded Mr. Corn options to purchase 1,550,000 shares of Common Stock, consisting of incentive stock options to purchase 800,000 shares of Common Stock, exercisable at $0.115 per share and non-incentive stock options to purchase 750,000 shares of Common Stock, exercisable at $0.06 per share. These options vested immediately. On January 28, 2006, the Company awarded Mr. Corn options to purchase 250,000 shares of Common Stock, exercisable

at $0.18 per share. These options vest ratably over a three year period. In the event of certain change of control or other fundamental transactions (as set forth in the 2006 Plan (defined in the section entitled "Equity Compensation Plan Information")), these options will immediately vest. Upon the closing of the Asset Sale, these options will immediately vest. If the Company terminates Mr. Corn’s employment, a severance payment of $352,500 is required by the employment agreement. Mr. Corn’s agreement has no fixed term and is terminable at will by either party.

The Company entered into an employment agreement with Patrick E. Delaney, dated September 15, 2003. Pursuant to the employment agreement, Mr. Delaney is employed as Chief Financial Officer of the Company. Mr. Delaney receives a base salary at an annualized rate of $200,000. In addition, during 2006, he received reimbursement for additional life and disability insurances. On January 28, 2004, the Company awarded Mr. Delaney options to purchase 1,050,000 shares of Common Stock consisting of incentive stock options to purchase 800,000 shares of Common Stock, exercisable at $0.115 per share, and non-incentive stock options to purchase 250,000 shares of Common Stock, exercisable at $0.045 per share. These options vested immediately. On January 28, 2006, the Company awarded Mr. Delaney options to purchase 250,000 shares of Common Stock, exercisable at $0.18. These options vest ratably over a three year period. In the event of certain change of control or other fundamental transactions (as set forth in the 2006 Plan (defined in the section entitled "Equity Compensation Plan Information")), these options will immediately vest. Upon the closing of the Asset Sale, these options will immediately vest. If the Company terminates Mr. Delaney’s employment, a severance payment of $300,000 is required by the employment agreement. Mr. Delaney’s agreement has no fixed term and is terminable at will by either party.

The Company entered into an employment agreement with William Whitney dated March 11, 2002. Mr. Whitney receives a base salary at an annual rate of $155,000. Pursuant to the agreement, Mr. Whitney was granted stock options to purchase 100,000 shares of Common Stock at a price of $0.70 per share. These options vest as follows: 34,000 vested on March 11, 2003, and 8,250 vest at the end of each three month period, commencing with the period ending June 11, 2003, and ending with the period ending March 11, 2005. On January 28, 2006, the Company awarded Mr. Whitney options to purchase 250,000 shares of Common Stock, exercisable at $0.18. These options vest ratably over a three year period. In the event of certain change of control or other fundamental transactions (as set forth in the 2006 Plan (defined in the section entitled "Equity Compensation Plan Information")), these options will immediately vest. Upon the closing of the Asset Sale, these options will immediately vest. If the Company terminates Mr. Whitney’s employment, it is obligated to make a severance payment equal to six months of his then current annual salary. The payment will be made in connection with the Asset Sale, as Mr. Whitney is being terminated by the Company before rehire by Cryptek.

The Company entered into an employment agreement with Henry A. Hill dated August 31, 2004, which has no specific stated termination date. Pursuant to the agreement, Mr. Hill receives a base salary of $160,000 per year. Effective January 1, 2006 Mr. Hill receives a monthly car allowance of $600. Pursuant to the agreement, Mr. Hill was granted incentive stock options to purchase 500,000 shares of Common Stock at $0.16 per share. These options vested as follows: 170,000 on August 30, 2005 and 41,250 at the end of each three month period thereafter, with the last options vesting on August 30, 2007. On January 28, 2006, the Company awarded Mr. Hill options to purchase 250,000 shares of Common Stock, exercisable at $0.18. These options vest ratably over a three year period In the event of certain change of control or other fundamental transactions (as set forth in the 2006 Plan (defined in the section entitled "Equity Compensation Plan Information")), these options will immediately vest. Upon the closing of the Asset Sale, these options will immediately vest. If the Company terminates Mr. Hill’s employment, it is obligated to make a severance payment equal to six months of his then current annual salary. The payment will be made in connection with the Asset sale, as Mr. Hill is being terminated by the Company before rehire by Cryptek.

Option Grants for Year Ended December 31, 2006

During the fiscal year ended December 31, 2006, the Company granted 250,000 stock options to each of the Named Executive Officers.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth the number and value of options held by each of the Named Executive Officers on December 31, 2006.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) UnExercisable	Option Exercise Price ($)	Option Expiration Date(2)
Norman E. Corn	800,000		0.115	1/29/09
Norman E. Corn	750,000		0.060	1/29/09
Norman E. Corn (1)		250,000	0.180	1/23/11
Patrick E. Delaney	800,000		0.115	1/29/09
Patrick E. Delaney (1)		250,000	0.180	1/23/11
William H. Whitney	100,000		0.070	3/11/07
William H. Whitney (1)	183,500	16,500	0.115	1/29/12
William H. Whitney (1)	134,000	66,000	0.350	11/2/12
William H. Whitney (1)		250,000	0.180	1/23/11
Henry A. Hill (1)	376,250	123,750	0.160	8/31/12
Henry A. Hill (1)		250,000	0.180	1/23/11

(1) All options vest as follows: 34% of the total number of shares subject to each option vest and become exercisable 12 months from date of grant, and options to purchase the remaining 66% of the number of shares subject to each option vest and become exercisable in 8 equal installments of 8.25% of the number of shares subject to each option, at the end of every three month period following the 12 month anniversary of the grant date.

(2) All options have a 5 year life.

Directors Compensation

The following table shows director compensation earned for the year ended December 31, 2006.

Name	Option Awards($)(5)	Total ($)
Stephen M. Deixler (1)	3,649	3,649
Frank S Russo (2)	3,649	3,649
Philip Levine (3)	5,959	5,959

Harry Immerman (4)	1,637	1,637

(1) Mr. Deixler has 118,500 options outstanding as of December 31, 2006.
(2) Mr. Russo has 90,500 options outstanding as of December 31, 2006.

(3) Mr. Levine has 73,000 options outstanding as of December 31, 2006.
(4) Mr. Immerman has no options outstanding as of December 31, 2006.
(5) The amounts in the "Option Awards" column reflect the dollar amounts recognized as compensation expense for financial statement reporting purposes for stock options for the fiscal year ended December 31, 2006 in accordance with SFAS123(R). The assumptions we used to calculate these amounts are discussed in Note 2 to our consolidated financial statements included in this Form 10-KSB for the year ended December 31, 2006.

Narrative Disclosure to Director Compensation

Each director who is not also an employee annual receives, upon election or re-election to the Board, a grant of fully vested options to purchase 10,000 shares of Common Stock. In addition, each such director receives a grant of fully vested options to purchase 1,500 shares of Common Stock for each Board meeting attended and a grant of fully vested options to purchase 1,500 shares of Common Stock for each Board committee on which such director serves. Options are granted at exercise prices per share equal to the fair market value of Common Stock on the date of the grant. In addition, we reimburse all such Directors who travel more than fifty miles to a meeting of the Board of Directors for all reasonable travel expenses.

Equity Compensation Plan Information

Equity Compensation Plan Information
As of December 31, 2006

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights	(b) Weighted-average exercise price of outstanding options, warrants, and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders(1)	6,044,856	0.27	2,980,144
Equity compensation plans not approved by security holders/(2)/	1,426,087	0.11	-
Total	7,470,943	0.24	2,980,144

(1) Shareholder Approved Plans

On January 23, 2006, the Company adopted its 2006 Stock Option Plan (the "2006 Plan"). The aggregate number of shares of Common Stock for which options may be granted under the 2006 Plan is 4,000,000. The maximum number of options which may be granted to an employee during any calendar year under the 2006 Plan is 300,000. The term of these non-transferable stock options may not exceed ten years. The exercise price of these stock options may not be less than 100% (110% if the person granted such options owns more than ten percent of the outstanding Common Stock) of the fair value of one share of Common Stock on the date of grant. On January 23, 2006, the Company granted 1,335,000 shares under the 2006 Plan, subject to shareholder approval. On November 8, 2006 the shareholders approved the 2006 Plan. As of December 31, 2006, 1,174,500 options were outstanding under the 2006 Plan, of which 64,500 were exercisable.

In November 2000, the Company adopted its 2000 Stock Option Plan (the "2000 Plan"). The aggregate number of shares of Common Stock for which options may be granted under the 2000 Plan is 3,000,000. The maximum number of options which may be granted to an employee during any calendar year under the 2000 Plan is 400,000. The term of these non-transferable stock options may not exceed ten years. The exercise price of these stock options may not be less than 100% (110% if the person granted such options owns more than ten percent of the outstanding Common Stock) of the fair value of one share of Common Stock on the date of grant. During 2005 and 2004, the Company granted options to purchase 170,000 and 0 shares, respectively, under the 2000 Plan. As of December 31, 2006, 2,385,125 options were outstanding under the 2000 Plan, of which 2,166,200 options were exercisable.

In June 1998, the Company adopted its 1998 Stock Option Plan (the "1998 Plan"). The aggregate number of shares of Common Stock for which options may be granted under the 1998 Plan is 3,000,000. The maximum number of options which may be granted to an employee during any calendar year under the 1998 Plan is 400,000. The term of these

non-transferable stock options may not exceed ten years. The exercise price of these stock options may not be less than 100% (110% if the person granted such options owns more than ten percent of the outstanding Common Stock) of the fair value of one share of Common Stock on the date of grant. During 2005 and 2004, the Company granted options to purchase 62,500 and 0 shares, respectively, under the 1998 Plan. As of December 31, 2005, 1,378,831 options were outstanding under the 1998 Plan, of which 1,033,000 options were exercisable. On January 23, 2006, the Company granted 1,335,000 shares under the 1998 Plan. As of December 31, 2006, 2,460,231 options were outstanding under the 1998 Plan, of which 1,176,831 options were exercisable.

In August 1994, the Company adopted its 1994 Stock Option Plan (the "1994 Plan"). The aggregate number of shares of Common Stock for which options may be granted under the 1994 Plan, as amended, is 1,250,000. The term of these non-transferable stock options may not exceed ten years. The exercise price of these stock options may not be less than 100% (110% if the person granted such options owns more than ten percent of the outstanding Common Stock) of the fair market value of one Common Stock on the date of grant. During 2005 and 2004, there were no option grants provided under the 1994 Plan. As of December 31, 2006, 25,000 options were outstanding and exercisable under the 1994 Plan.

During the years ended 2006 and 2005, there were no options granted under the Company's Time Accelerated Restricted Stock Award Plan ("TARSAP"). The options vest after seven years; however, under the TARSAP, the vesting is accelerated to the last day of the fiscal year in which the options were granted if the Company meets certain predetermined sales targets. The Company did not meet the targets for 2001 and, as such, all options granted under the TARSAP in 2001 will vest seven years from the original date of grant.

(2) Non-Shareholder Approved Plans and Awards

During 2006 the Company granted no warrants to purchase shares of Common Stock outside of the shareholder approved plans. The awards have been made to employees, directors and consultants, and except as noted below, have been granted with an exercise price equal to the fair market value of the Common Stock on the date of grant. The Company has not reserved a specific number of shares for such awards. The non-shareholder approved awards are more specifically described below.

On September 9, 2005 in connection with services performed, the Company issued fully vested warrants to purchase 326,087 shares of the Common Stock at $0.23 per share to a consultant. The warrants will expire on September 9, 2008.

On December 1, 2005 in connection with services performed, the Company issued warrants to purchase 350,000 shares of Common Stock at $0.11 per share to a consultant. The warrants expired on November 30, 2007. As of December 31, 2005, all options were fully vested.

In January 2004, the Company issued options to purchase 1,000,000 shares of the Common Stock, which vested immediately, to certain officers. The exercise price of the options ranged from $0.045 to $0.06. At December 31, 2005, 750,000 options were outstanding and exercisable.

During July 2001 in connection with services being performed by a consultant, the Company issued warrants to purchase 48,000 shares of the Common Stock at $0.62 per share. The warrants vested immediately and expired in July 2006.

During January 2002 in connection with services being performed by a consultant, the Company issued warrants to purchase 100,000 shares of Common Stock at $1.35 per share and 50,000 shares of Common Stock at $1.80 per share. The warrants vested immediately and expired in January 2005.

On March 19, 1999, the Company issued options to certain consultants and employees to purchase an aggregate of 20,000 shares of Common Stock, all of which vested on the first year anniversary of the date of grant. A balance of 10,000 options expired unexercised on March 18, 2005.

On September 25, 1996, the Company issued options to certain officers and directors to purchase 620,000 shares of Common Stock, of which 420,000 vested immediately and 100,000 vested on April 1, 1998 and 1999. The options expire ten years from the date of grant. However, in the event of (a) the liquidation or dissolution of the Company or (b) a merger in which the Company is not the surviving corporation or a consolidation involving the Company, the options shall terminate, unless other provision is made in the transaction. The exercise price of the options was $1.156 and equaled the market value of the Company's Stock on the date of grant. At December 31, 2005, none of the options were outstanding and exercisable pursuant to a Final Settlement Agreement and Mutual Release executed on October 11, 2005.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

Beneficial Ownership Information

The following tables sets forth certain information regarding the beneficial ownership of the Common Stock as of November 10, 2007 by each person (or "group" within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934) known by the Company to beneficially own 5% or more of the class of Common Stock, and by the Company's directors and named executive officers, both individually and as a group. Unless otherwise noted, the address of each person in the table is c/o the Company, 120 Corporate Blvd., S. Plainfield, New Jersey 07080.

As used in these two tables, "beneficial ownership" means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. A person is deemed to be the beneficial owner of securities that can be acquired within sixty days from November 10, 2007 through the exercise of any option, warrant or right. Shares of Common Stock subject to options, warrants or rights (including conversion from Preferred Stock) which are currently exercisable or exercisable within sixty days are deemed outstanding for computing the ownership percentage of the person holding such options, warrants or rights, but are not deemed outstanding for computing the ownership percentage of any other person. The amounts and percentages are based upon 32,785,565 shares of Common Stock and considers the ownership of Series A Preferred Stock outstanding as of November 10, 2007, by the named stockholders, which has the right to convert into 10 shares of Common Stock for each share held.

Security Ownership of Certain Beneficial Owners Table:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	Stephen M. Deixler	2,710,016 /(3)/	8.12%
Common Stock	AWM Investment Company 153 East 53rd Street, 55th Floor New York, NY 10022	11,258,068	34.34%

Security Ownership of Management Table:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	Norman E. Corn	1,800,000 /(1)/	5.25%
Common Stock	Patrick E. Delaney	1,300,000 /(2)/	3.84%
Common Stock	Stephen M. Deixler	2,710,016 /(3)/	8.12%
Common Stock	Philip Levine	82,000 /(4)/	0.25%
Common Stock	Frank S. Russo	350,780 /(5)/	1.06%
Common Stock	William Whitney	751,704 /(6)/	2.25%
Common Stock	Henry A. Hill	750,000 /(7)/	2.24%
Common Stock	Directors and ExecutiveOfficers as a group (7 persons)	7,759,500	20.37%

(1) Includes 1,815,000 shares of Common Stock subject to options which 1,800,000 are currently exercisable or exercisable within 60 days of November 10, 2007.

(2) Includes 1,300,000 shares of Common Stock subject to options of which 1,050,000 are currently exercisable or exercisable within 60 days of November 10, 2007.

(3) Does not include 1,156,314 shares of Common Stock owned by Mr. Deixler's mother, children and grandchildren as to which shares Mr. Deixler disclaims beneficial ownership. Includes 480,560 shares of Common Stock subject to conversion from 48,056 shares of Preferred Stock within 60 days of November 10, 2007, 99,500 shares of Common Stock subject to options that are currently exercisable or exercisable within 60 days of November 10, 2007, and 2,200 shares of common stock owned by Mr. Deixler’s wife in which he claims beneficial ownership of.

(4) Consist of 82,000 shares of Common Stock subject to options that are currently exercisable or exercisable within 60 days of November 10, 2007.

(5) Includes 277,780 shares of Common Stock subject to conversion from 27,778 shares of Preferred Stock within 60 days of November 10, 2007 and 73,000 shares of Common Stock subject to options that are currently exercisable or exercisable within 60 days of November 10, 2007.

(6) Includes 38,890 shares of Common Stock subject to conversion from 3,889 shares of Preferred Stock within 60 days of November 10, 2007 and 650,000 shares of Common Stock subject to options that are currently exercisable or exercisable within 60 days of November 10, 2007.

(7) Includes 750,000 shares of Common Stock subject to options which are currently exercisable within 60 days of November 10, 2007.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In June 2007, certain Board members, including an officer of the Company, namely Messrs. Corn, Russo and Deixler, advanced to the Company an aggregate of $50,000 through the issuance of promissory notes due the earlier of the receipt of any proceeds from the sale of State of New Jersey Net Operating Losses or six months from the date of the note. The interest rate on the note is prime plus 1.75% per annum. The interest rate was 9.5% as of September 30, 2007.

On August 21, 2007, a Board member of the Company, Mr. Russo**,** advanced to the Company an aggregate of $125,000 through the issuance of promissory notes due the earlier of the receipt of any proceeds from the sale of State of New Jersey Net Operating Losses or six months from the date of the note. The interest rate on the note is 20% per annum. In conjunction with this note, the Company granted to the note holder warrants to purchase an aggregate of 125,000 shares of Common Stock for $0.05 per share.

During 2005, certain officers and certain Board members of the Company, namely Messrs. Corn, Russo, Delaney and Deixler, advanced to the Company a total of $160,500 without interest being accrued or paid. Upon closing of debt and equity financings, the Company repaid these advances.

During April 2000, the Company made a $750,000 loan (the “Loan”) to Stephen Grey, the former Chief Executive Officer (the “Former CEO”) of the Company. At the time, the Company was contemplating a secondary public offering and potential mergers and acquisitions opportunities and issued the loan in exchange for the Former CEO not exercising his stock options at that time. At the time, the Company had sufficient cash and it was contemplated that the Loan would be repaid within one year. The Loan accrued interest at a rate of LIBOR plus 1%. This Loan became due by its terms thirty days after the Former CEO resigned his position at the Company effective September 29, 2000. Following a series of loan amendments, extensions and collections, the total amount, including accrued interest, owed to the Company by the Former CEO at December 31, 2003 was approximately $175,154, which amount was disputed by the Former CEO. During October 2005, the Company executed a Final Settlement Agreement and

Mutual Release and received $32,500 as full and final settlement of all outstanding claims against the Former CEO.

On August 5, 2004, the Company issued, for $200,000 cash, a convertible debenture (the "Debenture") to Mr. Deixler, the Chairman of the Board of Directors. The Debenture would have matured on August 5, 2008 and bears interest at five (5%) percent per annum, compounded annually. The principal amount of the Debenture was convertible into shares of Common Stock, $.001 par value at a conversion price equal to $0.083 per share (the "Conversion Price"), an amount equal to the ten (10) day average of the closing prices of the Common Stock, as quoted on the OTC Bulletin Board during the five (5) trading days immediately prior to and subsequent to August 5, 2004. The principal amount of the Debenture was convertible at the Conversion Price at the option of the holder, or after August 5, 2005 at the Company's option if the Common Stock traded at a price of at least $0.166 for 12 trading days in any 15 trading day period. The Company was also entitled to prepay the principal amount of the Debenture, at any time after August 5, 2005, but would be required to pay a premium of two (2%) percent in the second year after issuance of the Debenture of the principal amount prepaid, for prepayments made during that period. The Company had granted certain "piggyback" registration rights to the holder to register for resale the shares issuable upon conversion of the Debenture, and Mr. Deixler exercised his registration rights and the underlying shares of 2,400,960 were registered pursuant to the SB-2 filing which went effective on August 9, 2005. In 2005 and 2004, the Company recorded $9,951 and $4,167 of related party interest expense as part of the statement of operations, respectively. On February 15, 2006, Mr. Deixler converted the Debenture into 2,409,639 shares of Common Stock.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and persons who own more than 10% of the Common Stock (collectively, "Reporting Persons") to file reports of ownership and changes in ownership of the Company's securities with the Securities and Exchange Commission. Copies of these reports are also required to be delivered to the Company.

The Company believes, based solely on its review of copies of such reports received or written representations from certain Reporting Persons, that during the Company's 2006 fiscal year and prior fiscal years, each of Messrs. Deixler, Russo, Levine, Delaney, Whitney, and Hill have timely filed all required reports under Section 16(a).

PROPOSAL NO. 2

TO APPROVE THE SALE OF SUBSTANTIALLY ALL OF THE ASSETS OF THE COMPANY TO CRYPTEK, INC.

This information is being furnished to the stockholders of the Company in connection with the proposed sale (the "Asset Sale") of substantially all of the assets of the Company to Cryptek, Inc., a Delaware corporation, pursuant to the Asset Purchase Agreement. On November 15, 2007, the Board of Directors of the Company approved the Asset Sale, which approval also included approval by the Board of Directors of proposed amendments to the Company's certificate of incorporation to change the name of ION Networks, Inc. to Balanus, Inc., and to an increase in the authorized shares of Common Stock of the Company from 50,000,000 to 750,000,000 shares, and the utilization of the proceeds of the Asset Sale as described below. On Dember 7, 2007 the Board of Directors approved a proposal which revised the proposed name change of Balanus, Inc. to Clacendix, Inc. The proceeds after the application below are contemplated to be retained in the Company and not distributed to the stockholders. The Board has determined that it would be in the best interests of the stockholders to maintain the public status of the Company and to subsequently engage in a business combination with a private company whose business is attractive and which would look favorably upon the attributes of operating as a public company. Although no assurance can be give that an appropriate candidate can be found, senior management of the Company has committed to stay on with the Company for no less than a three month period after the closing of the Asset Sale for the purpose of identifying an appropriate candidate. If the search does not result in identifying such a candidate or a transaction with such candidate is not consummated within a reasonable time (estimated to be approximately six months), the Company may distribute any proceeds to its stockholders, or take such future action as it may deem appropriate.

The following summary highlights selected information regarding the Asset Sale and may not contain all of the information that is important to you. For a more complete description of the Asset Sale and related matters, you should carefully read the Asset Purchase Agreement included as Appendix A in its entirety. The terms "we," "our," and the "Company" in this Proxy refer to ION Networks, Inc. References to "you" are to the stockholders of the Company.

The Parties

We are a publicly owned Delaware corporation that designs, develops, manufactures and sells network and information security and management products, which provide remote services delivery and secure access solutions. Our principal office is located at 120 Corporate Drive, South Plainfield, NJ 07080, where our telephone number is (908) 546-3900.

Cryptek, Inc. (previously defined as "Cryptek"), a privately owned Delaware corporation, is a leading manufacturer of identity and access control solutions and a developer and integrator of secure equipment to Government Departments and Agencies. Cryptek's principal office is located at 1501 Moran Road, Sterling, VA 20166 and its telephone number is (571) 434-2000.

The Sale of Assets To Cryptek

On November 19, 2007, the Company, executed the Asset Purchase Agreement dated as of November 19, 2007 with Cryptek, a copy of which is included as Appendix A to this Proxy . Our Board of Directors, at a meeting duly called, and held on November 15, 2007, approved the terms of the Asset Purchase Agreement. Pursuant to terms of the Asset Purchase Agreement:

1. We agreed to sell substantially all of the assets of the Company and to have Cryptek assume certain specific liabilities of the Company;

2. The Asset Sale will consist of substantially all the assets of the Company including but not limited to all intellectual property rights, all inventories, accounts receivable less retained accounts receivable, fixed assets, expendable equipment, personal computers, computer systems, other tangible and intangible assets, furniture, leasehold improvements, contracts and rights thereof, customer lists, contacts, supplier lists, all products known as the Company's appliances, the Company's Secure Modem and PRIISMS software, along with our existing customer maintenance contracts and other assets of the Business as provided in the Asset Purchase Agreement; and

As consideration for the Asset Sale, Cryptek has agreed to pay us $3.2 million at closing ($320,000 of which will be held in escrow for one year to secure certain indemnification obligations of the Company and certain accounting "true ups"), assume certain liabilities of the business estimated at approximately $150,000 (which are listed in the Asset Purchase Agreement) and offer employment to all of the Company's employees (except for the Company's CEO and CFO) from the date of completion of the Asset Sale.

3. The escrow amount of $320,000 is to provide security against any valid claims related to the Company's sale of Intellectual Property to Cryptek and a certain Net Tangible Asset Reduction "true up" adjustment. The maximum amount of the Company's potential liability arising from the combination of Intellectual Property indemnity claims and/or Net Tangible Asset Reduction "true up" adjustments is limited to the $320,000 in the escrow account. No other indemnities survive past the closing date except as to certain excluded assets or liabilities or preclosing events. The balance of the escrow amount at the end of one year will be paid to the Company, less any claims by Cryptek that have either been agreed as valid by the Company, have been determined to be valid by the dispute resolution mechanisms agreed to by the parties or are then in dispute. The remainder of any amount will be distributed in accordance with the resolution of such dispute.

4. The Net Tangible Asset Reduction arises in the event of the Net Tangible Asset Value is less than $0. The Net Tangible Asset Value is equal to the tangible acquired assets, excluding capitalized software, minus any liabilities assumed by Cryptek. If the Net Tangible Asset Value is less than $0 then a dollar for dollar payment is made to Cryptek from the escrow account.

5. The following list includes the material conditions to the Asset Sale, all of which must be satisfied at or prior to the time of the closing, unless waived by the party in whose favor the condition exists. In view of the fact that interpretations of "materiality" can be subjective, the list is qualified by reference to the Asset Purchase Agreement, which is attached as Appendix A to this Proxy. You are urged to carefully read this entire document including the Asset Purchase Agreement. Except as indicated, these conditions are a requirement to trigger each party's obligation to close.

a. There are no legal restraints rendering the Asset Purchase Agreement unlawful or preventing the consummation of the transactions contemplated there under and no pending litigation that seeks to prohibit, alter, prevent or materially delay those transactions;

b. Certain consents and waivers to the consummation of the Asset Sale shall have been obtained;

c. The Stockholders' of the Seller entitled to vote on or consent to the approval of this Agreement and amend the Company's certificate of incorporation in accordance with the Delaware General Corporation Law shall have approved this Agreement and the name change of the Company;

d. The respective representations and warranties made in the Asset Purchase Agreement by each of the parties to the Asset Purchase Agreement shall be true and correct;

e. There shall have been no Material Adverse Effect with respect to the Company, whether covered by insurance or not (this is solely a condition for Cryptek to be required to close);

f. Each Transferred Employee shall have resigned from Administaff (is the Professional Employer Organization (PEO) that provides human resources, outsourcing services, through the use of a co-employment relationship with the Company), effective as of the closing (this is solely a condition for Cryptek to be required to close);

g. Certain employees shall have entered into an inventions assignment agreement, in a form satisfactory to the Cryptek, sufficient to assign all rights such employees may have in any intellectual property such employees created while employed by the Company (this is solely a condition for Cryptek to be required to close);

h. The Company shall have procured the discharge of certain encumbrances and indebtedness as set forth in the Agreement (this is solely a condition for Cryptek to be required to close); and

i. The Company shall be in total compliance with all licenses included in the intellectual property licensed by the Company and to be sold to Cryptek and provide evidence of such total compliance (this is solely a condition for Cryptek to be required to close).

6. In the event that the transaction fails to close because Cryptek fails to pay the purchase price notwithstanding the fulfillment by the Company of its obligations for closing of the transaction, the Asset Purchase Agreement provides that the Company will receive liquidated damages in an amount equal to the sum of the lost tax credits that the Company would have received if the transaction had not occurred and the Company's transaction-related costs, including professional fees, estimated at $650,000. Similarly, if the Company should elect to not close on the transaction, the Company would be obligated to pay Cryptek liquidated damages in an amount equal to the sum of $100,000 and Cryptek's transaction-related costs, including professional fees. Finally, if between signing and closing a third party offers to purchase the Company as a result of the Board of Directors' determination, in the exercise of its fiduciary obligations, that the alternative transaction was in the best interests of the Company's stockholders, and the Company exercises its rights to terminate the Asset Purchase Agreement, the Company would be obligated to pay Cryptek an amount equal to the sum of $100,000 and Cryptek's transaction-related costs, including professional fees.

Past Contacts and Negotiations

The Company became aware of Cryptek in April 2004. The Company was in the process of developing new marketing material that would include a new 'tag line' to describe its business. A search of the selected tag line found that Cryptek was using a very similar phrase in their marketing efforts. The research on its business showed that Cryptek was complementary to the Company's planned focus at this time rather than competitive.

Beginning in the middle of 2006, the Company adjusted its direction to include strategic partnerships as a focus point. Given its difficulty in sufficiently growing its business organically, the Company determined it may be advantageous to seek out partnerships whereby the product lines and directions complemented one another and the synergies offered greater growth potential than would likely be obtained individually.

On June 21, 2007, the Company's Chief Technology Officer ("CTO") William Whitney received a call from Cryptek's Executive Vice President of Corporate Development, Brian Hajost, who had recently joined Cryptek. The purpose of the call was to explore a strategic relationship for Cryptek due to Cryptek's interest in expanding its technology, products and markets. Mr. Hajost advised Mr. Whitney that he had recalled meeting him at a trade event and that Cryptek's investors and senior management team were looking to penetrate the commercial markets in which the Company seemed to be well positioned, in addition to Cryptek's core government business. A meeting was set for July 2, 2007, at which time Mr. Hajost and Cryptek's chief technology officer, Tim Williams, visited the Company.

During the initial visit, and after signing a mutual non-disclosure agreement, both companies shared their technology, products, vision and markets with each other. During a discussion of philosophies of how best to grow a business in today's technological environment, both organizations were pleasantly surprised at the consistency of thought and plans. It also appeared that both companies shared a common goal of providing the best possible customer and employee satisfaction which led to the desire for continued discussions. Immediately following this meeting, Cryptek requested a copy of the Company's product roadmap, which the Company delivered to Cryptek.

At a Board of Directors update call on July 12, 2007, the Board was notified of the recent and planned discussions with Cryptek. During the month of July, the companies shared information that would be pertinent to any type of strategic relationship. A formal meeting between senior management teams was scheduled for August 6, 2007 to determine how discussions should proceed and the extent of the relationship that would work best for both. As a prelude to this meeting, on August 2, 2007, Norman E. Corn, the Chief Executive Officer of the Company, and William Anderson, the Chief Executive Officer of Cryptek, met for dinner to discuss their respective plans, directions and the potential chemistry of the two companies working together.

The August 6, 2007 meeting was attended by Norman Corn, Pat Delaney (CFO) and William Whitney from the Company and Bill Anderson, Brian Hajost, Mark Paiewonsky (Cryptek's CFO) and Maureen Fitzgerald, Cryptek's Executive Vice President of Administrations. The result of this meeting was agreement by all parties that both organizations, their investors, customers and employees, would be best served by further investigating a combination of the two companies. Since Cryptek had no desire to become a public company, it decided the direction to take would be to make an offer for substantially all the assets of the Company.

On August 8, 2007, the Board of Directors was informed of this meeting and authorized continued discussions with Cryptek as agreed upon at the joint meeting. A letter of intent on the purchase of the assets of the Company was delivered to the Company on August 17, 2007. Following numerous discussions, recommendations and changes, the senior management teams met in person again on August 24, 2007 in an attempt to reach agreement on all open issues. On August 28, 2007, the Board of Directors was updated once again. A final letter of intent, including all agreed upon changes, was received and signed on August 29, 2007. A due diligence checklist from Cryptek was received by the Company on August 29, 2007 and the Company subsequently provided the due diligence information requested by Cryptek.

On September 4, 2007, the Board of Directors was updated on the status of Cryptek transaction, reviewed its fiduciary duties to the Company's stockholders, and was provided with a list of suitors that had engaged the Company in discussions to acquire the Company or the Company's assets.

Cryptek visited the Company on September 12-14, 2007 to complete their due diligence. Additionally, Cryptek's Chief Executive Officer visited the Company on the September 14, 2007. The first draft of the Asset Purchase Agreement was received by the Company on September 19, 2007. Numerous meetings, in person and telephonically, were held to negotiate the terms of the Asset Purchase Agreement with the Board of Directors being updated on a consistent basis. Terms were finally agreed upon and reviewed with the Board on November 15, 2007. The Asset Purchase Agreement attached to this Proxy Statement was signed on November 19, 2007.

Reasons For The Asset Sale

During the prior ten fiscal years and the nine months ending September 30, 2007 prior to this transaction, the Company has sustained nearly $42,060,668 in net losses. While the Company has been successful in raising capital of approximately $41,000,000 from the issuance of stock, sale of State of New Jersey Net Operating Losses and debt instruments, the Company has been in a delicate cash position for over the past five years and it has been increasingly difficult to put in place sufficient funding to grow the operations and shareholder value. Following the turbulence in the telecom market beginning in 2000, the Company pursued an organic growth strategy. Though we ultimately made strides in both customer acquisition and product development, insufficient capitalization presented a continuing challenge and we believe is the primary reason preventing the growth of the business. From mid 2003 until the present, the Company has focused on its core technology and strengths, providing remote services delivery and secure access solutions to large service providers, enterprises and government agencies. The Company has also streamlined its cost structure and reduced ongoing costs significantly.

In a review of potential market prospects, we decided to expand within the telecommunications service provider market and pursue mid-tier service providers in addition to the Company's traditional customer base of large global clients in this market. We also pursued direct penetration of the corporate, enterprise market segment as their requirements for outsourcing and security increased during the period. In addition, the Company re-entered the European market, which had been abandoned in 2002 as more than 15% of total revenues had been coming from international customers prior to reentry. These pursuits were solely aimed at increasing revenues.

During this period, the Company has continually struggled with a lack of resources, particularly financial capital and marketing budgets, as well as a shortage of sales and marketing personnel. The inadequacy of capital has had a major impact in the lack of market exposure as well as an insufficient number of "feet on the street" sales people. Despite a recovery from negative customer perception in the 2002 – 2003 time frame, the Company has found it difficult to expand beyond its traditional customer base. Unfortunately, that set of customers has dwindled in numbers due to the numerous mergers in 2005 (MCI and Verizon, Sprint and Nextel, AT&T and SWB) and the nearly dedicated focus of the resulting entities to integrate their vast business empires. The inability of the Company to obtain the level of attention need to sell its products caused by these mergers, combined with an inability to expand our market coverage has prevented us from growing revenues. Due to an inability to attract and hire capable sales personnel, earlier this year the Company contracted with sales outsourcing firms to increase its sales coverage. The engagements of both firms have been terminated due to insufficient revenue results.

The result is that the Company continues to strain under the lack of financial and other resources and does not have the ability to grow the business under current conditions. Cash has remained limited, and revenues have not grown sufficiently. Employees, while performing to top levels, have not received compensation increases in two years, making future growth opportunities bleak. As such, we believe that the sale of substantially all of the assets of the Company, which provides cash to the Company and, as an intended second step, provides the opportunity to attract a private company which is in a position to grow revenues and market share and seeking to take advantage of the attributes of a public company such as the Company, is in the best interests of the stockholders of the Company. While it is uncertain whether a subsequent transaction, if consummated, will increase stockholder value, the intention of the Board of Directors and Management is to endeavor to find a candidate to combine with whose potential for growth and value creation would give current stockholders of the Company a better chance for growth in the value of their equity than present circumstances appear to offer to them.

Structure Of The Company After The Asset Sale

After completion of the Asset Sale, the Company will consist of two remaining employees, the current CEO and CFO. The proceeds of the Asset sale will be used to satisfy all debt and other financial liabilities not assumed by Cryptek. These include repayment of outstanding loans from officers, directors and outside parties to the Company outstanding bank debt, remaining payables, legal and accounting fees, and severance payments or stay on payments as required by prior agreements with the officers and a vice president of the Company. The aggregate amount of these expenses are estimated at $1.45 million, leaving net proceeds of approximately $1.75 million. The Board of Directors has examined several possible alternatives the Company may pursue upon the consummation of the proposed transaction with Cryptek, a) liquidation – by selling the public shell and adding the net proceeds after expenses to the net proceeds from the Asset Sale and distributing the cash to the shareholders; or b) merging or otherwise combining the remaining public entity with a private company and using the value of the public shell, cash on hand and the limited Net Operating Loss carry forwards, to secure an equity position in the newly merged or combined corporate entity.

The Board believes the latter alternative should provide the shareholders with the better potential for growth that has not been realized by the Company in its current structure. After consummating the Cryptek transaction and with stockholders' approval of Proposal 4, the public entity will be known as Clacendix, Inc. and will utilize the cash remaining to pay its remaining employees and expenses incurred in the identification of a candidate to effect a combination that may provide the benefits described above and to continue its status as a public company. Funds will also be used to obtain fairness opinions, if necessary in the opinion of the Board of Directors, of the selected combination candidate as well as Clacendix in determining the relative value and equity of both parties in such a transaction. Once the candidate is selected, the due diligence completed and the Board of Directors has approved such transaction, it is possible depending on the structure of the transaction that the stockholders will be requested to vote to approve the transaction.

Considerations Reviewed by Our Board of Directors

During the prior six months, our Board of Directors and senior management team have received multiple preliminary indications of interest for the sale of the entire Company or for the sale of all or substantially all the assets of the Company. The various preliminary indications of interest, which ranged from the purchase of all or substantially all of the assets of the Company (with no assumption of any liabilities of the Company) to the acquisition of the Company as a whole, were on terms significantly less favorable to the Company than the terms offered by Cryptek. The Board and senior management team has also received over twenty inquiries to sell the public shell without any assets. After careful review of all discussions and consideration of the preliminary indications of interest for either the Company or its assets as noted above, the Board of Directors has approved the Asset Purchase Agreement with Cryptek, and the Asset Sale, and has recommended that our stockholders vote in favor of the Asset Sale. The Board is also recommending our stockholders vote their approval of a corporate name change (per the Asset Purchase Agreement) from ION Networks, Inc. to Clacendix, Inc. and approval for the increase in number of shares of Common Stock authorized under our Certificate of Incorporation from 50,000,000 to 750,000,000 in order to facilitate a possible combination transaction at a future date. See Proposal No. 3 and Proposal No. 4 below. The Company's largest shareholder, Special Situation Funds, as an interested shareholder and not a financial advisor, has offered its assistance in identifying and selecting the potential candidate for combination with the Company, but are not being separately compensated for this activity.

Use Of Proceeds

The Asset Purchase Agreement provides that Cryptek shall pay $3.2 million at closing, less $320,000 otherwise payable at closing, which will be held in escrow for one year as the totality of the Company's liability to satisfy the combination of any "true up" adjustments and all indemnification obligations and the representations and warranties made by the Company that are not fulfilled (as further described in the Asset Purchase Agreement). We, and not our stockholders, will receive all of the net proceeds from the Asset Sale. The proceeds will be used to satisfy all outstanding indebtedness, pay legal and accounting fees and severance payments or stay on payments as required by prior agreements. After satisfying these financial obligations, the remaining proceeds, which are estimated to be in excess of $1.75 million (including the $320,000 in the escrow account), will be used to continue the process of identifying qualified candidates for a possible combination transaction consideration, due diligence on the selected candidate; additional legal, accounting and public filing fees; and two employees to conduct all functions required to select the business combination candidate just described and to maintain the public status of the remaining corporate entity until such transaction is completed. Should such transaction take an unreasonable time to consummate, estimated at six months, the Board will take such further action as it may deem appropriate which may include a sale of the public shell for cash and distribution of cash to the stockholders. The two employees will be compensated at their existing salary levels for the first six months. The salary payments will cease at the later of six months or when the subsequent transaction is completed. There is no other compensation to be paid to the employees.

Regulatory Approvals

Except for compliance with the applicable regulations of the Securities and Exchange Commission in connection with this Proxy Statement and the requirements of the Delaware General Corporation Law in connection with the Asset Sale (such requirements are described in the "Required Vote" section in Proposal No. 2 and Proposal No. 4), we are not required to comply with any federal or state regulatory requirements, and no federal or state regulatory approvals are required in connection with the Asset Sale.

Dissenters' Rights

Our stockholders do not have dissenters' rights under Delaware law in connection with the Asset Sale.

Accounting Treatment of the Asset Sale

Upon completion of the Asset Sale, the Company will remove from its consolidated balance sheet the assets sold by Cryptek and will include on such consolidated balance sheet the effect of the receipt and use of the proceeds of the Asset Sale. The Company will record on its consolidated statement of operations a gain on the Asset Sale equal to the difference between the purchase price received and the book value of the assets sold.

Material U.S. Federal and State Income Tax Consequences

The Asset Sale will not result in any U.S. federal income tax consequences to our stockholders. The Asset Sale transaction will be a taxable event to the Company for U.S. federal income tax and New Jersey state income tax purposes, but the Company expects, subject to the completion and outcome of certain tax analysis and studies currently in process, that a substantial portion of all of the taxable gain resulting from the Asset Sale will be offset by federal and state net operating losses. The Asset Sale is expected to result in some federal alternative minimum tax being imposed on the Company in the year of the sale and may, depending upon several factors, result in the imposition of federal and state income taxes in subsequent years that may or may not be offset by available tax credits. The Asset Sale also may result in the Company being subject to certain other state or local sales, use or other taxes in jurisdictions in which it files tax returns or has assets, yet the Company believes that the amounts of such taxes, if any, will be immaterial.

Pro Forma Selected Financial Data

Introduction to Unaudited Pro Forma Condensed Consolidated Financial Information

The following pro forma condensed consolidated financial statements give effect to the Asset Purchase Agreement by and between ION Networks, Inc. and Cryptek Inc. dated November 19, 2007, whereby the Company agreed to sell substantially all of the assets of the Company to Cryptek as contemplated by the Asset Purchase Agreement. The pro forma condensed consolidated balance sheet of the Company as of September 30, 2007 has been prepared as if the Company's sale of the assets had been consummated on that date. The pro forma condensed consolidated statements of operations of the Company for the year ended December 31, 2006 and the nine months ended September 30, 2007 are presented as if the Company's sale pursuant to the Asset Purchase Agreement occurred at the beginning of each period.

Pursuant to the terms of the Asset Purchase Agreement, the Company will receive and Cryptek shall pay $3.2 million at closing, with $320,000 placed in escrow for one year as security for any potential indemnity claims, plus assumption of an estimated $150,000 in liabilities plus cash related to the repayment of the revolving credit facility. The closing of the transaction is subject to the satisfaction of a number of closing conditions pursuant to the terms of the Asset Purchase Agreement.

The pro forma condensed consolidated financial statements are based upon available information and certain assumptions made by management. The pro forma condensed consolidated financial statement may be subject to adjustment based on the actual carrying value of net assets sold at the date of closing, among other considerations. These pro forma condensed consolidated financial statements should be read in conjunction with the historical financial information of the Company in reports and documents filed with the Securities and Exchange Commission.

ION NETWORKS, INC. AND SUBSIDIARY
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2007
(Unaudited)

	As Reported (1)	Proforma Adjustments	Proforma Total
Assets			
Current assets			
Cash and cash equivalents	$ 10,018	1,950,000 a	$ 1,960,018
Restricted cash	-	320,000 a	320,000
Accounts receivable, less allowance for doubtful accounts of $36,417	364,439	(364,439) c	-
Inventories, net	304,473	(304,473) c	-
Prepaid expenses and other current assets	14,196	(14,196) c	-
Total current assets	693,126	1,586,892	2,280,018
Property and equipment, net	22,564	(22,564) c	-
Capitalized software, net	1,386,301	(1,386,301) c	-
Deferred financing costs, net	9,583	(9,583) c	-
Other assets	12,911	(12,911) c	-
Total assets	$ 2,124,485	155,533	$ 2,280,018
Liabilities and Stockholders' Equity			
Current liabilities			
Accounts payable	$ 305,293	(150,000) c	$ 155,293
Accrued expenses	154,330	-	154,330
Accrued payroll and related liabilities	123,990	-	123,990
Accrued interest – related party	19,729	-	19,729
Revolving credit facility	208,010	(208,010) b	-
Capital lease payable	2,626	(2,626) c	-
Deferred income	120,293	(120,293) c	-
Notes payable, net of debt discount of $5,883	144,116	-	144,116
Notes payable – related parties, net of debt discount of $4,903	170,097	-	170,097
Other current liabilities	10,000	(10,000) c	-
Total current liabilities	1,258,484	(490,929)	767,555
Commitments and contingencies			
Stockholders' Equity			
Preferred stock – par value $.001 per share; authorized 1,000,000 shares; 200,000 shares designated Series A; 155,557 shares issued and outstanding (aggregate liquidation preference $280,003)	156	-	156
Common stock – par value $.001 per share; authorized 50,000,000 shares; 32,785,565 shares issued and	32,786	-	32,786

outstanding					
Additional paid-in capital		45,888,905	-		45,888,905
Deferred compensation		(52,230)	-		(52,230)
Accumulated deficit		(45,003,616)	646,462 d,f		(44,357,154)
Total stockholders' equity		866,001	646,462		1,512,463
Total liabilities and stockholders' equity	$	2,124,485	155,533	$	2,280,018

(1) Based on the Company's interim financial statements filed on form 10-QSB for the quarter ended September 30, 2007.

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ION NETWORKS, INC. AND SUBSIDIARY
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007
(Unaudited)

	As Reported (1)	Proforma Adjustments		Proforma Total
Net sales	$ 2,323,214	$ (2,323,214)	e	$ -
Cost of sales	1,024,615	(1,024,615)	e	-
Gross margin	1,298,599	(1,298,599)		-
Research and development	239,500	(239,500)	e	-
Selling, general and administrative expenses	1,845,414	(1,545,414)	e,f	350,000
Depreciation expense	16,236	(16,236)	e	-
Restructuring and other credits	-	-		-
Total operating expenses	2,101,150	(1,801,150)		300,000
Loss from operations	(802,551)	502,551	e	(300,000)
Other income	2,098	(2,098)	e	-
Interest (expense) – related party	(4,137)	4,137	e	-
Interest income/(expense)	(48,965)	48,965	e	-
Loss before income taxes	(853,555)	553,555		(300,000)
Income tax expense	(2,682)	2,682	e	-
Net (loss)/inccome	$ (856,237)	556,237		$ (300,000)
Per share data:				
Net loss per common share				
Basic and diluted	$ (0.03)			$ (0.01)
Weighted average number of common shares outstanding				
Basic and diluted	32,785,565			32,785,565

(1) Based on the Company's interim financial statements filed on form 10-QSB for the nine months ended September 30, 2007.

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ION Networks, Inc. and Subsidiary
Pro forma Consolidated Statements of Operations
For the Year Ended December 31, 2006
(Unaudited)

	As Reported (1)	Proforma Adjustment		Proforma Total
Net sales	$ 3,380,346	$ (3,380,346)	e	$ -
Cost of sales	1,384,641	(1,384,641)	e	-
Gross margin	1,995,705	(1,995,705)		-
Research and development expenses	666,069	(666,069)	e	-
Selling, general and administrative expenses	2,558,523	(2,208,523)	e,f	350,000
Depreciation expense	16,086	(16,086)	e	-
Restructuring and other credits	(81,000)	81,000	e	-
Loss from operations	(1,163,973)	(813,973)		(350,000)
Other income	396	(396)	e	-
Interest expense- related party	(1,696)	1,696	e	-
Interest income/(expense)(1)	(52,636)	52,636	e	-
Loss before income taxes	(1,217,908)	867,908		(350,000)
Income tax benefit	464,836	(464,836)	e	-
Net loss	$ (753,072)	$ 403,072		$ (350,000)
Per share data:				
Net loss per share				
Basic	$ (0.02)			$ (0.01)
Diluted	$ (0.02)			$ (0.01)
Weighted average number of common shares outstanding				
Basic	31,415,780			31,415,780
Diluted	31,415,780			31,415,780

(1) Based on the Company's audited financial statements filed on form 10-KSB for the year ended December 31, 2006.

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Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

Description of Pro Forma Adjustment for all periods presented

The following pro forma condensed consolidated financial statements give effect to the Asset Purchase Agreement by and between ION Networks, Inc. and Cryptek Inc. dated November 19, 2007, whereby the Company agreed to sell substantially all of the assets of the Company to Cryptek as contemplated by the Asset Purchase Agreement. The pro forma condensed consolidated balance sheet of the Company as of September 30, 2007 has been prepared as if the Company's sale of the assets had been consummated on that date. The pro forma condensed consolidated statements of operations of the Company for the year ended December 31, 2006 and the nine months ended September 30, 2007 are presented as if the Company's sale pursuant to the Asset Purchase Agreement occurred at the beginning of each period.

Pursuant to the terms of the Asset Purchase Agreement, the Company will receive and Cryptek shall pay $3.2 million at closing, with $320,000 placed in escrow for one year as security for any potential indemnity claims, plus assumption of an estimated $150,000 in liabilities plus cash related to the repayment of the revolving credit facility. The closing of the transaction is subject to the satisfaction of a number of closing conditions pursuant to the terms of the Asset Purchase Agreement.

The pro forma condensed consolidated financial statements are based upon available information and certain assumptions made by management. The pro forma condensed consolidated financial statement may be subject to adjustment based on the actual carrying value of net assets sold at the date of closing, among other considerations. These pro forma condensed consolidated financial statements should be read in conjunction with the historical financial information of the Company in reports and documents filed with the Securities and Exchange Commission.

(a) To reflect the initial $3,200,000 in cash proceeds, less $320,000 placed in escrow for one year as security for any potential indemnity claims, as per the Asset Purchase Agreement and $100,000 in other estimated transaction costs and approximately $830,000 in severance payments for certain officers and vice presidents.

(b) To reflect the payoff of the outstanding balance under the Company's existing Revolving Credit Facility with a portion of the cash proceeds received pursuant to the Asset Purchase Agreement.

(c) To eliminate the assets sold and liabilities disposed of in connection with the Asset Sale.

(d) To reflect the estimated gain on sale of net assets.

(e) To reflect the adjustment required to eliminate the results of operations for the period indicated.

(f) To reflect expenses including legal fees, travel, directors’ fees, directors’ and officers’ insurance and accounting fees of an estimated $250,000 for the year ended December 31, 2006 and $200,000 for the nine months ended September 30, 2007 plus transaction generated expenses of $100,000.

Required Vote

The affirmative vote of the majority of the Company's outstanding Common Stock is required to approve the sale of substantially all of the Company’s assets pursuant to the Asset Purchase Agreement by and between Cryptek, Inc. and the Company dated November 19, 2007. Abstentions and broker non-votes will have the effect of a vote against the proposal. With respect to shares held in street name, brokers will generally not have discretionary authority to vote with respect to this proposal. Notwithstanding authorization by stockholders of the sale of substantially all of the assets of the Company, the Board of Directors may abandon such proposed sale without further action by the stockholders of the Company, subject to the rights, if any, of third parties under the Asset Purchase Agreement. It is a condition of closing of the Asset Purchase Agreement, in favor of Cryptek, that Proposal No. 4, the authorization of the name change of the Company to Clacendix, Inc., also be approved by the stockholders of the Company.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" APPROVING THE SALE OF SUBSTANTIALLY ALL OF THE ASSETS OF THE COMPANY TO CRYPTEK, INC.

PROPOSAL NO. 3

TO AMEND ARTICLE FOURTH OF THE COMPANY'S CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM 50,000,000 TO 750,000,000

On December 6, 2007, the Board of Directors authorized and approved, subject to stockholder approval, the amendment of Article FOURTH of the certificate of incorporation of the Company in order to increase the number of authorized shares of Common Stock from 50,000,000 to 750,000,000.

As of the Record Date, the Corporation has authorized capital stock consisting of 50,000,000 shares of common stock, $.001 par value per share (previously defined as the "Common Stock"), of which 32,785,565 shares are issued and outstanding, and 1,000,000 shares of preferred stock, $.001 par value per share, of which 200,000 shares have been designated Series A Preferred Stock (previously defined as the "Series A Preferred Stock") and 155,557 shares are issued and outstanding. A holder of Common Stock is entitled to one vote in respect of each share of Common Stock held by such holder on all matters voted upon by the holders of Common Stock, dividends in respect of each share of Common Stock held by such holder that may be declared and paid from funds lawfully available therefore as and when determined by the Board of Directors, and no preemption rights in respect of each share of Common Stock held by such holder.

The Series A Preferred Stock does not carry rights to dividends. The Series A Preferred has no voting rights except that the Series A Preferred Stock votes separately as a single class to authorize, by a majority of the then outstanding shares of Series A Preferred Stock, an action by the Company (i) to alter or change the rights, preferences and privileges of the Series A Preferred Stock so as to adversely affect such shares of Series A Preferred Stock, (ii) to increase or decrease (other than by redemption or conversion) the total number of authorized shares of Series A Preferred Stock, (iii) to authorize or issue, or obligate itself to issue, any equity security (other than Series A Preferred Stock), including any other security convertible into or exercisable for any equity security, having a preference over, or being on a parity with, the Series A Preferred Stock with respect to dividends, liquidation, redemption or voting, or (iv) to effect any reclassification or recapitalization of the Series A Preferred Stock. The holders of Series A Preferred Stock are entitled to convert each share of Series A Preferred Stock into 10 shares of Common Stock (as more fully described in the certificate of designation of the Series A Preferred Stock) and to receive, upon liquidation of the Company, an amount equal to $1.80 prior to, and in preference over, any distribution of assets of the Company to the holders of Common Stock.

Pursuant to the amendment of Article FOURTH of the certificate of incorporation, the second sentence of the first paragraph will be amended and restated to increase the number of authorized shares of Common Stock from 50,000,000 to 750,000,000. As amended, the first paragraph of Article FOURTH of its Certificate of Incorporation will read as follows:

"FOURTH: The Corporation is authorized to issue two classes of shares designated common stock ("Common Stock") and preferred stock ("Preferred Stock"), respectively. The number of shares of Common Stock authorized to be issued is 750,000,000, with a par value of $.001 per share, and the number of shares of Preferred Stock to be issued is 1,000,000 with a par value of $.001 per share. Shares of Common Stock or Preferred Stock that are redeemed, purchased or otherwise acquired by the Corporation may be reissued except as otherwise provided by law".

(All other provisions of Article FOURTH are to remain unchanged).

The Board of Directors has recommended the authorization of an additional 700,000,000 shares of Common Stock for several reasons. These include the need to issue substantial additional shares in connection with any potential acquisitions by the Company of other companies or businesses or the merger of the Company with another company. In addition, the Company may be required to issue a significantly greater number of shares of authorized common stock in connection with any future equity financing to assist the Company in achieving the growth it has not achieved to date, although it is anticipated that this would occur only in conjunction with a combination with another company. In any of such categories of transactions, it is anticipated that a large number of additional authorized shares of Common Stock will be required. Therefore, the Board of Directors believes that it is in the best interests of the Company and its stockholders that this proposed amendment to the Company's Certificate of Incorporation be adopted and approved by the stockholders.

As of this date, the Company is not engaged in negotiations with any other company or business with respect to its acquisition of any such companies or businesses or the merger or the acquisition by any such other companies of the Company, nor is the Company a party to any agreements or commitments pertaining to the issuance of any of its shares of Common Stock for corporate financing purposes.

Possible Effects of the Amendment. Amending the certificate of incorporation of the Company to increase the number of authorized shares of Common Stock will not have any immediate effect on the rights of current stockholders of the Company. If the Board of Directors determines in the future that an issuance of shares of the Common Stock is in the best interests of the Company and its stockholders, the issuance of additional shares of Common Stock at that time could have the effect of diluting the earnings per share or the book value per share of the outstanding shares of Common Stock. To the extent that any additional authorized shares of Common Stock are issued in the future, such issuance may decrease existing stockholders' percentage equity ownership and, depending on the price at which they are issued, could be dilutive to the voting rights of existing stockholders and have a negative effect on the market price of the Common Stock. Current stockholders have no preemptive or similar rights, with the result that current stockholders do not have a prior right to purchase any new issuance of Common Stock in order to maintain their proportionate ownership thereof. However, the increase in the number of authorized shares of Common Stock, when and if issued, will not in any way change the inherent rights of current or future common stockholders. If and when issued, each share of additional authorized Common Stock will continue to entitle the holder to one vote per share on matters to be voted upon by the common stockholders, and to entitle the holder to receive dividends from available funds, if and when declared by the Board of Directors, and to entitle the holder to share ratably in assets legally available for distribution to common stockholders in the event of the liquidation, dissolution or winding up of operations of the Company. Additionally, each share of additional authorized Common Stock will not entitle the holder thereof to any cumulative voting, cumulative dividends, preemptive, subscription or redemption rights. The Company will, after the proposed amendment, have approximately 705,000,000 shares of Common Stock authorized for issuance and not reserved for a specific issuance.

The proposal to amend the certificate of incorporation to increase the number of authorized shares of Common Stock is not as a result of any knowledge of management concerning any specific effort by a current stockholder or stockholders of the Company to accumulate shares of Common Stock or to obtain control of the Company by means of a merger, tender offer, counter-solicitation or otherwise. The Company has not proposed to increase the number of authorized shares of Common Stock with the intention of using the additional authorized shares of Common Stock for anti-takeover purposes, but the Company would be able to use the additional authorized shares to oppose a hostile takeover attempt or delay or prevent changes in control or management of the Company. For example, without further stockholder approval, the Board of Directors could sell shares of Common Stock in a private transaction to purchasers who would oppose a takeover or would favor the current Board of Directors. Since the Company is not listed for trading on the Nasdaq Stock Market, the New York Stock Exchange or any comparable national securities exchange, such sale of shares of Common Stock in a private transaction would not be subject to rules of such exchanges,

including the rule which limits, subject to certain conditions, the private placement of Common Stock of the Company without stockholder approval to an amount equal to 19.99% of the issued and outstanding Common Stock prior to the transaction. Stockholders should be aware that approval of this Proposal No. 3 could facilitate future efforts by the Company to oppose changes in control of the Company and to perpetuate the Company's management, including in connection with transactions in which the stockholders might otherwise receive a premium for their shares over then current market prices. The Company could also use the additional authorized shares of Common Stock for potential strategic transactions including acquisitions, strategic partnerships, and joint ventures that specifically retain the current Board of Directors and management of the Company, although the Company has no present plans to do so. The Company cannot provide assurances that any such transactions will be consummated on favorable terms or at all, or that such transactions will enhance stockholder value or that they will not adversely affect the trading price of the Common Stock. Any such transactions may require the Company to incur non-recurring or other charges and may pose significant integration challenges. While noting the potential anti-takeover effects of an increase in the number of authorized shares of Common Stock, this Proposal No. 3 is not a part of a plan by the Company to adopt a series of amendments having anti-takeover effects and management has no present plans to propose other amendments having anti-takeover effects in future proxy solicitations.

The proposed form of the certificate of amendment to the certificate of incorporation is annexed as Appendix B to this Proxy Statement. Notwithstanding the authorization of the proposed amendment by stockholders of the Company, the Board of Directors may, at any time prior to the effectiveness of the filing of the certificate of amendment to the certificate of incorporation, abandon such proposed amendment without further action by the stockholders.

Required Vote

The affirmative vote of the majority of the outstanding Common Stock is required to approve the increase in authorized shares of Common Stock. Abstentions and broker non-votes will have the effect of a vote against the proposal. Brokers who hold shares of Common Stock as nominees will have discretionary authority to vote such shares on this proposal if they have not received voting instructions from the beneficial owner by the tenth day before the Meeting, provided that this Proxy Statement has been transmitted to the beneficial owner at least 15 days prior to the Meeting.

Please further note that the prior approval of the majority of outstanding shares of Series A Preferred Stock was required to authorize this proposal and has been obtained through a separate vote and not pursuant to this Proxy Statement.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" AMENDING ARTICLE FOURTH OF THE COMPANY'S CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM 50,000,000 TO 750,000,000

PROPOSAL NO. 4

TO AMEND THE ARTICLE FIRST OF THE COMPANY'S CERTIFICATE OF INCORPORATION TO CHANGE THE NAME OF THE COMPANY FROM ION NETWORKS, INC. TO CLACENDIX, INC.

On November 15, 2007, the Board of Directors authorized and approved, subject to stockholder approval, the amendment of Article FIRST of the Certificate of Incorporation of the Company to change the name of the Company to Clacendix, Inc. On Dember 7, 2007 the Board of Directors approved a proposal which revised the proposed name change of Balanus, Inc. to Clacendix, Inc. The Board of Directors has determined the proposed name change serves the best interest of the Company and its stockholders because the name change shall permit the Company to satisfy its obligations pursuant to the Asset Purchase Agreement and to market itself as a candidate for an acquisition transaction or business combination.

The proposed form of the certificate of amendment to the certificate of incorporation is annexed as Appendix C to this Proxy Statement. Notwithstanding the authorization of the proposed amendment by stockholders of the Company, the Board of Directors may, at any time prior to the effectiveness of the filing of the certificate of amendment to the certificate of incorporation, abandon such proposed amendment without further action by the stockholders.

Required Vote

The affirmative vote of the majority of the outstanding shares of Common Stock is required to approve the name change of the Company from ION Networks, Inc. to Clacendix, Inc. Abstentions and broker non-votes will have the effect of a vote against the proposal. With respect to shares held in street name, brokers will generally not have discretionary authority to vote with respect to this proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" AMENDING THE ARTICLE FIRST OF THE COMPANY'S CERTIFICATE OF INCORPORATION TO CHANGE THE NAME OF THE COMPANY FROM ION NETWORKS, INC. TO CLACENDIX, INC.

INDEPENDENT AUDITORS

The firm of Marcum & Kliegman, LLP was appointed to serve as the Company's independent auditors for the fiscal year ending December 31, 2006. Representatives of Marcum & Kliegman LLP are expected to be present at the annual meeting to respond to appropriate questions and will have an opportunity to make a statement if they so desire.

Stockholders are not being asked to ratify the appointment of auditors for the year ending December 31, 2007.

Principal Accountant Fees and Services

	Year Ended December 31, 2006	Year Ended December 31, 2005
Audit Fees	$ 97,500	$ 89,950
Audit Related Fees	0	0
Tax Fees	0	0
All Other Fees	0	0

Audit Committee Pre-Approval Policies and Procedures

The audit committee has adopted a procedure under which all fees charged by Marcum and Kliegman LLP must be pre-approved by the Audit Committee.

The Audit Committee has adopted a formal policy concerning the pre-approval of audit and non-audit services to be provided by the Company's independent registered public accounting firm. The policy requires that all services to be performed by the Company's independent registered public accounting firm, including audit services, audit-related services and permitted non-audit services, be pre-approved by the Audit Committee. The policy permits the Audit Committee to delegate pre-approval authority to one or more members, provided that any pre-approval decisions are reported to the Audit Committee at its next meeting. Specific services being provided by the independent registered public accounting firm are regularly reviewed in accordance with the pre-approval policy. At subsequent Audit Committee meetings, the Audit Committee receives updates on services being provided by the independent registered public accounting firm, and management may present additional services for approval. Since the May 6, 2003 effective date of the SEC rule applicable to services being provided by the independent accountants, each new engagement of the Company's independent registered public accounting firm was approved in advance by the Audit Committee.

STOCKHOLDER PROPOSALS

Proposals of stockholders which are eligible under the rules of the Securities and Exchange Commission to be included in the Company's proxy materials for the 2008 Annual Meeting must be received by the Corporate Secretary of the Company no later than August 13, 2008.

Under SEC regulations, notices of shareholder proposals for the 2008 Annual Meeting submitted outside the processes of Rule 14a-8 of the Securities Exchange Act of 1934 (relating to proposals to be presented at the meeting but not to be included in the Company's Proxy Statement and form of proxy), will be considered untimely, and thus the Company's proxy may confer discretionary voting authority on the persons named in the proxy with regard to such proposals, if received after October 26, 2008.

Such proposals relating to possible director nominees and all other proposals should be addressed to the Company's Board of Directors, in each case at ION Networks, Inc., 120 Corporate Boulevard, South Plainfield, New Jersey 07080, Attn: Patrick Delaney, Chief Financial Officer.

If the Company changes the date of its 2008 annual meeting to a date more than 30 days from the anniversary date of its 2007 annual meeting, then the deadline for submission of stockholder proposals will be changed to a reasonable time before the Company begins to print and mail its proxy materials. If the Company changes the date of its 2008 annual meeting in a manner that alters the deadline, the Company will so state under Part II, Item 5 of the first quarterly report on Form 10-QSB it files with the SEC after the date change, or will notify its stockholders by another reasonable method.

OTHER MATTERS

The Board is not aware of any other matters that may come before the Meeting. However, in the event such other matters come before the meeting, the persons named on the proxy card will have the discretion to vote on those matters using their best judgment.

A list of stockholders entitled to be present and vote at the annual meeting will be available for inspection by stockholders at the Company's corporate office located at 120 Corporate Boulevard, South Plainfield, New Jersey 07080 for at least 10 days prior to the date of, and will be available at, the Meeting.

Stockholders are urged to sign the enclosed proxy, which is solicited on behalf of the Board, and return it in the enclosed envelope.

By Order of the Board of Directors

NORMAN E. CORN
Chief Executive Officer

A copy of the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006 (without exhibits) and a copy of the Company's Form 10-QSB for the fiscal quarter ended September 30, 2007 (without exhibits) each as previously filed with the Securities and Exchange Commission, accompany this Proxy Statement. The Company will provide copies of the exhibits to the Form 10-KSB or the Form 10-QSB without charge upon receipt of a written request addressed to Ion Networks, Inc., 120 Corporate Boulevard, South Plainfield, NJ 07080.

Execution Version

APPENDIX A

ASSET PURCHASE AGREEMENT

By and Between

Cryptek, Inc.

and

ION Networks, Inc.

November 19, 2007

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") is made as of the 19th day of November, 2007, by and between Cryptek, Inc., a Delaware corporation (the "Buyer"), and ION Networks, Inc., a Delaware corporation (the "Seller"). The Buyer and the Seller are sometimes referred to herein each individually as a "Party" and collectively as the "Parties".

WHEREAS, the Seller is engaged in the business of remote services delivery and secure access technology which enable service providers, government and military agencies, and corporate IT departments to remotely access, manage, monitor and secure critical devices on voice and data networks (the "Business");

WHEREAS, the Buyer desires to purchase the Business by acquiring substantially all of the assets owned by the Seller and used in the Business, subject to certain obligations, on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, the Buyer and the Seller hereby agree as follows:

1. PURCHASE AND SALE.

1.1. Acquired Assets. Subject to the terms and conditions set forth in this Agreement, at the Closing referred to in Section 3 hereof, the Seller shall sell, assign, transfer and deliver to the Buyer, and the Buyer shall purchase, acquire and take assignment and delivery of, free and clear of all Encumbrances, all of Seller's right, title and interest in all of the assets (other than the Excluded Assets specified in Section 1.2) of the Seller used in or related to the Business (all of which assets are hereinafter referred to collectively as the "Acquired Assets"), including without limitation the following assets:

a) all products marketed, licensed, developed or sold by the Seller, including, without limitation, those set forth on **Schedule 1.1(a)** (the "Products");

b) all trademarks, service marks, trade names, business and doing business names, slogans, logos, trade dress, internet domain names and other similar designations of source or origin, together with all goodwill, registrations and applications related to the foregoing; all mask works rights and trade secrets and other confidential information, technology, know-how, proprietary processes, products, formulae, algorithms, models, and methodologies; all patents, technical information, engineering and technical data, unpatented inventions, discoveries, research and development data, designs, techniques, drawings, plans and specifications, utility, models, test procedures and industrial design registrations or applications (including without limitation any continuations, divisionals, continuations-in-part, provisionals, renewals, reissues, re-examinations and applications for any of the foregoing); all copyrights and copyrightable subject matter (including without limitation any registration and applications for any of the foregoing); and Software as developed or currently being developed (collectively, the "Intellectual Property"), in each case in which the Seller has a proprietary interest, whether such Intellectual Property is owned or licensed (as licensor or licensee) by the Seller, including, without limitation, the Intellectual Property listed on **Schedule 1.1(b)**;

c) all relationships or arrangements of the Seller with its customers for the provision of products (including, without limitation, the Products) or services, all customer and supplier lists and information, including contact persons and contact information, and all records and databases relating to the Seller's customers;

d) the subscriptions, agreements, contracts and purchase orders listed on **Schedule 1.1(d)** (which schedule shall include, without limitation, all subscriptions, agreements, contracts and purchase orders relating to the customers of Seller (collectively, the "Transferred Contracts"), and all claims or causes of action arising under or in connection therewith (including all benefits and rights under all open purchase orders and/or sales contracts respecting sales to customers of the Business);

e) all inventory, including, without limitation, the inventory set forth on **Schedule 1.1(e)**, work in process, raw materials, labeling and packaging materials, finished goods, parts and supplies used or held for use in the conduct of the Business, including, without limitation, those relating to the Products (the "Inventories");

f) all plants, fixtures, machinery, installations, furniture, equipment, tools, personal computers (other than the two (2) laptop computers currently used by each of Messrs. Norman Corn and Patrick Delaney), computer systems, computer hardware, manufacturing tables and other tangible personal property owned by the Seller and used or held for use in connection with the Business (the "Equipment"), including, without limitation, that set forth on **Schedule 1.1(f)**;

g) any and all of the trade accounts receivable, notes receivable and miscellaneous receivables of the Business (collectively, the "Accounts Receivable"), other than the Retained Accounts Receivable except as provided in Section 6.7;

h) all rights of the Seller, if any, under any non-compete, nonsolicitation, nondisclosure or similar contract between the Seller on the one hand, and other persons or entities (including former and present employees, customers and vendors), on the other hand, relating to the Business;

i) all potential and existing claims or causes of action, if any, of the Seller against any person or entity arising out of or related to the operation of Business (other than claims and causes of action arising out of or related to the Excluded Assets);