CLACENDIX, INC.
Form 10-K
March 27, 2009

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

FORM 10-K

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

For the fiscal year ended December 31, 2008

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

For the transition period from .

Commission File No.: 0-13117

Clacendix, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	22-2413505 (IRS Employer Identification Number)
2001 Route 46 Parsippany, NJ (Address of Principal Executive Offices)	07054 (Zip code)

Registrant's telephone number including area code: (973) 402-4251

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
None	None

Securities registered pursuant to section 12(g) of the Act:

Common Stock, $.001 par value
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. o Yes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes x No

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o No

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K(§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b2 of the Act).
x Yes o No

The aggregate market value of voting and nonvoting stock held by non-affiliates, based on the closing price of the Common Stock, par value $0.001 (the "Common Stock") on June 30, 2008 of $0.04, as reported on the OTC Bulletin Board was $765,884. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

There were 33,056,161 shares of Common Stock outstanding as of March 11, 2009.

DOCUMENTS INCORPORATED BY REFERENCE: None

Information Regarding Forward-Looking Statements

References in this document to "we," "our," "us," and "the Company" refer to Clacendix, Inc.

A number of statements contained in this report are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the applicable statements. You can identify forward-looking statements by our use of words such as "may", "will", "should", "could", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" or the negative or other variations of these words, or other comparable words or phrases. These statements include, but are not limited to, statements regarding our ability to complete our business objectives. These risks and uncertainties include, but are not limited to,

- our ability to complete a combination with one or more target businesses;
- our success in retaining or recruiting, or changes required in, our officers or directors following a business combination;
- our potential inability to obtain additional financing to complete a business combination;
- a limited pool of prospective target businesses;
- a potential change in control if we acquire one or more target businesses for stock;
- our public securities' limited liquidity and trading; or
- our ongoing financial performance.

Unless otherwise required by applicable securities laws, the Company assumes no obligation to update any such forward-looking statements, or to update the reasons why actual results could differ from those projected in the forward-looking statements.

PART I

Item 1: Business

Sale of Substantially all of our Operating Assets

On December 31, 2007, Clacendix, Inc. sold substantially all of its operating assets to Cryptek, Inc. ("Cryptek"), a privately held Delaware corporation (the "Transaction"). Stockholder approval was required, and obtained, with respect to such sale.

The closing of the Transaction occurred immediately upon the conclusion of the Annual Meeting of Shareholders held on December 31, 2007. Pursuant to the Asset Purchase Agreement, the Company sold to Cryptek substantially all of the operating assets of the Company in exchange for the total consideration of $3,771,040, made up as follows: (i) $3,200,000 in cash, (ii) $338,187 in receivables which will flow to the Company, and (iii) $232,853 in certain assumed liabilities. At the closing of the Transaction, $320,000 was deducted from the total cash delivered to the Company and deposited in an escrow account to provide for any claims against the Company's transferred Intellectual Property which may arise within one year of the closing date. This escrow amount has been classified as restricted

cash as of December 31, 2008 and 2007.

The Company realized a gain of $1,453,113 on the sale of substantially all of the operating assets of the Company. The Company incurred $215,731 in expenses related to the transaction comprised of legal and accounting fees of $169,672, shareholder meeting related expenses of $30,327 and other fees of $15,732. A detailed summary of the assets and liabilities sold as part of the Transaction is provided below in Item 7.

Historical Overview

Clacendix, Inc. (formerly ION Networks, Inc.) is a Delaware corporation founded in 1999 through the combination of two companies, MicroFrame, Inc. (originally founded in 1982), a New Jersey corporation and SolCom Systems Limited (originally founded in 1994), a Scottish corporation located in Livingston, Scotland. The Scottish corporation was dissolved in 2003. On December 31, 2007, the Company changed its name from ION Networks, Inc. to Clacendix, Inc. Our principal executive offices are located at 2001 Route 46, Parsippany, New Jersey 07054, and our telephone number is (973) 402-4251.

Prior to completion of the Transaction, the Company provided remote services delivery and secure access technology. The Company's suite of tools enabled service providers, government and military agencies, and corporate IT departments to remotely manage, monitor, and secure critical devices on voice and data networks. The Company's principal business prior to completion of the Transaction was to address the need for security and network management and monitoring solutions, primarily for the PBX-based telecommunications market, resulting in a significant portion of revenues being generated from sales to various telecommunications companies. In 1999, the Company expanded through the purchase of certain assets of LeeMAH DataCom Security Corporation.

The Company is now seeking a target company with which to merge or to complete a business combination and use 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. In any transaction, it is expected that the Company would be the surviving legal entity and the shareholders of the Company would retain a percentage ownership interest in the post-transaction company. The Company does not plan to restrict its search to any specific business, industry or geographic location, and it may participate in a business venture of virtually any kind or nature.

The Company may seek a business opportunity with entities which have recently commenced operations, or that desire to utilize the public marketplace in order to raise additional capital in order to expand into new products or markets, to develop a new product or service, or for other corporate purposes. The Company may acquire assets and establish wholly owned subsidiaries in various businesses or acquire existing businesses as subsidiaries. The Company can give no assurance that any such a transaction will occur, or that if such a transaction were to occur, it would enhance the Company's future operations or financial results, or specifically that the Company would become and remain profitable as a result of such transaction. . If we do not complete a transaction within a reasonable time frame, we may liquidate.

Employees

As of December 31, 2008, the Company had 2 full-time employees.

Item 1A. Risk Factors.

We have no operating history with respect to our new business objective and, accordingly, you have no basis on which to evaluate our ability to achieve it.

We recently sold substantially all of our operating assets. Because we lack an operating history with respect to our new business objective of completing a business combination with one or more target businesses, you have no basis on which to evaluate our ability to achieve such objective. We are currently in the process of evaluating and identifying prospective target businesses concerning a business combination but may be unable to complete a business combination. We will not generate any future revenues until, at the earliest, after the consummation of a business combination. If we do not complete a transaction within a reasonable time frame, we may liquidate.

We may issue shares of our capital stock or debt securities to complete a business combination, which would reduce the equity interest of our stockholders and likely cause a change in control of our ownership.

Our amended and restated certificate of incorporation authorizes the issuance of up to 750,000,000 shares of common stock, par value $.001 per share, and 1,000,000 shares of preferred stock, par value $.001 per share. Shares of Common Stock or Preferred Stock that are redeemed, purchased or otherwise acquired by the Company may be reissued except as otherwise provided by law. At December 31, 2008, there were 711,419,113 authorized but unissued shares of our common stock available for issuance (after reservation for the issuance of 2,756,656 shares issuable pursuant to currently exercisable options, 1,212,500 shares issuable pursuant to currently exercisable warrants and

1,555,570 shares issuable pursuant to currently convertible preferred stock) and 844,443 shares of preferred stock available for issuance. Although we have no commitment as of the date of this report, we may issue a substantial number of additional shares of our common or preferred stock, or a combination of common and preferred stock, to complete a business combination. The issuance of additional shares of our common stock or any number of shares of our preferred stock:

- may significantly reduce the equity interest of investors;
- may subordinate further the rights of holders of common stock if we issue additional preferred stock with rights senior to those afforded to our common stock;
- may cause a change in control if a substantial number of our shares of common stock are issued; and
- may adversely affect prevailing market prices for our common stock.

Similarly, if we issue debt securities, such debt could result in:

- default and foreclosure on our assets if our operating revenues after a business combination are insufficient to repay our debt obligations;

- acceleration of our obligations to repay the indebtedness even if we make all principal and interest payments when due if we breach any covenants that require the maintenance of certain financial ratios or reserves without a waiver or renegotiation of that covenant;

- our immediate payment of all principal and accrued interest, if any, if the debt security is payable on demand; and

- our inability to obtain necessary additional financing if the debt security contains covenants restricting our ability to obtain such financing while the debt security is outstanding.

We may be restricted from issuing new equity securities.

In September 2002, we issued shares of Series A Preferred Stock to several investors. Under the terms of the preferred stock, any issuances of equity securities or securities convertible into or exercisable for equity securities require the prior approval of the holders of a majority of the outstanding shares of Series A Preferred Stock. While two of our directors currently own a significant portion (48.8%), they do not own a majority of the preferred stock. While the Company has been successful in obtaining the consent of a majority of the Series A Preferred Stock when the Board of Directors has requested, there can be no assurance that the Company will continue to be able to obtain such consent. If the Company is unable to obtain this approval, the Company would be prevented from issuing equity securities which would preclude the Company from raising equity financing, utilizing equity based compensation plans and from other actions requiring the issuance of equity securities. In addition, the consent of certain of our existing investors (which consent may not be unreasonably withheld or delayed) is required in connection with certain financings involving (subject to certain exclusions) the issuance of securities in which the purchase price, number of securities, exercise price or conversion rate are subject to future adjustments. Failure to obtain such consent could restrict the Company's ability to avail itself of the benefits of such financings.

We are dependent upon Mr. Corn and Mr. Delaney and the loss of either of them could adversely affect our ability to operate.

Our operations are dependent upon two people, Mr. Corn and Mr. Delaney, our only employees, at least until we have consummated a business combination. Although each has agreed to stay with the Company until March 31, 2009, we cannot assure you that such individuals will remain with us for a longer period of time. In addition, we cannot assure you that they will be successful in allocating management time among various business activities, including identifying potential business combinations and monitoring the related due diligence. In addition, Mr. Corn and Mr. Delaney are permitted to engage in other activities that are not in conflict with their responsibilities to the Company affairs, which could create difficulties when allocating their time between our operations and their other commitments. The unexpected loss of the services of either of these individuals could have a detrimental effect on us.

Since we have not yet selected a particular industry, geography, or target business with which to complete a business combination, we are unable to currently ascertain the merits or risks of the industry or business in which we may ultimately operate.

We may consummate a business combination with a company in any industry we choose and are not limited to any particular industry, geography, or type of business. Accordingly, there is no current basis for you to evaluate the

possible merits or risks of the particular industry in which we may ultimately operate or the target business that we may ultimately acquire. Your only opportunity to evaluate and affect the investment decision regarding a potential business combination will be limited to voting for or against the business combination, if submitted to our stockholders for approval. To the extent we complete a business combination with a financially unstable company or an entity in its development stage, we may be affected by numerous risks inherent in the business operations of those entities. If we complete a business combination with an entity in an industry characterized by a high level of risk, we may be affected by the currently unascertainable risks of that industry. Although our management will endeavor to evaluate the risks inherent in a particular industry, geography, or target business, we cannot assure you that we will properly ascertain or assess all of the significant risk factors. We also cannot assure you that an investment in our securities will not ultimately prove to be less favorable to investors than a direct investment, if an opportunity were available, in a target business.

Because there are numerous companies with a business plan similar to ours seeking to effectuate a business combination, it may be more difficult for us to do so.

There are numerous shell and "blank check" companies that are seeking to carry out a business plan similar to our current business plan. Furthermore, there are offerings for blank check companies that are still in the registration process but have not completed initial public offerings, and there are likely to be more blank check companies filing registration statements for initial public offerings prior to our completion of a business combination. While some of those companies must complete a business combination in specific industries, a number of them may consummate a business combination in any industry they choose. Therefore, we may be subject to competition from these and other companies seeking to execute a business plan similar to ours. Because of this competition, we cannot assure you that we will be able to effectuate a business combination.

Compliance with the Sarbanes-Oxley Act of 2002 will require substantial financial and management resources and may increase the time and costs of completing an acquisition.

Section 404 of the Sarbanes-Oxley Act of 2002 requires that we evaluate and report on our system of internal control with this Annual Report on Form 10-K for the year ending December 31, 2008. If we fail to maintain the adequacy of our internal controls, we could be subject to regulatory scrutiny, civil or criminal penalties, and stockholder litigation. Any inability to provide reliable financial reports could harm our business.

Section 404 of the Sarbanes-Oxley Act also requires that our independent registered public accounting firm issue an attestation report on its evaluation of our system of internal control over financial reporting with respect to the year ended December 31, 2009. A target company may not be in compliance with the provisions of the Sarbanes-Oxley Act regarding adequacy of their internal controls. The development of the internal controls of any such entity to achieve compliance with the Sarbanes-Oxley Act may increase the time and costs necessary to complete any such acquisition. Furthermore, any failure to implement required new or improved controls, or difficulties encountered in the implementation of adequate controls over our financial processes and reporting in the future, could harm our operating results or cause us to fail to meet our reporting obligations. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

The Company leases space in an executive suite located at 2001 Route 46, Parsippany, New Jersey 07054, through a month-to-month lease at a rate of $250 per month. This lease may be terminated by either party upon sixty days' notice. The Company is entitled to use this space two days per month, without incurring additional expense. We believe our facilities are adequate and suitable for our current level of operations. Our management believes that the leased property is adequately covered by insurance.

Item 3. Legal Proceedings.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

PART II

Item 5. Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

The Company's common stock, par value $.001 per share (the "Common Stock"), is currently quoted on the OTC Bulletin Board under the symbol "IONN.OB". There is no established public trading market for the Common Stock. The following table sets forth the high ask and low bid prices of the Common Stock for the periods indicated as quoted on the OTC Bulletin Board. The quotations reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not represent actual transactions.

Year Ended December 31, 2008, Quarter Ended	HIGH	LOW
March 31, 2008	$ 0.05	$ 0.02
June 30, 2008	0.09	0.03
September 30, 2008	0.09	0.04
December 31, 2008	0.05	0.01

Year Ended December 31, 2007, Quarter Ended	HIGH	LOW
March 31, 2007	$ 0.12	$ 0.08
June 30, 2007	0.10	0.04
September 30, 2007	0.06	0.03
December 31, 2007	0.12	0.02

Security Holders

As of March 23, 2009 there were 385 holders of record of the Company’s Common Stock.

Dividends

The Company has not paid any cash dividends on its Common Stock during the years ended December 31, 2008 and December 31, 2007. The Company at the present time does not intend to pay any cash dividends in the foreseeable future.

Item 6. Selected Financial Data.

Not applicable

Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operation

Management's Discussion and Analysis

Overview

This discussion and analysis should be read in conjunction with our consolidated financial statements and accompanying notes included elsewhere in this Annual Report. This discussion includes forward-looking statements

that involve risk and uncertainties. The following financial information for the years ended December 31, 2008 and December 31, 2007 should be considered in light of the completion of the sale of substantially all of the operating assets of the Company on December 31, 2007 and the fact that the Company currently has no operations other than to seek a target company with which to merge or to complete a business combination, as described above in Item 1. The Company can give no assurance that any such a transaction will occur, or that if such a transaction were to occur, it would enhance the Company's future operations or financial results, or specifically that the Company would become and remain profitable as a result of such transaction. If we do not complete a transaction within a reasonable time frame, we may liquidate.

On December 31, 2007, Clacendix, Inc. sold substantially all of its operating assets to Cryptek, Inc., a privately held Delaware corporation. Stockholder approval was required, and obtained, with respect to such sale.

A summary of the assets sold and liabilities assumed as part of the Transaction are as follows:

Accounts receivable, net	$ 378,656
Inventories, net	267,256
Prepaid expenses	43,950
Property, plant and equipment	16,005
Capitalized software	1,383,417
Other assets	12,912
Total assets sold	$ 2,102,196
Accounts payable	$ 16,799
Accrued expenses	70,522
Deferred maintenance	145,532
Total liabilities assumed	$ 232,853

The Company realized a gain of $1,453,113 on the sale of substantially all of the operating assets of the Company. The Company incurred $215,731 in expenses related to the transaction comprised of legal and accounting fees of $169,672, shareholder meeting related expenses of $30,327 and other fees of $15,732.

Results of Operations

On December 31, 2007, the Company sold substantially all of its operating assets hence, during 2008 there were no operations other than activities related to the maintenance of the public entity and the search for a suitable merger candidate. Therefore, the Company had no revenue, cost of sales, and depreciation expense and substantially no research and development expenses and selling expenses.

The Company is seeking a target company with which to merge or to complete a business combination. In any transaction, it is expected that the Company would be the surviving legal entity and the shareholders of the Company would retain a percentage ownership interest in the post-transaction company. The Company does not plan to restrict its search to any specific business, industry or geographic location, and it may participate in a business venture of virtually any kind or nature.

The Company may seek a business opportunity with entities which have recently commenced operations, or that desire to utilize the public marketplace in order to raise additional capital in order to expand into new products or markets, to develop a new product or service, or for other corporate purposes. The Company may acquire assets and establish wholly owned subsidiaries in various businesses or acquire existing businesses as subsidiaries.

The Company can give no assurance that any such a transaction will occur, or that if such a transaction were to occur, it would enhance the Company’s future operations or financial results, or specifically that the Company would become and remain profitable as a result of such transaction.

The comparison of results below should take into account that the Company had no operating activities during the year ended December 31, 2008

2008 Compared to 2007

The Company had net loss of $667,432 in 2008 compared to net income of $93,492 in 2007, for a change of $760,924. The decrease was due primarily to a $1,453,113 gain on the sale of assets and proceeds of approximately $490,000 from sale of unused net operating loss tax benefits offset in part by a reduction in severance related expenses of $834,986.

Revenues for 2008 were zero as compared to $3,314,503 for 2007. Cost of sales for the year ended December 31, 2008 was zero compared to $1,518,067 for the same period in 2007. This was due to the fact that the company sold substantially all of its operating assets on December 31, 2007 and therefore had no operating activities during 2008.

Research and development expenses decreased to $236 for 2008 from $328,797 for 2007. This was due to the fact that the Company sold substantially all of its operating assets on December 31, 2007 and therefore had no operating activities during 2008.

Selling, general and administrative (“SG&A”) expenses decreased 78% to $694,917 in 2008 from $3,221,267 in 2007. This was due to the fact that the Company sold substantially all of its operating assets on December 31, 2007 and therefore had no operating activities during 2008. The only expenses incurred during 2008 were activities related to the maintenance of the public entity and the search for a suitable merger candidate of which approximately $409,528 were for salaries and payroll related expenses for Messrs. Corn and Delaney, professional fees (including accounting, legal shareholder relations, etc.) of $203,038 and $46,299 for various non-payroll related insurance expenses.

Depreciation was zero for 2008 compared to $21,887 for 2007. This was due to the fact that the Company sold substantially all of its operating assets on December 31, 2007 and therefore had no operating activities during 2008.

The Company acquired a corporation business tax benefit certificate pursuant to New Jersey law, which relates to the surrendering of unused New Jersey net operating losses. During the year ended December 31, 2007, the Company received cash proceeds relating to the sale of these net operating losses of approximately $490,000. During the year ended December 31, 2008, the Company did not receive any proceeds from the sale of its net operating losses since during 2008 it did not meet the net operating loss sale requirements for the state of NJ program.

Liquidity and Capital Resources

The Company will not generate any future revenues until, at the earliest, after the consummation of a business combination. In addition, the Company may need to raise additional funds in connection with the completion of such a transaction.

The Company's working capital balance as of December 31, 2008 was $1,185,039 compared to $1,841,846 at December 31, 2007. The decrease of $656,807 was due primarily to the expenses related to the activities for the maintenance of the public entity and the search for a suitable merger candidate of $695,153 and tax expense of $14,694 offset in part by interest earned of $42,415. We presently anticipate that cash requirements during the next twelve months will relate to maintaining the corporate entity, complying with the periodic reporting requirements of the Securities and Exchange Commission, evaluating and reviewing possible business ventures and acquisition opportunities and potentially negotiating and consummating any such transactions. The Company believes that it has sufficient cash on hand to meet these cash requirements during the next year.

Net cash used in operating activities was $1,365,369 for the year ended December 31, 2008 which included a net loss of $667,432, reduction in accounts payable of $218,660 offset in part by a reduction of other receivables of $396,835 related to retained accounts receivable collected during 2008 pursuant to the Sale of substantially all the assets. Cash

used in operating activities also includes the payment of accrued payroll and other expenses from the prior year in the amount of $879,986.

Net cash used in investing activities for the year ended December 31, 2008 was zero. Cash provided by investing activities for the year ended December 31, 2007 was $2,342,782, which consisted primarily of cash received from the sale of substantially all the assets of the Company of $2,880,000 offset in part by investing activities in capitalized software expenditures of $535,839.

Net cash provided by financing activities was $315 for the year ended December 31, 2008 related to the exercise of certain stock options compared to $64,213 for the year ended December 31, 2007. During the year ended December 31, 2007 the cash provided was primarily from net borrowings from revolving credit facility of $52,503 and proceeds from the exercise of stock options of $15,696.

Off-Balance Sheet Arrangements

As of March 23, 2009, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. As of December 31, 2008, the Company's significant estimates include its deferred tax asset valuation.

Recent Accounting Pronouncements

In June 2008, the EITF reached a consensus in Issue No. 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock" ("EITF 07-5"). This Issue addresses the determination of whether an instrument (or an embedded feature) is indexed to an entity's own stock, which is the first part of the scope exception in paragraph 11(a) of SFAS 133. EITF 07-5 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early application is not permitted. The Company is currently in the process of evaluating the impact of the adoption of EITF 07-5 on its results of operations and financial condition.

On October 10, 2008, the FASB issue FSP FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active (FSP)." The FSP clarifies the application of FASB Statement No. 157 in a market that is not active. The guidance is primarily focused on addressing how the reporting entity's own assumptions should be considered when measuring fair value when relevant observable inputs does not exist; how available observable inputs in a market that is not active should be considered when measuring fair value; and how the use of market quotes should be considered when assessing the relevance of observable and unobservable inputs available to measure fair value. The adoption of FSP FAS 157-3 did not have a material impact on the Company's financial statements.

In June 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities". This FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in paragraphs 60 and 61 of FASB Statement No. 128, Earnings per Share. FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. The Company is in the process of determining the impact FSP EITF 03-6-1 will have on its consolidated financial statements.

In May 2008, the FASB issued Statement No. 162 "The Hierarchy of Generally Accepted Accounting Principles." The current hierarchy of generally accepted accounting principles is set forth in the American Institute of Certified Accountants (AICPA) Statement of Auditing Standards (SAS) No. 69, "The meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. Statement No. 162 is intended to improve financial reporting by identifying a consistent framework or hierarchy for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles for nongovernmental entities. This Statement is effective 60 days following the SEC's approval of the Public Company Oversight Board Auditing amendments to SAS 69. The Company is currently evaluating the application of this Statement but does not anticipate that the Statement will have a material effect on the Company's results of operations or financial position.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133" ("SFAS 161"), to require enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. The Company is currently evaluating the effect that the adoption of SFAS 161 will have on its consolidated results of operations and financial condition, but does not expect it to have a material impact.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations" ("SFAS 141R"), which replaces SFAS No. 141, "Business Combinations." SFAS 141R establishes principles and requirements for determining how an enterprise recognizes and measures the fair value of certain assets and liabilities acquired in a business combination, including noncontrolling interests, contingent consideration, and certain acquired contingencies. SFAS 141R also requires acquisition-related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. SFAS 141R will be applicable prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. SFAS 141R would have an impact on accounting for any businesses acquired after the effective date of this pronouncement.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115” (“SFAS 159”). SFAS 159 permits companies to choose to measure certain financial instruments and certain other items at fair value. The standard requires that unrealized gains and losses on items for which the fair value option has been elected be reported in earnings. The Company adopted SFAS 159 beginning in the first quarter of 2008, without material effect on the Company’s consolidated financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements.” SFAS No. 157 establishes a single definition of fair value and a framework for measuring fair value, sets out a fair value hierarchy to be used to classify the source of information used in fair value measurements, and requires new disclosures of assets and liabilities measured at fair value based on their level in the hierarchy. This statement applies under other accounting pronouncements that require or permit fair value measurements. In February 2008, the FASB issued Staff Positions (“FSPs”) No. 157-1 and No. 157-2, which, respectively, remove leasing transactions from the scope of SFAS No. 157 and defer its effective date for one year relative to certain nonfinancial assets and liabilities. As a result, the application of the definition of fair value and related disclosures of SFAS No. 157 (as impacted by these two FSPs) was effective for the Company beginning January 1, 2008 on a prospective basis with respect to fair value measurements of (a) nonfinancial assets and liabilities that are recognized or disclosed at fair value in the Company’s financial statements on a recurring basis (at least annually) and (b) all financial assets and liabilities. This adoption did not have a material impact on the Company’s consolidated results of operations or financial condition. The remaining aspects of SFAS No. 157 for which the effective date was deferred under FSP No. 157-2. Areas impacted by the deferral relate to nonfinancial assets and liabilities that are measured at fair value, but are recognized or disclosed at fair value on a nonrecurring basis. This deferral applies to such items as nonfinancial assets and liabilities initially measured at fair value in a business combination (but not measured at fair value in subsequent periods) or nonfinancial long-lived asset groups measured at fair value for an impairment assessment. The effects of these remaining aspects of SFAS No. 157 are to be applied to fair value measurements prospectively beginning January 1, 2009. The Company does not expect them to have a material impact on the Company’s consolidated results of operations or financial condition.

Item.7A Quantitative and Qualitative Disclosure About Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

The financial statements required hereby are located on pages 25 through 44.

Item 9: Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None

Item 9A(T): Controls and Procedures

Disclosure Controls and Procedures

Prior to the filing date of this annual report, the Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed by it under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company’s management, including the Chief Executive Officer and Chief Financial Officer of the Company, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The internal control process has been designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2008, utilizing the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2008 is effective.

Our internal control over financial reporting. includes policies and procedures that pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, transactions and dispositions of assets; and provide reasonable assurances that: (1) transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States; (2) receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and (3) unauthorized acquisitions, use, or disposition of the Company's assets that could have a material affect on the Company's financial statements are prevented or timely detected.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparations and presentations. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes to Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the three months ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B: Other Information

None.

Part III

Item 10: Directors, Executive Officers, and Corporate Governance

The directors and executive officers of the Company as of December 31, 2008 are as follows:

Name	Age	Position Held with the Company
Norman E. Corn	62	Chief Executive Officer and Director
Patrick E. Delaney	55	Chief Financial Officer
Stephen M. Deixler	73	Chairman of the Board of Directors
Frank S. Russo	66	Director

NORMAN E. CORN has been a director of the Company since November 2005 and has served as Chief Executive Officer since August 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 also served from 1994 to 2000 as CEO 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., having spent the early part of his career in sales, marketing and executive positions at AT&T and IBM.

PATRICK E. DELANEY has served as Chief Financial Officer since September 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 served other companies in executive capacities including RealCom Communications, Argo Communications and ACF Industries.

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.

FRANK S. RUSSO has served as a director of the Company since November 2000. Mr. Russo was with AT&T Corporation from September 1980 to September 2000 and most recently served 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.

Audit Committee Financial Expert

The Company’s Audit Committee currently consists of Messrs. Stephen M. Deixler and Frank S. Russo. The Board of Directors has determined, based on information provided to it by Mr. Deixler, that Mr. Deixler qualifies as a “audit committee "financial expert.” as defined by Item 407(d)(5)(ii) of Regulation S-K. In addition, the Board of Directors has determined that Mr. Deixler is “independent” within the meaning of Nasdaq Rule 4200(a)(15).

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 Company's Common Stock (collectively, "Reporting Persons") to file reports of ownership and changes in ownership of the Company's Common Stock with the Securities and Exchange Commission. Copies of these reports are also required to be delivered to the Company.

Each of Messrs. Deixler, Russo and Levine failed to file a Form 4 with respect to the grant to each such director of options to purchase 1,500 shares of common stock on March 25, 2008.

Each of Messrs. Deixler, Russo and Levine failed to file a Form 4 with respect to the grant to each such director of options to purchase 14,500 shares of common stock on May 19, 2008.

Each of Messrs. Deixler, Russo and Levine failed to file a Form 4 with respect to the grant to each such director of options to purchase 1,500 shares of common stock on August 11, 2008.

Each of Messrs. Deixler and Russo failed to file four Form 4s with respect to grants to each such director of options to purchase 1,500 shares of common stock, on each of November 11, 2008, December 4, 2008, December 15, 2008 and December 30, 2008, as compensation for attendance at various Board meetings. Code of Ethics

The Company has a Code of Ethics in place for all of its employees, including its principal executive officer, principal financial officer, and principal accounting officer or controller. A copy of the Company's Code of Ethics will be provided free of charge, upon written request to Clacendix, Inc., 2001 Route 46, Parsippany, NJ 07054.

Stockholder Recommendations of Board Nominees

There have been no material changes to the procedures by which our stockholders may recommend nominees to our Board of Directors since our last proxy statement filed with the SEC.

Item 11: Executive Compensation

SUMMARY COMPENSATION TABLE

The following table sets forth the compensation earned, whether paid or deferred, by the Company's principal executive officer at December 31, 2008 (“PEO”), and the other most highly compensated executive officer other than the PEO at December 31, 2008 (the "Named Executive Officers") for services rendered in all capacities to the Company.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($)(1)	All Other Compensation ($)	Total ($)
Norman E. Corn/						
Chief Executive Officer	2008	167,083	-	3,585	6,429(2)	177,097
	2007	235,000	-	-	369,730(3)	604,730
Patrick E. Delaney						
Chief Financial Officer	2008	150,000	-	3,585	5,700(2)	159,285
	2007	200,000	-	-	305,700(4)	505,700

(1) 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, 2007 in accordance with SFAS123(R). The assumptions we used to calculate these amounts are discussed in the notes to our consolidated financial statements included in this Form 10-K for the year ended December 31, 2008 and our Form 10-KSB for the year ended December 31, 2007.
(2) Includes life and disability insurance premiums paid by the Company.
(3) Includes auto allowance, life insurance and disability insurance premiums paid by the Company, and a severance amount of $352,500.
(4) Includes auto allowance and medical benefit premiums paid by the Company, and a severance amount of $300,000.

Narrative Disclosure to Summary Compensation Table

Mr. Corn, the Company’s Chief Executive Officer, and Mr. Delaney, the Company’s Chief Financial Officer are currently employed by the Company through March 31, 2009, unless terminated earlier by either the Company or the relevant officer upon thirty days prior notice. Effective July 1, 2008, each of Messrs. Corn and Delaney’s compensation was adjusted to an annualized base salary of $100,000, as compared to previous annual base salaries of $235,000 and $200,000, respectively. Mr. Corn is eligible to receive reimbursement for life and disability insurance. Mr. Delaney is eligible to receive to receive reimbursement for medical benefits and life and disability insurance. In addition, Messrs. Corn and Delaney will continue to receive reimbursement for reasonable business expenses.

In connection with the consummation of the sale of substantially all the operating assets of the Company and Mr. Corn’s original agreement to remain with the Company through June 30, 2008 in order to facilitate either a business combination with a third party or the liquidation of the Company, the Company agreed to pay Mr. Corn a total of $352,500. As agreed, on January 15, 2008, $176,250 of such amount was paid, and on July 15, 2008, the remaining $176,250 was paid to Mr. Corn. In addition, as previously disclosed, the Company agreed similarly to pay Mr.

Delaney a total of $300,000. As agreed, on January 15, 2008, $150,000 of such amount was paid and on July 15, 2008, the remaining $150,000 was paid to Mr. Delaney. These amounts are the equivalent of the 18 months of salary that would have been due and payable as severance to each of Messrs. Corn and Delaney under their respective employment agreements had they been terminated as a result of a change of control of the Company for any reason other than cause. No additional severance compensation is due to Messrs. Corn and Delaney.

Previously, the Company was a party to an employment agreement with Mr. Corn dated August 15, 2003, as amended effective November 10, 2004 and December 19, 2007, which had no specific stated termination date. Pursuant to the agreement Mr. Corn served as our Chief Executive Officer, at will, at an annual base salary of $235,000, as stated above. In addition, he received reimbursement for life and disability insurance. On January 28, 2004, we awarded Mr. Corn 800,000 fully vested incentive stock options to purchase common stock at $0.115 per share and 750,000 fully vested non-qualified stock options to purchase common stock at $0.06 per share, of which 488,404 expired on January 28, 2009. On January 23, 2006, the Company awarded Mr. Corn 250,000 stock options to purchase common stock at $0.18 per share which vest on a pro-rata basis over a three year period from grant date and any unvested shares would vest upon a change of control as defined in the 2006 Stock Option Plan.

In addition, the Company was previously a party to an employment agreement with Mr. Delaney, dated September 15, 2003, as amended effective November 10, 2004 and December 19, 2007, which had no specific stated termination date. Pursuant to the agreement, Mr. Delaney served as our Chief Financial Officer at will, at an annual base salary of $200,000, as stated above. In addition, he received reimbursement for medical benefits and life and disability insurance. On January 28, 2004, we awarded Mr. Delaney 800,000 fully vested incentive stock options to purchase common stock at $0.115 per share and 250,000 fully vested non-qualified stock options to purchase common stock at $0.045 per share, all of which expired on January 28, 2009. On January 23, 2006, the Company awarded Mr. Delaney 250,000 stock options to purchase common stock at $0.18 per share which vest on a pro-rata basis over a three year period from grant date and any unvested shares would vest upon a change of control as defined in the 2006 Stock Option Plan.

Outstanding Equity Awards at December 31, 2008:

The following table sets forth the number and value of options held by each of the Named Executive Officers as of December 31, 2008.

	Option Awards			
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	1/28/09
Norman E. Corn	488,404	-	0.060	1/28/09
Norman E. Corn/(1)	229,376	20,624	0.180	1/23/11
Patrick E. Delaney	800,000	-	0.115	1/28/09
Patrick E. Delaney/(1)	229,376	20,624	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. Outstanding un-vested options will vest upon change of control as defined in the 2006 Stock Option Plan.
(2) All options have a 5 year term.

Director Compensation for the Fiscal Year ended December 31, 2008.

The following table shows director compensation for all directors who are not Named Executive Officers earned for the year ended December 31, 2008.

Name	Option Awards($)(4)	Total ($)
Stephen M. Deixler/(1)	821	821
Frank S Russo/(2)	747	747
Philip Levine/(3)	821	821

(1) Mr. Deixler has 105,500 options outstanding as of December 31, 2008.
(2) Mr. Russo has 104,000 options outstanding as of December 31, 2008.
(3) Mr. Levine had no options outstanding as of December 31, 2008. Mr. Levine resigned from the Board of Directors of the Company, effective September 1, 2008.
(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, 2008 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-K for the year ended December 31, 2008.

Narrative Disclosure to Director Compensation

Each year, our directors who are not also employees receive fully vested options to purchase 10,000 shares of our Common Stock for each of the following memberships: board of directors and audit, compensation and nominating committees. These Directors are also granted fully vested options to purchase an additional 1,500 shares of our Common Stock for each Board meeting they attend. 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.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Equity Compensation Plan Information
As of December 31, 2008

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)/	2,268,252	0.12	1,690,576
Equity compensation plans not approved by security holders/(2)/	1,700,904	0.09	-
Total	3,969,156	0.21	1,690,576

(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 November 8, 2006 the shareholders approved the plan. As of December 31, 2008, 371,500 options were outstanding under the 2006 Plan, of which 350,876 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. As of December 31, 2008, 838,000 options

were outstanding and exercisable under the 2000 Plan.

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. As of December 31, 2008, 1,100,000 options were outstanding under the 1998 Plan, of which 1,079,376 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. As of December 31, 2008, no options were outstanding and exercisable under the 1994 Plan.

During the years ended 2008 and 2007, 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 are 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. As of December 31, 2008, no options were outstanding and exercisable under the TARSAP Plan.

(2) Non-Shareholder Approved Plans and Awards

During 2007, the Company granted 1,775,000 warrants to purchase shares of Common Stock outside of the shareholder approved plans. Of this grant, 562,500 warrants were canceled and returned to the Company during 2007. The awards were 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.

In January 2004, the Company issued options to certain officers to purchase 1,000,000 shares of the Company’s Common Stock, which vested immediately. The exercise price of the options ranged from $0.045 to $0.06. At December 31, 2008, 488,404 options were outstanding and exercisable.

On January 26, 2007, the Company entered into an agreement with a consultant. In connection with this agreement, the Company issued fully vested warrants with a two year term to purchase 1,500,000 shares of the Company’s Common Stock at $0.10 per share for a total value of $133,709 based on the Black-Scholes model. On May 1, 2007, the Company amended this previous agreement made on January 26, 2007 with a consultant. In connection with this amendment, the Company received back fully vested warrants with a two year term to purchase 562,500 shares of the Company’s Common Stock at $0.10 per share for a total value of $50,141 based on the Black-Scholes model. The remaining value of approximately $48,000 was credited to deferred compensation. At December 31,2008, warrants to purchase 937,500 shares of Common Stock were outstanding and exercisable. The warrants under the amended agreement expired unexercised on January 28, 2009.

On July 17, 2007, the Company received in aggregate of $50,000 from two investors 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 notes is 20% per annum and the effective interest rate is 20.86%. In conjunction with these notes, the Company granted to the note holders warrants with a two year term to purchase an aggregate of 50,000 shares of common stock for $0.05 per share. This note was recorded net of a debt discount of $2,050 based on the relative fair value of the warrants. The deferred debt discount was amortized to interest expense. At December 31,2008, warrants to purchase 50,000 shares of Common Stock were outstanding and exercisable.

On August 21, 2007, a Board member of the Company advanced 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 and the effective interest rate is 20.86%. In conjunction with this note, the Company granted to the note holder warrants with a two year term to purchase an aggregate of 125,000 shares of common stock for $0.05 per share. This note was recorded net of a debt discount of $5,125 based on the relative fair value of the warrants. The deferred debt discount was amortized to interest expense. At December 31,2008, warrants to purchase 125,000 shares of Common Stock were outstanding and exercisable.

On September 10, 2007, the Company received in aggregate of $100,000 from an investor through the issuance of a promissory note 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 and the effective interest rate is 20.86%. In conjunction with this note, the Company granted to the note holder warrants with a two year term to purchase an aggregate of 100,000 shares of common stock for $0.05 per share. This note was recorded net of a debt discount of $4,100 based on the relative fair value of the warrants. The deferred debt discount was amortized to interest expense. At December 31,2008, warrants to purchase 100,000 shares of Common Stock were outstanding and exercisable.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock as of March 17, 2009 by each person (or group within the meaning of Section 13(d)(3) of the Exchange Act) known by the Company to own beneficially 5% percent or more of the Company's 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, 2001 Route 46, Parsippany, NJ 07054.

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 March 17, 2009 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 33,056,161 shares of Common Stock and 155,557 shares of Preferred Stock outstanding as of March 26, 2009.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership		Percent of Class
Common Stock	Austin W. Marxe David M. Greenhouse 527 Madison Avenue, Suite 2600 New York, NY 10022	11,258,068	/(1)/	34.06%
Common Stock	Norman E. Corn	485,972	/(2)/	1.47%
Common Stock	Patrick E. Delaney	459,376	/(3)/	1.39%
Common Stock	Stephen M. Deixler	2,741,016	/(4)/	8.29%
Common Stock	Frank S. Russo	381,780	/(5)/	1.15%
Common Stock	Directors and Executive Officers as a group (5 persons)	4,068,144		12.31%

(1) Based on a Schedule 13D/A filed on March 9, 2007 by Austin W. Marxe ("Marxe") and David M. Greenhouse ("Greenhouse"). Marxe and Greenhouse share sole voting and investment power over 1,929,971 shares of Common Stock owned by Special Situations Cayman Fund, L.P., 1,213,957 shares of Common Stock owned by Special Situations Fund III, L.P., 5,052,040 shares of Common Stock owned by Special Situations Fund III QP, L.P., 2,084,729 shares of Common Stock owned by Special Situations Private Equity Fund, L.P., 153,901 shares of Common Stock owned by Special Situations Technology Fund, L.P. and 823,470 shares of common stock owned by Special Situations Technology Fund II, L.P.

(2) Includes 224,376 shares of Common Stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2009.

(3) Includes 209,276 shares of Common Stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2009.

(4) Does not include 967,477 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 March 31, 2008, 130,500 shares of Common Stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2008, and 2,200 shares of common stock owned by Mr. Deixler's wife in which he claims beneficial ownership of.

(5) Includes 277,780 shares of Common Stock subject to conversion from 27,778 shares of Preferred Stock within 60 days of March 31, 2008 and 104,000 shares of Common Stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2009.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Related Party Transactions

None.

Director Independence

The Board of Directors has determined that Stephen M. Deixler and Frank S. Russo, constituting a majority of the directors and who are currently the only members of the audit committee, compensation committee and nominating committee are "independent" within the meaning of Nasdaq Rule 4200(a)(15), and that they are also "independent" for purposes of Rule 10A-3 of the Exchange Act. Norman E. Corn is not "independent" within the meaning of Nasdaq Rule 4200(a)(15) but does participate, although not as a member of the Nominating Committee, in the nominating process. In addition, Philip Levine, who resigned from the Board of Directors of the Company, effective September 1, 2008, and who was formerly a member of the audit committee, compensation committee and nominating committee, was "independent" within the meaning of Nasdaq Rule 4200(a)(15) and for purposes of Rule 10A-3 of the Exchange Act.

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.

Item 14. Principal Accounting Fees and Services

The following table presents fees for professional services rendered by Marcum & Kliegman LLP ("Marcum") for the audit of the Company's annual consolidated financial statements for the years ended December 31, 2008, and December 31, 2007, and fees billed for other services rendered by Marcum during those periods.

	Year Ended December 31, 2008	Year Ended December 31, 2007
Audit Fees(1)	$ 57,350	$ 106,915
Audit Related Fees(2)	-	-
Tax Fees (3)	-	-
All Other Fees(4)	-	-

(1) Audit fees were principally for audit work performed on our annual financial statements and review of our interim financial statements

(2) Marcum did not provide any "audit-related services" during the period.

(3) Marcum did not provide any "tax services" during the period.

(4) Marcum did not provide any "other services" during the period.

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.

Item 15. Exhibits, Financial Statement Schedules
(a) Exhibits:

Exhibit No.	Description
3.1	Certificate of Incorporation of the Company, as amended through December 31, 2005. /(7)/
3.2	Certificate of Amendment of the Certificate of Incorporation of Clacendix, Inc., filed on July 15, 2008. *
3.3	By-Laws of the Company. /(1)/
4.1	1994 Stock Option Plan of the Company. /(7)/
4.2	1998 Stock Option Plan of the Company. /(1)/+
4.3	2000 Stock Option Plan of the Company. /(7)/
4.4	2006 Stock Option Plan of the Company. /(7)/
4.5	Form of Warrant Agreement by and between the Company and McGat Enterprises, LLC, dated January 29, 2007. /(10)/
4.6	Form of Warrant Agreement by and between the Company and Allan Dlugash dated August 13, 2007.*
4.7	Form of Warrant Agreement by and between the Company and Ira Kevelson dated August 13, 2007.*
4.8	Form of Warrant Agreement by and between the Company and Frank Russo dated August 13, 2007.*
4.9	Form of Warrant Agreement by and between the Company and Carmen Vena dated September 9, 2007.*
10.1	Stock Purchase Agreement dated August 11, 2000 by and between the Company and the parties identified therein. /(2)/
10.2	Purchase Agreement by and between the Company and the Selling Shareholders set forth therein dated February 7, 2002. /(3)/
10.3	Amended and Restated Employment Agreement dated September 8, 2003, by and between the Company and Norman E. Corn. /(5)/+
10.4	First Amendment to the Amended and Restated Employment Agreement dated September 8, 2003 by and between the Company and Norman E. Corn dated November 10, 2004. /(6)/+
10.5	Employment Agreement dated September 15, 2003 by and between the Company and Patrick E. Delaney. /(4)/+
10.6	

	First Amendment to the Employment Agreement dated September 15, 2003 by and between the Company and Patrick E. Delaney dated November 10, 2004. /(6)/+
10.7	Option Agreement dated January 28, 2004 by and between the Company and Norman E. Corn. /(6)/+
10.8	Option Agreement dated January 28, 2004 by and between the Company and Patrick E. Delaney. /(6)/+

Exhibit No.	Description
10.9	Purchase Agreement by and between the Company and the purchasers named therein dated March 31, 2005. /(8)/
10.10	Registration Rights Agreement by and between the Company and the investors named therein dated March 31, 2005. /(8)/
10.11	Form of Incentive Stock Option Agreement under ION Networks, Inc. 2006 Stock Incentive Plan. /(9)/+
10.12	Form of Nonqualified Stock Option Agreement under ION Networks, Inc. 2006 Stock Incentive Plan. /(9)/+
10.13	Form of Restrictive Stock Option Agreement under ION Networks, Inc. 2006 Stock Incentive Plan. /(9)/+
10.14	Asset Purchase Agreement by and between Cryptek, Inc. and ION Networks, Inc. dated November 19, 2007. /(11)/
10.15	Letter Agreement dated December 19, 2007, between the Company and Norman E. Corn. /(12)/+
10.16	Letter Agreement dated December 19, 2007, between the Company and Patrick E. Delaney. /(12)/+
21.1	List of Subsidiaries. /(6)/
23.1	Independent Registered Public Accountants Consent *
31.1	Certification of CEO Pursuant to Section 302 of the Sarbanes Oxley Act of 2002. *
31.2	Certification of CFO Pursuant to Section 302 of the Sarbanes Oxley Act of 2002. *
32.1	Certification of CEO Pursuant to Section 906 of the Sarbanes Oxley Act of 2002. *
32.2	Certification of CFO Pursuant to Section 906 of the Sarbanes Oxley Act of 2002. *

(1) Incorporated by reference to the Company's Registration Statement on Form S-8 filed on April 22, 1999.
(2) Incorporated by reference to the Company’s Annual report on Form 10-KSB filed on June 29, 2001.
(3) Incorporated by reference to the Company’s Registration Statement on Form S-3 filed on March 4, 2002.
(4) Incorporated by reference to the Company’s Quarterly Report on Form 10-QSB filed on November 17, 2003.
(5) Incorporated by reference to the Company’s Quarterly Report on Form 10-QSB filed on September 12, 2003.
(6) Incorporated by reference to the Company’s Annual Report on Form 10-KSB filed on March 24, 2005.
(7) Incorporated by reference to the Company’s Annual Report on Form 10-KSB filed on March 29, 2006.
(8) Incorporated by reference to the registrant’s Form 8-K filed with the SEC on April 5, 2005.
(9) Incorporated by reference to the registrant’s Form 8-K filed with the SEC on November 14, 2006.
(10) Incorporated by reference to the Company’s Annual Report on Form 10-KSB filed on March 30, 2007.
(11) Incorporated by reference to the Company’s Quarterly Report on Form 10-QSB filed on November 19, 2007.
(12) Incorporated by reference to the Company’s Annual Report on Form 10-KSB filed for the year ended December 31, 2007.

* Filed herewith
+ Management contract for compensatory plan or arrangement

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 26, 2009

CLACENDIX, INC.

By: /s/ Norman E. Corn
Norman E. Corn
Chief Executive Officer and Director

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 27, 2009:

Signature	Title
/s/ Norman E. Corn Norman E. Corn	Chief Executive Officer and Director
/s/ Patrick E. Delaney Patrick E. Delaney	Chief Financial Officer and Principal Accounting Officer
/s/ Stephen M. Deixler Stephen M. Deixler	Chairman of the Board of Directors
/s/ Frank S. Russo Frank S. Russo	Director

Clacendix, Inc. and Subsidiary
(A Development Stage Company Commencing January 1, 2008)

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For the Years Ended December 31, 2008 and 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the Board of Directors and Stockholders of
Clacendix, Inc.

We have audited the accompanying consolidated balance sheets of Clacendix, Inc. and Subsidiary (A Development Stage Company Commencing January 1, 2008) (the "Company") as of December 31, 2008 and December 31, 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Clacendix, Inc. and Subsidiary as of December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for the years then ended in conformity with United States generally accepted accounting principles.

/s/ Marcum & Kliegman LLP

New York, New York
March 26, 2009

CLACENDIX, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY COMMENCING JANUARY 1, 2008)
CONSOLIDATED BALANCE SHEETS

	December 31, 2008	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	$ 1,160,587	$ 2,525,641
Restricted cash	321,329	320,000
Other receivables	1,033	397,868
Prepaid expenses and other current assets	3,239	9,527
Total assets	$ 1,486,188	$ 3,253,036
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 115,220	$ 333,880
Accrued expenses	152,853	164,248
Accrued payroll and related liabilities	17,262	897,248
Accrued interest – related party	15,814	15,814
Total liabilities	301,149	1,411,190
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 750,000,000 shares; 33,056,161 and 33,047,161 shares issued and outstanding at December 31, 2008 and 2007, respectively	33,057	33,048
Additional paid-in capital	45,873,145	45,862,529
Accumulated deficit	(44,053,887)	(44,053,887)
Deficit accumulated during the development stage	(667,432)	-
Total stockholders' equity	1,185,039	1,841,846
Total liabilities and stockholders' equity	$ 1,486,188	$ 3,253,036

The accompanying notes are an integral part of these consolidated financial statements.

CLACENDIX, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY COMMENCING JANUARY 1, 2008)
Consolidated Statements of Operations

	Years Ended December 31, 2008 (A)	2007
Net sales	$ -	$ 3,314,503
Cost of sales	-	1,518,067
Gross margin	-	1,796,436
Operating expenses:		
Research and development expenses	236	328,797
Selling, general and administrative expenses	694,917	3,221,267
Depreciation expense	-	21,887
Total operating expenses	695,153	3,571,951
Loss from operations	(695,153)	(1,775,515)
Gain on sale of assets	-	1,453,113
Other income	-	3,301
Interest expense- related party	-	(10,012)
Interest income/(expense)	42,415	(66,693)
Loss before income tax (expense) benefit	(652,738)	(395,806)
Income tax (expense)/benefit	(14,694)	489,298
Net (loss) income	$ (667,432)	$ 93,492
Per share data:		
Net (loss) income per common share		
Basic	$ (0.02)	$ 0.00
Diluted	$ (0.02)	$ 0.00
Weighted average number of common shares outstanding		
Basic	33,048,493	32,799,899
Diluted	33,048,493	34,553,372

The accompanying notes are an integral part of these consolidated financial statements.

(A) Also represents the development stage period from January 1, 2008 (inception) through December 31, 2008.

CLACENDIX, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY COMMENCING JANUARY 1, 2008)
Consolidated Statements of Cash Flows

	Years Ended December 31, 2008 (A)	2007
Cash flows from operating activities		
Net (loss) income	$ (667,432)	$ 93,492
Adjustments to reconcile net income/(loss) to net cash used in operating activities:		
Depreciation and amortization	-	386,183
Provision for inventory reserve	-	(28,638)
Non-cash stock-based compensation	10,310	114,328
Gain on sale of assets	-	(1,453,113)
Interest income on restricted cash	(1,329)	-
Deferred rent	-	2,683
Deferred compensation	-	47,355
Amortization of deferred financing costs	-	25,775
Changes in operating assets and liabilities:		
Accounts receivable	-	70,172
Other receivables	396,835	(397,868)
Inventories	-	309,428
Prepaid expenses and other current assets	6,288	(26,160)
Other assets	-	10,085
Accounts payable	(218,660)	89,231
Accrued expenses	(11,395)	(199,115)
Accrued payroll and related liabilities	(879,986)	815,732
Deferred income	-	(6,860)
Net cash used in operating activities	(1,365,369)	(147,290)
Cash flows from investing activities		
Acquisition of property and equipment	-	(1,379)
Capitalized software expenditures	-	(535,839)
Proceeds from the sale of assets	-	2,880,000
Net cash provided by investing activities	-	2,342,782
Cash flows from financing activities		
Principal payments on debt and capital leases	-	(2,319)
Proceeds from notes payable	-	150,000
Proceeds from notes payable - related parties	-	175,000
Repayment of notes payable	-	(150,000)
Repayment of notes payable - related parties	-	(175,000)
Borrowings from revolving credit facility	-	1,166,788
Repayments of revolving credit facility	-	(1,114,285)
Proceeds from the exercise of stock options	315	15,696
Deferred financing costs	-	(1,667)
Net cash provided by financing activities	315	64,213

Net (decrease)increase in cash and cash equivalents	(1,365,054)	2,259,705
Cash and cash equivalents – beginning of year	2,525,641	265,936
Cash and cash equivalents – end of year	$ 1,160,587	$ 2,525,641
Supplemental disclosure of cash flow information		
Cash paid during period for interest	$ -	$ 43,459
Cash paid during period for taxes	$ -	$ -

The accompanying notes are an integral part of these consolidated financial statements.

(A) Also represents the development stage period from January 1, 2008 (inception) through December 31, 2008.

CLACENDIX, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY COMMENCING JANUARY 1, 2008)
Consolidated Statements of Stockholders' Equity
For the Years Ended December 31, 2008 and 2007

	Preferred		Common		Additional Paid-In Capital	Accumulated Deficit	Deficit Accumulated During the Development Stage	Deferred Compensation	Total Stockholders' Equity
	Shares	Stock	Shares	Stock					
Balances, December 31, 2006	155,557	$ 156	32,785,565	$ 32,786	$ 45,685,412	$ (44,147,379)	$ -	$ -	$ 1,570,975
Net income	-	-	-	-	-	93,492	-	-	93,492
Exercise of stock options and warrants, net at $0.06 per share	-	-	261,596	262	15,434	-	-	-	15,696
Non-cash stock-based compensation	-	-	-	-	114,328	-	-	-	114,328
Issuance of warrants to consultant at $0.09 per share	-	-	-	-	133,709	-	-	(133,709)	-
Cancelation of warrants to consultant	-	-	-	-	(86,354)	-	-	86,354	-
Amortization of deferred compensation	-	-	-	-	-	-	-	47,355	47,355
Balances, December 31, 2007	155,557	156	33,047,161	33,048	45,862,529	(44,053,887)	-	-	1,841,846
Net loss incurred during the	-	-	-	-	-	-	(667,432)	-	(667,432)

development stage									
Exercise of stock options $0.03 per share	-	-	9,000	9	306	-	-	-	315
Non-cash stock-based compensation	-	-	-	-	10,310	-	-	-	10,310
Balances, December 31, 2008	155,557	$ 156	33,056,161	$ 33,057	$ 45,873,145	$ (44,053,887)	$ (667,432)	$ -	$ 1,185,039

The accompanying notes are an integral part of these consolidated financial statements.

Clacendix, Inc. and Subsidiary
(A Development Stage Company Commencing January 1, 2008)
Notes to Consolidated Financial Statements

1. Organization, Basis of Presentation and Plan of Operation

Organization and Basis of Presentation

ION Networks, Inc. ("ION"), a Delaware corporation founded in 1999 through the combination of two companies — MicroFrame, a New Jersey Corporation (the predecessor entity to ION, originally founded in 1982), and SolCom Systems Limited, a Scottish corporation located in Livingston, Scotland (originally founded in 1994), designed, developed, manufactured and sold network and information security and management products to corporations, service providers and government agencies. On December 31, 2007, ION Networks, Inc. changed its name to Clacendix, Inc. The accompanying consolidated financial statements include the accounts of Clacendix, Inc. and ION Networks, N.V., a wholly-owned, inactive subsidiary (collectively, the "Company").

As discussed further below, on December 31, 2007, the Company sold substantially all of its operating assets. The Company is currently operating as a shell company with no active operations. Effective January 1, 2008, the Company commenced reporting as a development stage enterprise under SFAS No. 7 ("Accounting and Reporting for Development Stage Enterprises").

Sale of Substantially All of the Operating Assets

On December 31, 2007, the shareholders of the Company voted in favor of the Transaction to sell substantially all of the operating assets of the Company to Cryptek, Inc., a Delaware Corporation ("Cryptek"). The consent of the majority of the stockholders of the Company was a requirement of the Asset Purchase Agreement and was obtained at the Annual Meeting of Shareholders.

The closing of the Transaction occurred immediately upon the conclusion of the Annual Meeting of Shareholders. Pursuant to the Asset Purchase Agreement, the Company sold to Cryptek, Inc. substantially all of the operating assets of the Company in exchange for the total consideration of $3,771,040 which was made up as follows: (i) $3,200,000 in cash, (ii) $338,187 in receivables receipts which will flow to the Company and (iii) $232,853 in certain assumed liabilities. At the closing of the Transaction, $320,000 was reduced from the total cash delivered to the Company and deposited in an escrow account to provide for any claims against the Company's transferred Intellectual Property which may arise within one year of the closing date. This escrow amount has been classified as Restricted Cash as of December 31, 2008 and 2007. During 2009, the escrow amount was refunded to the Company per the terms of the purchase agreement.

A summary of the assets sold and liabilities assumed as part of the transaction are as follows:

Accounts receivable, net	$	378,656
Inventories, net		267,256
Prepaid expenses		43,950
Property, plant and equipment		16,005
Capitalized software		1,383,417
Other assets		12,912
Total assets sold	$	2,102,196
Accounts payable	$	16,799
Accrued expenses		70,522
Deferred maintenance		145,532
Total liabilities assumed	$	232,853

The Company realized a gain of $1,453,113 on the sale of substantially all of the operating assets of the Company. The Company incurred $215,731 in expenses related to the transaction comprised of legal and accounting fees of $169,672, shareholder meeting related expenses of $30,327 and other fees of $15,732.

Plan of Operation

The plan of operation of the Company is to seek a target company with which to merge or to complete a business combination. In any transaction, it is expected that the Company would be the surviving legal entity and the shareholders of the Company would retain a percentage ownership interest in the post-transaction company. The Company does not plan to restrict its search to any specific business, industry or geographic location, and it may participate in a business venture of virtually any kind or nature.

The Company may seek a business opportunity with entities which have recently commenced operations, or that desire to utilize the public marketplace in order to raise additional capital in order to expand into new products or markets, to develop a new product or service, or for other corporate purposes. The Company may acquire assets and establish wholly owned subsidiaries in various businesses or acquire existing businesses as subsidiaries.

The Company can give no assurance that any such a transaction will occur, or that if such a transaction were to occur, it would enhance the Company's future operations or financial results, or specifically that the Company would become and remain profitable as a result of such transaction. If the Company is not able to complete a transaction within a reasonable time frame, the Company may liquidate.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Clacendix, Inc. and ION Networks, NV, a wholly-owned inactive subsidiary. All material inter-company balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (United States) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. As of December 31, 2008, the Company's significant estimates include its deferred tax asset valuation.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturity of three months or less at the time of purchase to be cash equivalents. Cash equivalents include demand deposits and money market accounts.

Restricted Cash

The Company considers as restricted cash, amounts held in an escrow account to secure any representation and warranty claims against the intellectual property as delineated in the asset purchase agreement by and between ION Networks, Inc. and Cryptek.

Allowance for Doubtful Accounts Receivable

Prior to the sale of substantially all the operating assets of the Company, the accounts receivable were reduced by an allowance to estimate the amount that will actually be collected from our customers.

Inventories

Prior to the sale of substantially all the operating assets of the Company, the inventories were stated at the lower of cost (average cost) or market. Reserves for slow moving and obsolete inventories were provided based on historical experience and current product demand.

Property and Equipment

Prior to the sale of substantially all the operating assets of the Company, property and equipment were stated at cost. Depreciation was calculated using the straight-line method over the estimated useful lives of the assets, which are generally two to five years. Expenditures for maintenance and repairs, which do not extend the economic useful life of the related assets, were charged to operations as incurred. Gains or losses on disposal of property and equipment are reflected in the consolidated statements of operations in the period of disposal.

Deferred Financing Costs

Costs incurred in conjunction with borrowing facilities have been capitalized as Deferred Financing Costs and were amortized over the term of the respective agreements.

Capitalized Software

Prior to the sale of substantially all the operating assets of the Company, the Company capitalized computer software development costs in accordance with the provisions of Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed" ("SFAS No. 86"). SFAS No. 86 requires that the Company capitalize computer software development costs upon the establishment of the technological feasibility of a product, to the extent that such costs are expected to be recovered through future sales of the product. Management is required to use professional judgment in determining whether development costs meet the criteria for immediate expense or capitalization. Capitalized costs were amortized by the greater of the amount computed using (i) the ratio that current gross revenues from the sales of software bear to the total of current and anticipated future gross revenues from the sales of that software, or (ii) the straight-line method over the estimated useful life of the product.

The Company recorded impairment losses on capitalized software and other long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those items. The Company's cash flow estimates were based on historical results adjusted to reflect its best estimate of future market and operating conditions. The net carrying value of assets not recoverable is reduced to fair value. While the Company believes that its estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect the Company's estimates.

The Company capitalized $535,839 of software development costs for the year ended December 31, 2007. Amortization expense totaled $364,296 for the year December 31, 2007 and was included in cost of sales in the accompanying consolidated financial statements. On December 31, 2007, all of the Company's remaining capitalized software was sold to Cryptek as part of the sale of substantially all of the operating assets of the Company.

Research and Development Costs

Prior to the sale of substantially all the operating assets of the Company, the Company charged all costs incurred to establish the technological feasibility or enhancement of a product to research and development expense in the period incurred.

Advertising Costs

Advertising costs were expensed as incurred. The Company incurred approximately $1,000 in advertising costs for the year ended December 31, 2007. There were no expenses during the year ended December 31, 2008.

Revenue Recognition

Prior to the sale of substantially all the operating assets of the Company, the Company recognized revenue from product sales of hardware and software to end-users, value added resellers (VARs) and original equipment manufacturers (OEMs) upon shipment and passage of title if no significant vendor obligations exist and collectibility is probable. The Company did not offer customers the right to return products, however the Company records warranty costs at the time revenue is recognized. Management estimated the anticipated warranty costs but actual results could differ from those estimates.

In addition, the Company sold internally developed stand-alone finished software packages ("PRIISMS Software"), which permit end-users to monitor, secure and administer voice and data communications networks. The software packages permit the customer to utilize the PRIISMS software pursuant to the terms of the license. Other than during an initial ninety-day warranty period from the date of shipment, the purchaser is not entitled to upgrades/enhancements or services that can be attributable to a multi-element arrangement. In addition, the customer did not have any rights to exchange or return the software. Since the software package sale did not require significant production, modification or customization, the Company recognized revenue at such time the product was shipped and title passes and collectibility was probable in accordance with the accounting guidance under Statement Position 97-2, "Software Revenue Recognition."

The Company sold separate customer maintenance contracts and maintenance revenue was recognized on a straight-line basis over the period the service was provided, generally one year. On some occasions, maintenance was provided on a time and material basis in which case revenue was recognized upon shipment of the repaired item.

Shipping and Handling Costs

Prior to the sale of substantially all the operating assets of the Company, shipping and handling costs incurred were recorded as part of cost of sales.

Fair Value of Financial Instruments

The carrying value of items included in working capital approximates fair value because of the relatively short maturity of these instruments.

Net Income/(Loss) Per Share of Common Stock

Basic net income/(loss) per share is computed by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net income/(loss) per share reflects the potential dilution that could occur if securities or other instruments to issue common stock were exercised or converted into common stock.

The following table sets forth the components used in the computation of basic and diluted income/(loss) per common share:

	For the years ended	
	December 31, 2008*	December 31, 2007**
Weighted average common shares outstanding, basic	33,048,493	32,799,899
Incremental shares of common stock equivalents	-	37,321
Conversion of preferred stock to common stock	-	1,555,570
Conversion of in the money warrants to common stock	-	160,582
Weighted average common shares outstanding, diluted	33,048,493	34,553,372

* Potential common shares relating to options, warrants and convertible preferred stock of 5,562,974 for the year ended December 31, 2008, were excluded from the computation of diluted earnings per share, as their inclusion would be anti dilutive.
** Potential common shares relating to options, warrants and convertible preferred stock of 7,029,679 for the year ended December 31, 2007, were excluded from the computation of diluted earnings per share, as their exercise prices were greater than the average market price of the common stock during the period.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123R. Stock-based compensation expense for all share-based payment awards is based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R. The Company recognizes these compensation costs over the requisite service period of the award, which is generally the option vesting term. Option valuation models require the input of highly subjective assumptions including the expected life of the option. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. The fair value of share-based payment awards was estimated using the Black-Scholes option pricing model. The Company accounts for the expected life of options in accordance with the "simplified" method provisions of SEC Staff Accounting Bulletin ("SAB") No. 110 (December 2007), which enables the use of the simplified method for "plain vanilla" share options as defined in SAB No. 107.

Stock based compensation for the years ended December 31, 2008 and 2007 was recorded in the consolidated statements of operations as follows:

	For the Years Ended December 31,	
	2008	2007
Cost of Sales	$ -	$ 4,614
Research and Development Expenses	-	34,232
Selling, General and Administrative Expenses	10,310	75,482
Total	$ 10,310	$ 114,328

The fair value of share-based payment awards was estimated using the Black-Scholes pricing model with the following assumptions and weighted average fair values as follows:

	Years Ended December 31	
	2008	2007
Risk-free interest rate	1.47%-3.27%	3.39%-5.05%
Dividend yield	N/A	N/A
Expected volatility	227-265%	202-224%
Expected life in years	5	5
Expected forfeiture rate (through term)	0%	0%

Income Taxes

In accordance with SFAS 109, "Accounting for Income Taxes," deferred income tax assets and liabilities are computed annually based on enacted tax laws and rates for temporary differences between the financial accounting and income tax bases of assets and liabilities. A valuation allowance is established, when necessary, to reduce deferred income tax assets to the amount that is more likely than not to be realized.

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. Differences between tax positions taken or expected to be taken in a tax return and the benefit recognized and measured pursuant to the interpretation are referred to as "unrecognized benefits". A liability is recognized (or amount of net operating loss carry forward or amount of tax refundable is reduced) for an unrecognized tax benefit because it represents an enterprise's potential future obligation to the taxing authority for a tax position that was not recognized as a result of applying the provisions of FIN 48.

In accordance with FIN 48, interest costs related to unrecognized tax benefits are required to be calculated (if applicable) and would be classified as "Interest expense" in the consolidated statements of operations. Penalties would be recognized as a component of "Selling, general and administrative expenses."

In many cases the Company's tax positions are related to tax years that remain subject to examination by relevant tax authorities. The Company files income tax returns in the United States (federal) and in various state and local jurisdictions. In most instances, the Company is no longer subject to federal, state and local income tax examinations by tax authorities for years prior to 2005.

The adoption of the provisions of FIN 48 did not have a material impact on the Company's consolidated financial position and results of operations. As of December 31, 2008, the Company believes that there are no significant uncertain tax positions requiring recognition in these consolidated financial statements.

Warranty Costs

Prior to the sale of substantially all the operating assets of the Company, the Company estimated its warranty costs based on historical warranty claim experience. Future costs for warranties applicable to sales recognized in the current period were charged to cost of sales. Adjustments were made when actual warranty claim experience differed from estimates.

3. Restructuring and Other Credits

The Company's accounts payable balance includes invoices for professional services in the amount of $88,687. Accrued expenses include professional services in the amount of $118,671. These items arose from alleged services provided to the Company between November 2002 and August 2003. The Company is disputing these amounts with the vendors, and at the present time management is unable to estimate the final outcome of these disputes but believes that the final settlement amount should not exceed the total of the above amounts.

4. Property and Equipment

Depreciation expense for property and equipment for the year ended December 31, 2007 amounted to $21,887. During the year ended December 31, 2007 the Company retired fully depreciated assets amounting to $21,011.

5. Notes Payable

Related Parties

In June 2007, certain Board members and an officer of the Company advanced 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 was prime plus 1.75% per annum. In December 2007, this note was paid in full. During the year ended December 31, 2007, the Company incurred interest expense of $2,341 relating to this note.

On August 21, 2007, a Board member of the Company advanced 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 and the effective interest rate is 20.86%. 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. This note was recorded net of a debt discount of $5,125 based on the relative fair value of the warrants, which was being amortized to expense over the terms of the note. In December 2007, this note was paid in full and the remaining debt discount was charged to expense. During the year ended December 31, 2007, the Company incurred interest expense of $7,671 relating to this note.

Non-related parties

On July 17, 2007, the Company received in aggregate of $50,000 from two investors 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 notes are 20% per annum and the effective interest rate is 20.86%. In conjunction with these notes, the Company granted to the note holders warrants to purchase an aggregate of 50,000 shares of common stock for $0.05 per share. This note was recorded net of a debt discount of $2,050 based on the relative fair value of the warrants, which was being amortized to interest expense over the terms of the note. In December 2007, this note was paid in full and the remaining debt discount was charged to interest expense.

On September 10, 2007, the Company received in aggregate of $100,000 from an investor through the issuance of a promissory note 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 and the effective interest rate is 20.86%. In conjunction with this note, the Company granted to the note holder warrants to purchase an aggregate of 100,000 shares of common stock for $0.05 per share. This note was recorded net of a debt discount of $4,100 based on the relative fair value of the warrants, which was being amortized to expense over the terms of the note. In December 2007, this note was paid in full and the remaining debt discount was charged to expense.

6. Convertible Debenture – Related Party

On August 5, 2004, the Company issued a convertible debenture (the "Debenture") for $200,000 cash to Stephen M. Deixler, one of the Company's directors. The Debenture would have matured on August 5, 2008 and had an interest rate of five (5%) percent per annum, compounded annually. On February 15, 2006, Mr. Deixler converted the Debenture into 2,409,639 shares of common stock. The accrued interest of $15,814 can only be converted by the borrower and is included in current liabilities as of December 31, 2008 and 2007.

7. Revolving Credit Facility

On September 21, 2005, the Company entered into the asset based Revolving Credit Facility for $2.5 million with Bridge Bank, N.A. The Revolving Credit Facility had a two-year term, which upon maturity required payment of the outstanding principal and interest balance. The Revolving Credit Facility provided for advances of up to $2.0 million based on a certain percentage of eligible accounts receivable and inventory. The annual interest rate was prime plus 1.75%, with a minimum prime rate of 6.25%. Certain assets of the Company secured the Revolving Credit Facility, and the Company was subject to certain financial and restrictive covenants, as defined in the agreement.

On July 26, 2007, the Company amended its Revolving Credit Facility with Bridge Bank, N.A. The amended facility had a two-year term, and provides for advances based on certain eligible accounts receivables, which also serves as collateral for the loan. The annual interest rate is prime plus 1.75%. The financial covenant requirements of the Company were eliminated with the amended Revolving Credit Facility. As of December 31, 2007, the Company paid all outstanding balances and fees and terminated the Revolving Credit Facility.

8. Income Taxes

Income Taxes

As of December 31, 2008, the Company has available federal and state net operating loss carry forwards of approximately $44,735,000 and $12,903,000, respectively, to offset future taxable income. The federal net operating loss carry forwards expire during the years 2011 through 2028. In addition, the Company has investment tax credits and research and development credits carry forwards aggregating approximately $340,000, which may provide future tax benefits, expiring from 2009 through 2020. The Internal Revenue Code contains provisions which will limit the net operating loss carry forward available for use in any given year if significant changes in ownership interest of the Company occur.

The Company obtained a corporation business tax benefit certificate pursuant to New Jersey law which allows the sale of unused New Jersey net operating losses and investment credit carry forwards. For the year ended December 31, 2007, the Company received a benefit of $492,069.

The tax effect of temporary differences which make up the significant components of the net deferred tax asset and liability at December 31, 2008 and 2007 are as follows:

	2008	2007
Current deferred tax assets		
Accrued expenses	$ 35,474	$ 171,974
Valuation allowance	(35,474)	(171,974)
Net current deferred tax assets	-	-
Noncurrent deferred tax assets		
Net operating loss carry forwards	15,984,060	15,657,994
Research and development credit	342,058	405,078
Stock based compensation	44,032	79,465
Total noncurrent deferred tax assets	16,370,150	16,142,537
Valuation allowance	(16,370,150)	(16,142,537)
Net noncurrent deferred tax assets	-	-
Net noncurrent deferred tax (liabilities) assets	$ -	$ -

The Company has recorded a full valuation allowance against the deferred tax assets, including the federal and state net operating loss carry forwards as management believes that it is more likely than not that substantially all of the deferred tax assets will not be realized. During the years ended December 31, 2008 and 2007, the Company had an annual change in the valuation allowance of approximately $227,000 and $415,000, respectively.

The reconciliation of the statutory U.S. Federal income tax rate to the Company's effective income tax rate is as follows:

	Year ended December 31,	
	2008	2007
Statutory federal income tax rate (benefit)	(34.00) %	34.00%
State taxes	(6.00)	6.00
State alternative minimum tax	2.00	-
Sales of net operating losses	—	(210.00)

Change in valuation allowance	34.00	178.00
Change in estimate of prior year tax provision	6.00	(8.00)
Effective tax rate	2.00%	0.00%

9. Stockholders' Equity

Preferred Stock –The Company has designated 200,000 of the 1,000,000 authorized shares of preferred stock as Series A Preferred Stock ("Preferred Stock"). The Preferred Stock is non-voting, has a standard liquidation preference equal to its purchase price, and does not pay dividends. As of December 31, 2008 and 2007, there were 155,557 shares of Series A Preferred Stock outstanding, which are convertible to 1,555,570 shares of common stock. The holders can call the conversion of the Preferred Stock at any time.

Common Stock

On December 12, 2007, an officer of the Company exercised 261,596 options to purchase common stock at $0.06 per share for total proceeds of $15,696.

On December 31, 2007, at the Company's annual shareholders' meeting, the shareholders' approved a proposal 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. This amendment to the certificate of incorporation of incorporation was filed on July 14, 2008.

On November 8, 2008, a former director of the Company exercised 9,000 options to purchase common stock for total proceeds of $315.

Stock Option 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 November 8, 2006 the shareholders approved the plan. As of December 31, 2008, 371,500 options were outstanding under the 2006 Plan, of which 350,876 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. As of December 31, 2008, 838,000 options were outstanding and exercisable under the 2000 Plan.

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. As of December 31, 2008, 1,100,000 options were outstanding under the 1998 Plan, of which 1,079,376 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. As of December 31, 2008, no options were outstanding and exercisable under the 1994 Plan.

During the years ended 2008 and 2007, 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 are granted if the Company meets certain predetermined sales targets. All options granted under the TARSAP in 2001 will vest seven years from the original date of grant. As of December 31, 2008, no options were outstanding and exercisable under the TARSAP Plan.

Warrants

On January 26, 2007, the Company entered into an agreement with a consultant. In connection with this agreement, the Company issued fully vested warrants with a two year term to purchase 1,500,000 shares of the Company's Common Stock at $0.10 per share for a total value of $133,709 based on the Black-Scholes model. On May 1, 2007, the Company amended this previous agreement made on January 26, 2007 with a consultant. In connection with this amendment, the Company received back warrants to purchase 562,500 shares of the Company's Common Stock at $0.10 per share for a total value of $50,141 based on the Black-Scholes model. The remaining value of approximately $47,000 was credited to deferred compensation. During October 2007, the Company terminated its Sales Outsourcing Agreement with McGat Enterprises, LLC. The remaining warrants expired unexercised on January 28, 2009.

On July 17, 2007, in connection with the issuance of a promissory note to a related party, the Company granted to the note holders warrants to purchase an aggregate of 50,000 shares of common stock for $0.05 per share. See Note 5.

On August 21, 2007, in connection with the issuance of a promissory note to a related party, the Company granted to the note holder warrants to purchase an aggregate of 125,000 shares of common stock for $0.05 per share. See Note 5.

On September 10, 2007, in connection with the issuance of a promissory note, the Company granted to the note holder warrants to purchase an aggregate of 100,000 shares of common stock for $0.05 per share. See Note 5.

Details of warrants outstanding are as follows:

	Warrants	Average Exercise price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Warrants outstanding at December 31, 2006	676,087	$ 0.17		
Granted	1,775,000	$ 0.09		
Expired	(350,000)	$ 0.11		
Exercised	-			
Canceled	(562,500)	$ 0.10		
Warrants outstanding at December 31, 2007	1,538,587	$ 0.12	1.38 years	
Granted	-			
Expired	(326,087)	$ 0.23		
Exercised	-			
Canceled	-			
Warrants outstanding at December 31, 2008	1,212,500	$ 0.09	0.44 years	$ -
Warrants exercisable at December 31, 2008	1,212,500	$ 0.09	0.44 years	$ -

Options

On February 28, 2007, the Company granted board members immediately exercisable options to purchase an aggregate of 9,000 shares of common stock with an exercise price of $0.10 for a total value of $599, under a previously approved stock holder option plan.

On May 9, 2007, the Company granted board members immediately exercisable options to purchase an aggregate of 4,500 shares of common stock with an exercise price of $0.07 for a total value of $311, under a previously approved stock holder option plan.

On May 9, 2007, the Company granted an employee 200,000 options to purchase common stock, of which 34% vest on the first anniversary of the option grant date and 8.25% vest each quarter there after, with an exercise price of $0.07 for a total value of $13,157, under a previously approved stock holder option plan.

On June 7, 2007, the Company granted board members immediately exercisable options to purchase an aggregate of 3,000 shares of common stock with an exercise price of $0.045 for a total value of $148, under a previously approved stock holder option plan.

On August 8, 2007, the Company granted board members immediately exercisable options to purchase an aggregate of 4,500 shares of common stock with an exercise price of $0.05 for a total value of $222, under a previously approved stock holder option plan.

On November 6, 2007, the Company granted board members immediately exercisable options to purchase an aggregate of 9,000 shares of common stock with an exercise price of $0.05 for a total value of $444, under a previously approved stock holder option plan.

On December 6, 2007, the Company granted board members immediately exercisable options to purchase an aggregate of 9,000 shares of common stock with an exercise price of $0.04 for a total value of $356, under a previously approved stock holder option plan.

On December 7, 2007, the Company granted board members immediately exercisable options to purchase an aggregate of 4,500 shares of common stock with an exercise price of $0.03 for a total value of $133, under a previously approved stock holder option plan.

On December 19, 2007, the Company granted board members immediately exercisable options to purchase an aggregate of 4,500 shares of common stock with an exercise price of $0.04 for a total value of $178, under a previously approved stock holder option plan.

On March 31, 2008, 895,928 options related to employees who terminated on December 31, 2007, hired by Cryptek, Inc., were canceled pursuant to the terms of the stock option plans.

On March 25, 2008, the Company granted board members immediately exercisable options to purchase an aggregate of 4,500 shares of common stock with an exercise price of $0.03 for a total value of $135, under a previously approved stock holder option plan.

On May 19, 2008, the Company granted board members immediately exercisable options to purchase an aggregate of 43,500 shares of common stock with an exercise price of $0.06 for a total value of $2,586, under a previously approved stock holder option plan.

On August 11, 2008, the Company granted board members immediately exercisable options to purchase an aggregate of 4,500 shares of common stock with an exercise price of $0.04 for a total value of $178, under a previously approved stock holder option plan.

On November 11, 2008, December 4, 2008, December 15, 2008 and December 30, 2008 the Company granted board members immediately exercisable options to purchase an aggregate of 12,000 shares of common stock with an exercise price of $0.02 for a total value of $240 for each meeting date, under a previously approved stock holder option plan.

Details of the options outstanding under all plans are as follows:

	Shares	Weighted Average Exercise Price ($)	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding at December 31, 2006	6,794,856	0.27		
Granted	248,000	0.07		
Expired	(1,068,353)	0.58		
Exercised	(261,596)	0.06		

Canceled	(222,500)	0.41			
Options outstanding at December 31, 2007	5,490,407	0.25	2.75 years		
Granted	64,500	0.05	4.58 years		
Expired	(25,000)	1.96			
Exercised	(9,000)	0.04			
Canceled	(2,723,003)	0.41	2.54 years		
Options outstanding at December 31, 2008	2,797,904	0.12	0.63 years	$	-
Options exercisable at December 31, 2008	2,756,656	0.12	0.61 years	$	-

Range of Exercise	Number Outstanding	Weighted Average Remaining Years of Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.00 – 0.10	609,904	0.78	$ 0.06	609,904	$ 0.06
$0.10 – 0.25	2,185,000	0.59	0.13	2,143,752	0.13
$0.25 – 0.50	3,000	0.84	0.35	3,000	0.35
$0.00 – $0.50	2,797,904	0.63	$ 0.12	2,756,656	$ 0.12

The weighted-average grant-date fair value of options granted during the year ended December 31, 2008 and 2007 amounted to $0.05 and $0.07 per share, respectively. As of December 31, 2008, the fair value of unvested options was $0.

10. Commitments

Operating Leases

The Company entered into a lease on August 1, 2003 for approximately 7,000 square feet for its principal executive offices at 120 Corporate Blvd., South Plainfield, New Jersey. The Company extended the lease on May 11, 2006 for an additional 5 years. The agreement called for an escalating base rent of $4,665 per month effective August 2006 through July 2007, $4,815 per month effective August 2007 through July 2008, and an additional increase of $145 every August thereafter through August 2010, and additional payments to the landlord relating to certain taxes and operating expenses. The tenant has the option to terminate the Lease effective July 31, 2009 with six months written notice to the Landlord. In accordance with SFAS No. 13 ("Accounting for Leases"), the Company accounts for rent expense using the straight line method of accounting, accruing the difference between actual rent due and the straight line amount. On December 31, 2007, the lease was assumed by Cryptek.

The Company leases space in an executive suite located at 2001 Route 46, Parsippany, New Jersey 07054, through a month-to-month lease at a rate of $250 per month. This lease may be terminated by either party upon sixty days' notice. The Company is entitled to use this space two days per month, without incurring additional expense.

The Company also leased certain equipment under agreements which are classified as capital leases. Each of the capital lease agreements expire within five years and have purchase options at the end of the lease term. These leases were assumed by Cryptek on December 31, 2007.

Rent expense under operating leases for the years ended December 31, 2008 and 2007 was approximately $3,000 and $88,000, respectively.

Employment Contracts

The Company entered into an agreement with the Chief Executive Officer and Chief Financial Officer to remain at the Company and receive a salary equal to their rate of pay as of December 31, 2007 of $235,000 and $200,000, respectively, with a reduction in certain benefits until June 30, 2008. On June 19, 2008, the Board of Directors of Clacendix extended the employment terms of the Chief Executive Officer and Chief Financial Officer, through March 31, 2009, unless terminated earlier by either party upon thirty days prior notice. Effective July 1, 2008, CEO and CFO compensation has been adjusted to an annual base salary of $100,000 each, as compared to previous annual base salaries of $235,000 and $200,000, respectively, in addition to certain employee benefits.

The Company had been a party to certain employment contracts with various officers which included a severance provision which entitles the officer to payments ranging from three to eighteen months of the officers' then current annual salary if the officer is terminated without cause (as defined in the agreement). As of December 31, 2007, the Company accrued $834,986 for severance costs due to certain provisions in the contracts which were triggered by the sale of substantially all the operating assets. This amount was reflected on the consolidated statements of operation in selling, general and administrative expenses during the year ended December 31, 2007.

11. Contingent Liabilities

On December 8, 2008, the Company received a notice from a potential merger candidate stating that it had breached certain terms of a non-binding letter of intent ("LOI") and would pursue available remedies. While no litigation has been brought, management of the Company has indicated that they believe that any such claims are unfounded and that the Company has a reasonable position in defense of these claims and intends to vigorously defend itself if any litigation is commenced.

12. Employee Benefit Plan

Effective April 1, 1993, the Company adopted a defined contribution savings plan. The terms of the plan provide for eligible employees who have met certain age and service requirements to participate by electing to contribute up to 15% of their gross salary to the plan, as defined, with a discretionary contribution by the Company matching 30% of an employee's contribution in cash up to a maximum of 6% of gross salary, as defined. Company contributions vest at the rate of 25% of the balance at each employee's second, third, fourth, and fifth anniversary of employment. The employees' contributions are immediately vested. As of January 1, 2003, the Company per the provisions of the plan decided not to make discretionary contributions until further notice.

13. New Accounting Pronouncements

In June 2008, the EITF reached a consensus in Issue No. 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock" ("EITF 07-5"). This Issue addresses the determination of whether an instrument (or an embedded feature) is indexed to an entity's own stock, which is the first part of the scope exception in paragraph 11(a) of SFAS 133. EITF 07-5 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early application is not permitted. The Company is currently in the process of evaluating the impact of the adoption of EITF 07-5 on its results of operations and financial condition.

On October 10, 2008, the FASB issue FSP FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active (FSP)." The FSP clarifies the application of FASB Statement No. 157 in a market that is not active. The guidance is primarily focused on addressing how the reporting entity's own assumptions should be considered when measuring fair value when relevant observable inputs does not exist; how available observable inputs in a market that is not active should be considered when measuring fair value; and how the use of market quotes should be considered when assessing the relevance of observable and unobservable inputs available to measure fair value. The adoption of FSP FAS 157-3 did not have a material impact on the Company's financial statements.

In June 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities". This FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in paragraphs 60 and 61 of FASB Statement No. 128, Earnings per Share. FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. The Company is in the process of determining the impact FSP EITF 03-6-1 will have on its consolidated financial statements.

In May 2008, the FASB issued Statement No. 162 "The Hierarchy of Generally Accepted Accounting Principles." The current hierarchy of generally accepted accounting principles is set forth in the American Institute of Certified Accountants (AICPA) Statement of Auditing Standards (SAS) No. 69, "The meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. Statement No. 162 is intended to improve financial reporting by identifying a consistent framework or hierarchy for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles for nongovernmental entities. This Statement is effective 60 days following the SEC's approval of the Public Company Oversight Board

Auditing amendments to SAS 69. The Company does not anticipate that the Statement will have a material effect on the Company's results of operations or financial position.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133" ("SFAS 161"), to require enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. The Company is currently evaluating the effect that the adoption of SFAS 161 will have on its consolidated results of operations and financial condition, but does not expect it to have a material impact.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations" ("SFAS 141R"), which replaces SFAS No. 141, "Business Combinations." SFAS 141R establishes principles and requirements for determining how an enterprise recognizes and measures the fair value of certain assets and liabilities acquired in a business combination, including noncontrolling interests, contingent consideration, and certain acquired contingencies. SFAS 141R also requires acquisition-related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. SFAS 141R will be applicable prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. SFAS 141R would have an impact on accounting for any businesses acquired after the effective date of this pronouncement.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 permits companies to choose to measure certain financial instruments and certain other items at fair value. The standard requires that unrealized gains and losses on items for which the fair value option has been elected be reported in earnings. The Company adopted SFAS 159 beginning in the first quarter of 2008, without material effect on the Company's consolidated financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 establishes a single definition of fair value and a framework for measuring fair value, sets out a fair value hierarchy to be used to classify the source of information used in fair value measurements, and requires new disclosures of assets and liabilities measured at fair value based on their level in the hierarchy. This statement applies under other accounting pronouncements that require or permit fair value measurements. In February 2008, the FASB issued Staff Positions ("FSPs") No. 157-1 and No. 157-2, which, respectively, remove leasing transactions from the scope of SFAS No. 157 and defer its effective date for one year relative to certain nonfinancial assets and liabilities. As a result, the application of the definition of fair value and related disclosures of SFAS No. 157 (as impacted by these two FSPs) was effective for the Company beginning January 1, 2008 on a prospective basis with respect to fair value measurements of (a) nonfinancial assets and liabilities that are recognized or disclosed at fair value in the Company's financial statements on a recurring basis (at least annually) and (b) all financial assets and liabilities. This adoption did not have a material impact on the Company's consolidated results of operations or financial condition. The remaining aspects of SFAS No. 157 for which the effective date was deferred under FSP No. 157-2. Areas impacted by the deferral relate to nonfinancial assets and liabilities that are measured at fair value, but are recognized or disclosed at fair value on a nonrecurring basis. This deferral applies to such items as nonfinancial assets and liabilities initially measured at fair value in a business combination (but not measured at fair value in subsequent periods) or nonfinancial long-lived asset groups measured at fair value for an impairment assessment. The effects of these remaining aspects of SFAS No. 157 are to be applied to fair value measurements prospectively beginning January 1, 2009. The Company does not expect them to have a material impact on the Company's consolidated results of operations or financial condition.

14. Concentrations

The Company's domestic and foreign export sales for the year ended December 31, 2007 were as follows:

United States	$ 2,653,907
Europe	414,458
Pacific Rim	217,086
Other	29,052
	$ 3,314,503

For the year ended December 31, 2007, a majority of the Company's net sales came from four customers (stated as an approximate percentage of revenue) consists of 18%, 14%, 14% and 11% of total revenue.

The Company maintains deposits in financial institutions located in the United States. From time to time, the Company's balance may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits.

15. Subsequent Events

None.