

NATURAL RESOURCE PARTNERS LP

Form 8-K

August 11, 2011

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**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K  
CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): August 10, 2011**

**NATURAL RESOURCE PARTNERS L.P.**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

**001-31465**  
(Commission File  
Number)

**35-2164875**  
(I.R.S. Employer  
Identification No.)

**601 Jefferson, Suite 3600**  
**Houston, Texas**  
(Address of principal executive offices)

**77002**  
(Zip code)

Registrant's telephone number, including area code: **(713) 751-7507**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01. Entry into a Material Definitive Agreement.**

Please see the disclosure below under Item 2.03, which disclosure is incorporated into this Item 1.01 relating to the amendment of NRP (Operating) LLC's revolving credit facility.

**Item 2.03. Creation of a Direct Financial Obligation.**

On August 10, 2011, NRP (Operating) LLC entered into an amendment to its 5-year, \$300 million revolving credit facility with Citigroup Global Markets, Inc. and Wells Fargo Securities, LLC as joint lead arrangers and joint bookrunners. The amendment extends the term of the credit facility by five years to 2016. The amendment includes an option to increase the borrowing capacity under the credit facility up to a maximum of \$500 million.

Indebtedness under the amended revolving credit facility bears interest, at our option, at either:

the higher of (i) the prime rate as announced by the agent bank; (ii) the federal funds rate plus 0.50%; or (iii) LIBOR plus 1%, in each case plus an applicable margin ranging from 0.00% to 1.00%; or

a rate equal to LIBOR plus an applicable margin ranging from 1.00% to 2.25%.

We will incur a commitment fee on the unused portion of the revolving credit facility at a rate ranging from 0.175% to 0.40% per annum.

Some of the lenders and their affiliates have performed investment banking, financial advisory and other commercial services for us in the ordinary course of business from time to time for which they have received customary fees and expenses.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS**

**(c) Exhibits**

10.1 Second Amended and Restated Credit Agreement, dated as of August 10, 2011.

99.1 Natural Resource Partners L.P. press release dated as of August 10, 2011.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**NATURAL RESOURCE PARTNERS L.P.**  
(Registrant)

By: NRP (GP) LP  
its General Partner

By: GP Natural Resource Partners LLC  
its General Partner

/s/ Wyatt L. Hogan

Wyatt L. Hogan  
Vice President and General Counsel

Dated: August 10, 2011

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Signatures

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PART I

FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K/A, press releases and certain information provided periodically in writing or verbally by our officers or our agents contain statements which constitute forward-looking statements. The words “may”, “would”, “could”, “will”, “expect”, “estimate”, “anticipate”, “believe”, “intend”, “plan”, “goal”, and similar expressions and variations intended to specifically identify forward-looking statements. These statements appear in a number of places in this Form 10-K/A and include all statements that are not statements of historical fact regarding the intent, belief or current expectations of us, our directors or our officers, with respect to, among other things: (i) our liquidity and capital resources; (ii) our financing opportunities and plans; (iii) our ability to generate revenues; (iv) market and other trends affecting our future financial condition or plan of operation; and (v) our growth and operating strategy.

Investors and prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. The factors that might cause such differences include, among others, those set forth in Part II, Item 6 of this annual report on Form 10-K/A, entitled “Management’s Discussion and Analysis or Plan of Operation”, and including, without limitation, the “Risk Factors” beginning on page 5 of this annual report. Except as required by law, we undertake no obligation to update any of the forward-looking statements in this Form 10-K/A after the date of this report.

Item 1. Description of Business.

Corporate History

CYIOS® Corporation (“we”, “us”, “our”, “CYIOS®” or the “Company”) was incorporated under the laws of the state of Nevada on October 13, 1997 as Halo Holdings of Nevada, Inc., for purposes of acquiring Halo Holdings, Inc., a Delaware corporation, operating in the aviation and extreme sports entertainment industries. In March 1999, we sold our extreme sports division. Between February 1999 and April 1999 we acquired three operating entities engaged in the business of providing integrated internet access and professional consulting services, and, on July 9, 1999, we changed our name to A1 Internet.com, Inc. to more accurately reflect our then-current operations. In June 2000, in addition to our other operations, we entered into the business of providing long distance services. In December 2000, we discontinued the operations of several of our subsidiaries which were not focused on our then-core competencies, and on October 15, 2001 we changed our name to WorldTeq Group International, Inc. (“WorldTeq”).

Effective April 7, 2005 we completed a 1-for-30 reverse stock split of our outstanding shares of common stock and changed our name to China Print, Inc., in anticipation of entering into an agreement and plan of merger with Harbin Yinhai Technology Development Company Ltd., a People’s Republic of China company (“HYT”). In June of 2005, the transaction with HYT was terminated.

On September 19, 2005, we entered into an agreement with CYIOS Corporation, a District of Columbia corporation (“CYIOS® DC”), and Timothy Carnahan, whereby we acquired 100% of the issued and outstanding capital stock of CYIOS® DC in exchange for 19,135,000 shares of our common stock. On September 27, 2005 we changed our name to CYIOS® Corporation.

Overview of Principal Products and Services

CYIOS® is a holding company made up of two operating subsidiaries: CYIOS Corporation, a District of Columbia corporation (“CYIOS® DC”), and CKO Inc., a District of Columbia corporation (“CKO”). CYIOS® DC builds

knowledge management solutions, supports organizations with business continuity and IT services for the Department of Defense (“DoD”) community. CKO is the product arm of CYIOS® that offers CYIPRO™, a business transformation tool that utilizes the first project-based operating system to build knowledge centric organizations. CYIPRO™ provides a virtual work space for collaboration, project management, and document management to help manage people, processes and information. CYIPRO™ also provides key solutions for compliance with Securities and Exchange Commission (“SEC”) Sarbanes-Oxley regulations and compliance with Defense Contract Audit Agency (“DCAA”) and performance based contracting for government contractors.

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CYIOS® DC

We believe CYIOS® DC is recognized as a premier knowledge management solution provider for the DoD. Established in 1994, we have worked closely with the United States military as a small business contractor providing innovative and comprehensive solutions for the Army's General Officers and high-level military agencies. We pioneered what we believe to be the largest knowledge management portal, U.S. Army Knowledge Online ("AKO"). We win our business through bidding against other companies for government contracts. These bids may be done independently or through teaming arrangements with other contractors.

Timothy Carnahan, our president and Chief Executive Officer, has over 14 years of executive and technical experience with the highest levels of the U.S. government. When supporting the Army General Officer Management Office, Mr. Carnahan designed and implemented the first Knowledge Management ("KM") system for the Army, America's Army Online, which became the core for AKO, the portal that supports over 1.8 million soldiers and civilians worldwide. We believe that AKO has become the KM paradigm for the DoD. The DoD intends to increase its KM spending from \$387 million in the fiscal year 2005 to \$524 million in the fiscal year 2010, representing a growing potential market for CYIOS®, where KM is our core competency in both product and service support.

With KM as a major focal point for us, the term and market need further explanation. KM is the name of a concept in which an enterprise consciously and comprehensively gathers, organizes, shares, and analyzes its information in terms of resources, documents, and people skills. In early 1998, it was believed that few enterprises actually had a comprehensive knowledge management practice (by any name) in operation. Advances in technology and the way we access and share information have changed that; it has been proven that successful organizations have some kind of knowledge management framework in place. KM involves data mining and a method or operation to share information among users.

We use our expertise in KM, performance-based contracting, enterprise management, and web-based application development to bid on U.S. government contracts. Historically the company has focused on supporting the U.S. Army, but under its new growth strategy, it is beginning to look at bids from other DoD agencies as well as all U.S. government agencies.

CKO

CKO Inc. markets and sells the software product CYIPRO™. CYIPRO™ is a secure, web-based virtual office that uses an array of tools to give any organization the ability to manage and retain knowledge, collaborate data and ideas, and securely store and share information, all for the purpose of making an organization more efficient and therefore more successful. Using the features of CYIPRO™, users can access and manage their entire organization online from any computer with an Internet connection and web browser or from a mobile device with Internet capability. The result: connected, organized and effective business practices.

The tools of our full online office suite include e-mail, document and file management, calendar, tasks, meetings, contacts, project management, reporting, and timesheet management. The power of managing knowledge and collaboration is unleashed when all of these individual components are shared and used within an entire organization, a division, or a project team. We believe CYIPRO™ will remove the dependency of working from an organization's office, which will free employees to access their e-mail, documents, projects, contacts, and reports from any geographic location at anytime. We believe operational costs are also reduced as CYIPRO™ helps small businesses eliminate the burdensome expenses of owning and maintaining servers, associated software, and an internal or outsourced IT staff.





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### Recent Developments

In our last three announcements, January 28, 2010 February 8, 2010 and February 9, 2010 we describe what the Company has been doing in the last sixty days. CYIPRO will be a dominant factor moving forward in revenue growth and its target is the government telework initiative. CYIOS signed a term sheet for line of equity for 7 million dollars and we will be filing our S1 for SEC approval in the very short near term. We have made a few strides in our advisory board but nothing has fully come to fruition.

### Competition

As a small business, we have eliminated discussions of the mid to large size companies. In the small business space, there are generally about 300 IT contractors that bid against us. We further separate ourselves with our security clearance to an estimated 150 IT contractors. As we get into our specific field of KM, we estimate our competition is narrowed to under 50 companies.

### Dependence on Few Major Customers

We are either a prime or sub contractor on contracts with Titan Corporation, Information Management Support Center and GOMO/SLD. Loss of these contracts could have a material adverse effect upon our financial condition and results of operations. We believe that federal governmental agencies will continue to be the source of all or substantially all of our revenues for the foreseeable future.

### Government Regulations

All work performed in our space is governed by the federal acquisition regulation. There are small deviations from this named defense federal acquisition regulation.

### Intellectual Property

#### Overview

We rely on a combination of trademarks, trade secrets and contract law rights in order to protect our brand, intellectual property assets and confidential or proprietary information (our "Proprietary Rights"). Our Proprietary Rights are among the most important assets we possess and we depend significantly on these Proprietary Rights in being able to effectively compete in our industry. We cannot be certain that the precautions we have taken to safeguard our Proprietary Rights will provide meaningful protection from the unauthorized use by others. If we must pursue litigation in the future to enforce or otherwise protect our Proprietary Rights, or to determine the validity and scope of the rights of others, we may not prevail and will likely have to make substantial expenditures and divert valuable resources in the process. Moreover, we may not have adequate remedies if our Proprietary Rights are appropriated or disclosed.

#### Trademarks

As of the fiscal year ended December 31, 2009, CYIOS DC has registered the CYIOS®, and CKO has applied for registration of the CYIPRO™ logo with the United States Patent and Trademark Office in order to establish and protect our brand name and logo as part of our Proprietary Rights.

#### Copyrights

We claim copyright protection and rights to our CYIPRO™ software and operating system.

#### Trade Secrets

Whenever we deem it important for purposes of maintaining competitive advantages, we will require parties with whom we share, or who otherwise are likely to become privy to, our trade secrets or other confidential information to execute and deliver to us confidentiality and/or non-disclosure agreements. Among others, this may include employees, consultants and other advisors, each of whom we would require execute such an agreement upon commencement of their employment, consulting or advisory relationships. These agreements will generally provide that all confidential information developed or made known to the individual by us during the course of the individual's relationship with us is to be kept confidential and not to be disclosed to third parties except under specific circumstances.

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As of the fiscal year ended December 31, 2009, we have entered into no confidentiality and/or non-disclosure agreements with our employees, consultants or advisors.

### Employees

As of December 31, 2009, we had 17 full-time employees, with 2.5 in executive management and administration, 1.5 in product development and technical operations, and 13 on service contracts on either prime or subcontracted contracts with the United States federal government.

We are not subject to any collective bargaining agreements and believe our relationships with our employees to be excellent.

### Item 1A. Risk Factors

Our business entails a significant degree of risk and uncertainty, and an investment in our securities should be considered highly speculative. What follows is a general description of the material risks and uncertainties, which may adversely affect our business, our financial condition, including liquidity and profitability, and our results of operations, ultimately affecting the value of an investment in shares of our common stock. In addition to other information contained in this annual report on Form 10-K/A, you should carefully consider the following cautionary statements and risk factors:

#### General Business Risks

Our limited operating history may not serve as an adequate basis upon which to judge our future prospects and results of operations.

We were incorporated in October 1997, but only began our present operation in September 2005, and, as such, we have a limited operating history, and our historical operating activities may not provide a meaningful basis upon which to evaluate our business, financial performance or future prospects. We may not be able to achieve similar operating results in future periods, and, accordingly, you should not rely on our results of operation for prior periods as indications of our future performance.

Our historical operating losses and negative cash flows from operating activities raise an uncertainty as to our ability to continue as a going concern.

We have a history of operating losses and negative cash flows from operating activities. In the event that we are unable to sustain our current profitability or are otherwise unable to secure external financing, we may not be able to meet our obligations as they come due, raising substantial doubts as to our ability to continue as a going concern. Any such inability to continue as a going concern may result in our security holders losing their entire investment. Our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles, contemplate that we will continue as a going concern and do not contain any adjustments that might result if we were unable to continue as a going concern. Changes in our operating plans, our existing and anticipated working capital needs, the acceleration or modification of our expansion plans, lower than anticipated revenues, increased expenses, potential acquisitions or other events will all affect our ability to continue as a going concern.

Our liquidity and capital resources are very limited.

Our ability to fund working capital and anticipated capital expenditures will depend on our future performance, which is subject to general economic conditions, our ability to win government contracts, our private customers, actions of

our competitors and other factors that are beyond our control. Our ability to fund operating activities is also dependent upon (i) the extent and availability of bank and other credit facilities, (ii) our ability to access external sources of financing, and (iii) our ability to effectively manage our expenses in relation to revenues. There can be no assurance that our operations and access to external sources of financing will continue to provide resources sufficient to satisfy liabilities arising in the ordinary course of our business.

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Our accumulated deficit makes it more difficult for us to borrow funds.

As of the fiscal year ended December 31, 2009, and as a result of historical operating losses from prior years, our accumulated deficit was \$23,890,616. Lenders generally regard an accumulated deficit as a negative factor in assessing creditworthiness, and for this reason, the extent of our accumulated deficit coupled with our historical operating losses will negatively impact our ability to borrow funds if and when required. Any inability to borrow funds, or a reduction in favorability of terms upon which we are able to borrow funds, including the amount available to us, the applicable interest rate and the collateralization required, may affect our ability to meet our obligations as they come due, and adversely affect on our business, financial condition, and results of operations, raising substantial doubts as to our ability to continue as a going concern.

### Risks Associated with our Business and Industry

We depend on contracts with federal government agencies for all of our revenue, and if our relationships with these agencies were harmed our future revenues and growth prospects would be adversely affected.

Revenues derived from contracts with federal government agencies accounted for all of our revenues for the fiscal year ended December 31, 2009, and we believe that federal government agencies will continue to be the source of all or substantially all of our revenues for the foreseeable future. For this reason, any issues that compromise our relationship with agencies of the federal government in general, or with the Department of Defense in particular, would have a substantial adverse effect on our business. Key among the factors in maintaining our relationships with federal government agencies are our performance on individual contracts, the strength of our professional reputation and the relationships of our key executives with government personnel. To the extent that our performance does not meet expectations, or our reputation or relationships with one or more key personnel are impaired, our business, financial condition and results of operations will be negatively affected and we may not be able to meet our obligations as they come due, raising substantial doubts as to our ability to continue as a going concern.

The federal government may modify, curtail or terminate our contracts at any time prior to their completion, which would have a material adverse effect on our business.

Federal government contracts are highly regulated and federal laws and regulations require that our contracts contain certain provisions which allow the federal government to, among other things:

- terminate current contracts at any time for the convenience of the government, provided such termination is made in good faith;
- cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;
  - curtail or modify current contracts if requirements or budgetary constraints change; and
  - adjust contract costs and fees on the basis of audits done by its agencies.

Should the federal government modify, curtail or terminate our contracts for any reason, we may only recover our costs incurred and profit on work completed prior to such modification, curtailment or termination. The federal government regularly reviews our costs and performance on its contracts, as well as our accounting and general business practices. The federal government may reduce the reimbursement for our fees and contract-related costs as a result of such an audit. There can be no assurance that one or more of our federal government contracts will not be modified, curtailed or terminated under these circumstances, or that we would be able to procure new federal

government contracts to offset the revenue lost as a result of any modification, curtailment or termination. As our revenue is dependent on our procurement, performance and receipt of payment under our contracts with the federal government, the loss of one or more critical contracts could have a material adverse effect on our business, financial condition and results of operations and we may not be able to meet our obligations as they come due, raising substantial doubts as to our ability to continue as a going concern.

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The federal government has increasingly relied upon contracts that are subject to a competitive bidding process. If we are unable to consistently win new awards under these contracts our business may be adversely affected.

We obtain many of our contracts with the federal government through a process of competitive bidding and, as the federal government has increasingly relied upon contracts that are subject to competitive bidding, we expect that much of the business we are awarded in the foreseeable future will be through such a process. There are substantial costs and a number of risks inherent in the competitive bidding process, including the costs associated with management time necessary to prepare bids and proposals that we may not be awarded, our failure to accurately estimate the resources and costs required to service contracts that we are awarded, and the risk that we may encounter unanticipated expenses, delays or modifications to contracts previously awarded. Our failure to effectively compete and win contracts through, or manage the costs and risks inherent in the competitive bidding process could have a material adverse effect on our business, financial condition and results of operations.

Our revenues and growth prospects may be adversely affected if we or our employees are unable to obtain the requisite security clearances or other qualifications needed to perform services for our customers.

Many federal government programs require contractors to have security clearances. Depending on the level of required clearance, security clearances can be difficult and time-consuming to obtain. If we or our employees are unable to obtain or retain necessary security clearances, we may not be able to win new business, and our existing customers could terminate their contracts with us or decide not to renew them. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not derive the revenue anticipated from the contract. Employee misconduct, including security breaches, or our failure to comply with laws or regulations applicable to our business could cause us to lose customers or our ability to contract with the federal government, which would have a material adverse effect on our business, financial condition and results of operations and we may not be able to meet our obligations as they come due, raising substantial doubts as to our ability to continue as a going concern.

Because we are a federal government contractor, misconduct, fraud or other improper activities by our employees or our failure to comply with applicable laws or regulations could have a material adverse effect on our business and reputation.

Because we are a federal government contractor, misconduct, fraud or other improper activities by our employees or our failure to comply with applicable laws or regulations could have a material adverse effect on our business and reputation. Such misconduct could include the failure to comply with federal government procurement regulations, regulations regarding the protection of classified information, legislation regarding the pricing of labor and other costs in federal government contracts and any other applicable laws or regulations. Many of the systems we develop involve managing and protecting information relating to national security and other sensitive government functions. A security breach in one of these systems could prevent us from having access to such critically sensitive systems. Other examples of potential employee misconduct include time card fraud and violations of the Anti-Kickback Act. The precautions we take to prevent and detect these activities may not be effective, and we could face unknown risks or losses. Our failure to comply with applicable laws or regulations or misconduct by any of our employees could subject us to fines and penalties, loss of security clearance and suspension or debarment from contracting with the federal government, any of which would have a material adverse effect on our business, financial condition and results of operations and we may not be able to meet our obligations as they come due, raising substantial doubts as to our ability to continue as a going concern.



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We must comply with laws and regulations relating to the formation, administration and performance of federal government contracts.

We must comply with laws and regulations relating to the formation, administration and performance of federal government contracts, which affect how we do business with our customers. Such laws and regulations may potentially impose added costs on our business and our failure to comply with applicable laws and regulations may lead to penalties and the termination of our federal government contracts. Some significant regulations that affect us include:

- the Federal Acquisition Regulations and their supplements, which regulate the formation, administration and performance of federal government contracts;
- the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with contract negotiations; and
- the Cost Accounting Standards, which impose accounting requirements that govern our right to reimbursement under certain cost-based government contracts.

Additionally, our contracts with the federal government are subject to periodic review and investigation. Should such a review or investigation identify improper or illegal activities, we may be subject to civil or criminal penalties or administrative sanctions, including the termination of our contracts, forfeiture of profits, the triggering of price reduction clauses, suspension of payments, fines and suspension or debarment from doing business with federal government agencies. We could also suffer harm to our reputation, which would impair our ability to win awards of contracts in the future or receive renewals of existing contracts. Although we have never had any material civil or criminal penalties or administrative sanctions imposed upon us, it is not uncommon for companies in our industry to have such penalties and sanctions imposed on them. If we incur a material penalty or administrative sanction in the future, our business, financial condition and results of operations could be adversely affected.

Our business is subject to routine audits and cost adjustments by the federal government, which, if resolved unfavorably to us, could adversely affect our financial condition.

Federal government agencies routinely audit and review their contractors' performance, cost structure and compliance with applicable laws, regulations and standards. They also review the adequacy of, and a contractor's compliance with, its internal control systems and policies, including the contractor's purchasing, property, estimating, compensation and management information systems. Such audits may result in adjustments to our contract costs, and any costs found to be improperly allocated will not be reimbursed.

We incur significant pre-contract costs that if not reimbursed would deplete our cash balances and adversely affect our financial condition.

We often incur costs on projects outside of a formal contract when customers ask us to begin work under a new contract that has yet to be executed, or when they ask us to extend work we are currently doing beyond the scope of the initial contract. We incur such costs at our risk, and it is possible that the customers will not reimburse us for these costs if we are ultimately unable to agree on a formal contract which could have an adverse effect on our business, financial condition and results of operations.

Our intellectual property may not be adequately protected from unauthorized use by others, which could increase our litigation costs and adversely affect our business.

Our intellectual properties, including our brands, are some of the most important assets that we possess in our ability to generate revenues and profits and we rely significantly on these intellectual property assets in being able to effectively compete in our markets. However, our intellectual property rights may not provide meaningful protection from unauthorized use by others, which could result in an increase in competing products and services and a reduction in our own ability to generate revenue. Moreover, if we must pursue litigation in the future to enforce or otherwise protect our intellectual property rights, or to determine the validity and scope of the proprietary rights of others, we may not prevail and will likely have to make substantial expenditures and divert valuable resources in any case.

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We face substantial competition in attracting and retaining qualified senior management and key personnel and may be unable to develop and grow our business if we cannot attract and retain as necessary, or if we were to lose our existing, senior management and key personnel.

Our success, to a large extent, depends upon our ability to attract, hire and retain highly qualified and knowledgeable senior management and key personnel who possess the skills and experience necessary to execute our business strategy. Our ability to attract and retain such senior management and key personnel will depend on numerous factors, including our ability to offer salaries, benefits and professional growth opportunities that are comparable with and competitive to those offered by more established companies operating in our industries and market segments. We may be required to invest significant time and resources in attracting and retaining, as necessary, additional senior management and key personnel, and many of the companies with which we will compete for any such individuals have greater financial and other resources, affording them the ability to undertake more extensive and aggressive hiring campaigns, than we can. Furthermore, an important component to overall compensation offered to senior management and key personnel may be equity. If our stock prices do not appreciate over time, it may be difficult for us to attract and retain senior management and key personnel. Moreover, should we lose our key personnel, we may be unable to prevent the unauthorized disclosure or use of our trade secrets, including our practices, procedures or client lists. The normal running of our operations may be interrupted, and our financial condition and results of operations negatively affected, as a result of any inability on our part to attract or retain the services of qualified and experienced senior management and key personnel, our existing key personnel leaving and a suitable replacement not being found, or should any former member of senior management or key personnel disclose our trade secrets.

The loss of our Chief Executive Officer could have a material adverse effect on our business.

Our success depends to a large degree upon the skills, network and professional business contacts of our Chief Executive Officer, Timothy Carnahan. We presently do not maintain key person life insurance on, and have no employment agreement with, Timothy Carnahan, and there can be no assurance that we will be able to retain him or, should he choose to leave us for any reason, to attract and retain a replacement or additional key executives. The loss of our Chief Executive Officer would have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations, raising substantial doubts as to our ability to continue as a going concern.

### Risks Associated with an Investment in our Common Stock

Unless an active trading market develops for our securities, you may not be able to sell your shares.

Although, we are a reporting company and our common shares are quoted on the OTC Bulletin Board (owned and operated by the Nasdaq Stock Market, Inc.) under the symbol "CYIO", there is not currently an active trading market for our common stock and an active trading market may never develop or, if it does develop, may not be maintained. Failure to develop or maintain an active trading market will have a generally negative effect on the price of our common stock, and you may be unable to sell your common stock or any attempted sale of such common stock may have the effect of lowering the market price and therefore your investment could be a partial or complete loss.

Since our common stock is thinly traded it is more susceptible to extreme rises or declines in price, and you may not be able to sell your shares at or above the price paid.

Since our common stock is thinly traded its trading price is likely to be highly volatile and could be subject to extreme fluctuations in response to various factors, many of which are beyond our control, including:

- the trading volume of our shares;



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- the number of securities analysts, market-makers and brokers following our common stock;
- changes in, or failure to achieve, financial estimates by securities analysts;
- new products or services introduced or announced by us or our competitors;
- actual or anticipated variations in quarterly operating results;
- conditions or trends in our business industries;
- announcements by us of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- additions or departures of key personnel;
- sales of our common stock; and
- general stock market price and volume fluctuations of publicly-traded, and particularly microcap, companies.

You may have difficulty reselling shares of our common stock, either at or above the price you paid, or even at fair market value. The stock markets often experience significant price and volume changes that are not related to the operating performance of individual companies, and because our common stock is thinly traded it is particularly susceptible to such changes. These broad market changes may cause the market price of our common stock to decline regardless of how well we perform as a company. In addition, securities class action litigation has often been initiated following periods of volatility in the market price of a company's securities. A securities class action suit against us could result in substantial legal fees, potential liabilities and the diversion of management's attention and resources from our business. Moreover, and as noted below, our shares are currently traded on the OTC Bulletin Board and, further, are subject to the penny stock regulations. Price fluctuations in such shares are particularly volatile and subject to manipulation by market-makers, short-sellers and option traders.

Trading in our common stock on the OTC Bulletin Board may be limited thereby making it more difficult for you to resell any shares you may own.

Our common stock is quoted on the OTC Bulletin Board (owned and operated by the Nasdaq Stock Market, Inc.). The OTC Bulletin Board is not an exchange and, because trading of securities on the OTC Bulletin Board is often more sporadic than the trading of securities listed on a national exchange or on the Nasdaq National Market, you may have difficulty reselling any of the shares of our common stock that you may own.

Our common stock is subject to the "penny stock" regulations, which are likely to make it more difficult to sell.

Our common stock is considered a "penny stock," which generally is a stock trading under \$5.00 and not registered on a national securities exchange or quoted on the Nasdaq National Market. The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. These rules generally have the result of reducing trading in such stocks, restricting the pool of potential investors for such stocks, and making it more difficult for investors to sell their shares once acquired. Prior to a transaction in a penny stock, a broker-dealer is required to:

- deliver to a prospective investor a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market;

- provide the prospective investor with current bid and ask quotations for the penny stock;

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- explain to the prospective investor the compensation of the broker-dealer and its salesperson in the transaction;
- provide investors monthly account statements showing the market value of each penny stock held in their account; and
- make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction.

These requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that is subject to the penny stock rules. Since our common stock is subject to the penny stock rules, investors in our common stock may find it more difficult to sell their shares.

Future issuances by us or sales of our common stock by our officers or directors may dilute your interest or depress our stock price.

We may issue additional shares of our common stock in future financings or may grant stock options to our employees, officers, directors and consultants under our 2006 Employee Stock Option Plan and 2007 Equity Incentive Plan. Any such issuances could have the effect of depressing the market price of our common stock and, in any case, would dilute the interests of our common stockholders. Such a depression in the value of our common stock could reduce or eliminate amounts that would otherwise have been available to pay dividends on our common stock (which are unlikely in any case) or to make distributions on liquidation. Furthermore, shares owned by our officers or directors which are registered in a registration statement, or which otherwise may be transferred without registration pursuant to an applicable exemption under the Securities Act of 1933, as amended, may be sold. Because of the perception by the investing public that a sale by such insiders may be reflective of their own lack of confidence in our prospects, the market price of our common stock could decline as a result of a sell-off following sales of substantial amounts of common stock by our officers and directors into the public market, or the mere perception that these sales could occur.

We do not intend to pay any common stock dividends in the foreseeable future.

We have never declared or paid a dividend on our common stock and, because we have very limited resources and a substantial accumulated deficit, we do not anticipate declaring or paying any dividends on our common stock in the foreseeable future. Rather, we intend to retain earnings, if any, for the continued operation and expansion of our business. It is unlikely, therefore, that the holders of our common stock will have an opportunity to profit from anything other than potential appreciation in the value of our common shares held by them. If you require dividend income, you should not rely on an investment in our common stock.

Item 2. Description of Property.

All of our property is leased and we do not own any real property.

Our headquarters are located at The Ronald Reagan Building, 1300 Pennsylvania Ave, Suite 700 Washington D.C. 20004. We lease this 150 square foot space for a term of 12 months, with 8 months remaining on the lease as of the fiscal year ended December 31, 2009, at a rate of \$1,476 per month. There are 10 employees based in our headquarters, the remaining employees work on-site at our customers' locations, and, as such we do not maintain separate office or other space for these employees.

Item 3. Legal Proceedings.

As of the date of this annual report on Form 10-K/A for the fiscal year ended December 31, 2009, there were no pending material legal proceedings to which we were a party and we are not aware that any were contemplated.



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

No matters were submitted during the fourth quarter of the fiscal year covered by this annual report on Form 10-K/A to a vote of our security holders, through the solicitation of proxies or otherwise.

## PART II

## Item 5. Market for Common Equity and Related Stockholder Matters and Registrant Purchases of Equity Securities.

Our shares of common stock trade on the OTC Bulletin Board under the symbol "CYIO". The following is a summary of the high and low bid prices of our common stock on the OTC Bulletin board during the periods presented, as reported by the NASDAQ Stock Market, Inc. Such prices represent inter-dealer prices, without retail mark-up, mark-down or commissions, and may not necessarily accurately represent actual transactions.

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	High	Low	High	Low
First Quarter	\$ 0.11	\$ 0.09	\$ 0.13	\$ 0.10
Second Quarter	\$ 0.13	\$ 0.12	\$ 0.10	\$ 0.09
Third Quarter	\$ 0.08	\$ 0.07	\$ 0.06	\$ 0.05
Fourth Quarter	\$ 0.06	\$ 0.05	\$ 0.04	\$ 0.03

As of the fiscal year ended December 31, 2009 we had approximately 102 shareholders of record (excluding the number of persons or entities holding shares of our common stock in nominee or street name through one or more brokerage firms).

## Dividends

We have neither declared nor paid any cash dividends on our shares of common stock and do not anticipate declaring or paying any dividends in the foreseeable future. The decision to declare future dividends, if any, will depend upon our results of operations, financial condition, current and future anticipated capital requirements, contractual restrictions, restrictions imposed by applicable law and other factors that our board of directors may deem relevant. Although it is our intention to retain future earnings, if any, for use in our business operations, there are currently no restrictions in place that would limit our ability to pay dividends.

## Reverse Stock Split

Effective April 7, 2005 we completed a 1-for-30 reverse stock split of our outstanding shares of common and preferred stock, unless otherwise indicated all references to our outstanding shares of common stock in this annual report on Form 10-K/A reflect the reverse stock split.

## Equity Incentive Plans

On April 21, 2006, the sole member of our board of directors approved the adoption of our 2006 Employee Stock Option Plan (the "2006 Plan"). The 2006 Plan provides for the issuance of a maximum of 3,000,000 shares of common stock in connection with stock options granted there under, plus an annual increase to be added on the first nine anniversaries of the effective date of the 2006 Plan, equal to at least (i) 1% of the total number of shares of common stock then outstanding, (ii) 350,000 shares, or (iii) a number of shares determined by our board of directors prior to such anniversary date. The 2006 Plan has a term of 10 years and may be administered by our board of directors or by

a committee made up of not less than 2 members of appointed by our board of directors. Participation in the 2006 Plan is limited to employees, officer, directors and consultants of the Company and its subsidiaries. Incentive stock options granted pursuant to the 2006 Plan must have an exercise price per share not less than 100%, and non-qualified stock options not less than 85%, of the fair market value of our common stock on the date of grant. Awards granted pursuant to the 2006 Plan may not have a term exceeding 10 years and will vest upon conditions established by our board of directors.

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On November 12, 2007, the sole member of our board of directors approved the adoption of our 2007 Equity Incentive Plan (the “2007 Plan”). The 2007 Plan provides for the issuance of a maximum of 3,500,000 shares of common stock in connection with awards granted there under, which may include stock options, restricted stock awards and stock appreciation rights. The 2007 Plan has a term of 10 years and may be administered by our board of directors or by a committee appointed by our board of directors (the “Committee”). Participation in the 2007 Plan is limited to employees, officer, directors and consultants of the Company and its subsidiaries. Incentive stock options granted pursuant to the 2007 Plan must have an exercise price per share not less than 100%, and non-qualified stock options not less than 85%, of the fair market value of our common stock on the date of grant. Awards granted pursuant to the 2007 Plan may not have a term exceeding 10 years and will vest upon conditions established by the Committee.

The following table sets forth information as of the fiscal year ended December 31, 2009 with respect to the shares of our common stock that may be issue under each of our 2006 Plan and 2007 Plan.

## Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	-	-	-
Equity compensation plans not approved by security holders	-	-	35,700
Total	-	-	35,700

## Recent Sales of Unregistered Securities

There were no previously unreported sales of unregistered securities during the fiscal year ended December 31, 2009.

## Purchases of Equity Securities

There were no repurchases of equity securities during the fourth quarter of the fiscal year ended December 31, 2009.

## Item 6. Selected Financial Data

If the registrant qualifies as a smaller reporting company as defined by Rule 229.10(f)(1), it is not required to provide the information required by this Item.



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Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements, related notes, and other detailed information included elsewhere in this annual report on Form 10-K/A. Our financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP"), contemplate that we will continue as a going concern, and do not contain any adjustments that might result if we were unable to continue as a going concern. Certain information contained below and elsewhere in this annual report on Form 10-K/A, including information regarding our plans and strategy for our business, constitute forward-looking statements. See "Note Regarding Forward-Looking Statements."

Overview

We believe that we are a leading systems integrator and knowledge management solutions provider supporting the United States Army. All of our revenue is derived from the services provided pursuant to single and multiple year awards to different U.S. Army and federal government agencies. CKO, Inc., one of our operating subsidiaries, provides a designed online office management product which is known as CYIPRO™. For the years ended December 31, 2009 and 2008, we received no revenue from CYIPRO™.

Results of Operations

Sales/Net Profit

The total sales for our active subsidiary, CYIOS Corporation, a District of Columbia corporation, for the fiscal year ended December 31, 2009, were \$1,881,897 compared to \$1,494,872 for the fiscal year ended December 31, 2008; an increase in sales of \$387,025 or 26%. Our other active subsidiary, CKO, Inc., a District of Columbia corporation, produced no revenue for the fiscal years ended December 31, 2009 and 2008. Operating net loss for the year ended December 31, 2009 was \$21,044, or net operating loss per share \$.00, compared to a net operating income for the fiscal year ended December 31, 2008 of \$202,729, or a net operating income per share of \$.01. Net income from discontinued operations was \$17,068 for the year ended December 31, 2009 and \$256,497 for the year ended December 31, 2008. This income from discontinued operations was the result of a write-off of old Accounts Payable debts that have been carried on the financial statements of WorldTeq Corporation which is a subsidiary of the company with discontinued operations. Management has determined that the amount that has been written off is reasonable based on the fact that they exceed the statute of limitations for collection of debts. Total net loss for the year ended December 31, 2009 was \$3,976 or a net loss per share of \$.00 as compared to total net income for the year ended December 31, 2008 in the amount of \$53,768 or a net income per share of \$.00. In 2006, management made the decision to expand our operations by attempting to increase our business with the Department of Defense and the rest of the federal government. In order to achieve this goal, we have actively bid on request for proposals by different departments and their agencies. We have, and will continue to invest all of our earnings into additional personnel to help achieve this goal. We believe that our efforts in working to achieve the aforementioned goals will help turn our operating losses into a net profit in the fiscal year ended December 31, 2010 and beyond.

Cost of Sales

Cost of sales for the fiscal year ended December 31, 2009 was \$1,094,786 compared to cost of sales for the fiscal year ended December 31, 2008 in the amount of \$781,909; an increase of \$312,877 or approximately 40%.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fiscal years ended December 31, 2009 and 2008 were \$68,883 and \$179,371, respectively; a decrease of \$110,488 or 62%.

#### Other Expenses

Total other expenses for the fiscal year ended December 31, 2009 and 2008 were \$739,079 and \$732,257, respectively; an increase of \$6,822 or .93%. The total other expenses of \$738,079 in the fiscal year ended December 31, 2009 consisted primarily of \$598,225 in indirect labor and \$140,854 in professional service and consulting fees and depreciation. The total other expenses of \$732,257 for the fiscal year ended December 31, 2008 consisted primarily of \$521,681 in indirect labor and \$210,576 in professional services fees and depreciation.

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### Liquidity and Capital Resources

At December 31, 2009, we had cash and cash equivalents of \$76,448, compared to \$27,070 at December 31, 2008, an increase of \$49,378.

During the fiscal year ended December 31, 2009, cash provided by operating activities was \$18,442, consisting primarily of the Net Loss of \$3,976 offset by:

- Non-cash charges related to Depreciation charges of \$784, Valuation of Shares issued for consulting services of \$167,667, Reduction in Liabilities from Discontinued Operations of \$17,068; and
- Working capital changes of \$128,965, consisting primarily of a net increase in Accounts Receivable, Other Assets in the amount of \$176,994 offset by a net increase in Payroll Taxes Payable, Accounts Payable, and Accruals in the amount of \$48,029.

Cash provided by investing activities for the fiscal year ended December 31, 2009 was \$28,228 for the payments received on the Related Party Loan.

Cash provided by financing activities for the fiscal year ended December 31, 2009 was \$2,708; consisting primarily of:

- Proceeds from the sale of Common Stock in the amount of \$20,000; and
- Payments made on the Line of Credit in the amount of \$17,292.

Our long-term working capital and capital requirements will depend upon numerous factors, including our efforts to continue to improve operational efficiency and conserve cash.

### Off-Balance Sheet Arrangements

As of the fiscal year ended December 31, 2009, we did not have any off-balance sheet arrangements as defined in Item 303(c)(2) of Regulation S-B.

### Critical Accounting Policies

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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

Our management routinely makes judgments and estimates about the effects of matters that are inherently uncertain. As the number of variables and assumptions affecting the probable future resolution of the uncertainties increase, these judgments become even more subjective and complex. We have identified the following accounting policies, described below, as the most critical to an understanding of our current financial condition and results of operations.

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### Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, services have been rendered or goods delivered, the contract price is fixed or determinable, and it is reasonably assured to be collectible. We follow Statement of Position (“SOP”) 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts, as it applies to time-and-material contracts. Revenue on time-and-materials contracts is recognized based on the hours actually incurred at the negotiated contract billing rates, plus the cost of any allowable material costs and out-of-pocket expenses. Revenue on fixed-price contracts pursuant to which a client pays us a specified amount to provide only a particular service for a stated time period, or so-called fee-for-service arrangement, is recognized as amounts become billable, assuming all other criteria for revenue recognition are met. We recognize revenue from government contracts.

### Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued its final Statement of Financial Accounting Standards (SFAS) No. 168, “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a Replacement of FASB Statement No. 162”. SFAS No. 168 made the FASB Accounting Standards Codification (the Codification) the single source of U.S. GAAP used by nongovernmental entities in the preparation of financial statements, except for rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws, which are sources of authoritative accounting guidance for SEC registrants. The Codification is meant to simplify user access to all authoritative accounting guidance by reorganizing U.S. GAAP pronouncements into roughly 90 accounting topics within a consistent structure; its purpose is not to create new accounting and reporting guidance. The Codification supersedes all existing non-SEC accounting and reporting standards and was effective for the Company beginning July 1, 2009. Following SFAS No. 168, the Board will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead, it will issue Accounting Standards Updates (ASU). The FASB will not consider ASUs as authoritative in their own right; these updates will serve only to update the Codification, provide background information about the guidance, and provide the bases for conclusions on the change(s) in the Codification.

In August 2009, the FASB issued ASU 2009-05 which includes amendments to Subtopic 820-10, “Fair Value Measurements and Disclosures—Overall”. The update provides clarification that in circumstances, in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the techniques provided for in this update. The amendments in this ASU clarify that a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability and also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The guidance provided in this ASU is effective for the first reporting period, including interim periods, beginning after issuance. The adoption of this standard did not have a material impact on the Company’s consolidated financial position and results of operations.

In September 2009, the FASB issued ASU 2009-06, Income Taxes (Topic 740), “Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities”, which provides implementation guidance on accounting for uncertainty in income taxes, as well as eliminates certain disclosure requirements for nonpublic entities. For entities that are currently applying the standards for accounting for uncertainty in income taxes, this update shall be effective for interim and annual periods ending after September 15, 2009. For those entities that have deferred the application of accounting for uncertainty in income taxes in accordance with paragraph 740-10-65-1(e), this update shall be effective upon adoption of those standards. The adoption of this standard is not expected to have an impact on the Company’s consolidated financial position and results of operations.



since this accounting standard update provides only implementation and disclosure amendments.

In September 2009, the FASB has published ASU No. 2009-12, “Fair Value Measurements and Disclosures (Topic 820) - Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)”. This ASU amends Subtopic 820-10, “Fair Value Measurements and Disclosures – Overall”, to permit a reporting entity to measure the fair value of certain investments on the basis of the net asset value per share of the investment (or its equivalent). This ASU also requires new disclosures, by major category of investments including the attributes of investments within the scope of this amendment to the Codification. The guidance in this Update is effective for interim and annual periods ending after December 15, 2009. Early application is permitted. The adoption of this standard did not have an impact on the Company’s consolidated financial position and results of operations.

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In October 2009, the FASB has published ASU 2009-13, “Revenue Recognition (Topic 605)-Multiple Deliverable Revenue Arrangements”, which addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. Specifically, this guidance amends the criteria in Subtopic 605-25, “Revenue Recognition-Multiple-Element Arrangements”, for separating consideration in multiple-deliverable arrangements. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) estimates. This guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method and also requires expanded disclosures. The guidance in this update is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial position and results of operations.

## Item 8. Financial Statements.

## CYIOS Corporation and Subsidiaries

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the board of directors and stockholders of  
Cyios Corporation

We have audited the accompanying consolidated balance sheet of Cyios Corporation as of December 31, 2009 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year ended December 31, 2009. 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 audit 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cyios Corporation as of December 31, 2009 and the results of its operations and its cash flows for the year ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

/s/ Jewett, Schwartz, Wolfe and Associates

Hollywood, Florida  
February 23, 2010

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of SEC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders

CYIOS Corporation and Subsidiaries

We have audited the accompanying consolidated balance sheets of CYIOS Corporation and Subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years ended December 31, 2008 and 2007. These consolidated 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 audit 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 consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 CYIOS Corporation and Subsidiaries as of December 31, 2008 and 2007, and the results of its consolidated operations and its cash flows for the years ended December 31, 2008 and 2007 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company's recurring losses and inability to generate an internal cash flow raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note O. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Baum & Company, PA  
Baum & Company, PA  
Miami Beach, FL  
April 9, 2009

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Table of ContentsCYIOS Corporation and Subsidiaries  
Consolidated Balance Sheets

	As of December 31,	
	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$76,448	\$27,070
Accounts Receivable	114,596	23,181
Prepaid and Other Current Assets	101,697	16,117
<b>TOTAL CURRENT ASSETS</b>	<b>292,741</b>	<b>66,368</b>
<b>FIXED ASSETS, NET</b>	<b>2,220</b>	<b>3,004</b>
<b>OTHER ASSETS</b>		
Related Party Loan	234,284	262,512
<b>TOTAL OTHER ASSETS</b>	<b>234,284</b>	<b>262,512</b>
<b>TOTAL ASSETS</b>	<b>\$529,245</b>	<b>\$331,884</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Line of Credit	\$71,100	\$88,392
Accounts Payable	4,045	46,113
Accruals and Other Payables	95,476	22,447
<b>TOTAL LIABILITIES</b>	<b>170,621</b>	<b>156,952</b>
<b>STOCKHOLDERS' EQUITY</b>		
Convertible Preferred Stock (\$.001 par value, 5,000,000 authorized: 29,713 and 29,713 issued and outstanding)	30	30
Common Stock (\$.001 par value, 100,000,000 shares authorized: 30,148,877 and 26,857,210 shares issued and outstanding)	30,149	26,857
Additional Paid-in-Capital	24,199,038	24,014,663
Accumulated Deficit	(23,870,593)	(23,866,618)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>358,624</b>	<b>174,932</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$529,245</b>	<b>\$331,884</b>

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

Table of ContentsCYIOS Corporation and Subsidiaries  
Consolidated Statement of Operations

	For the years ended December 31,	
	2009	2008
<b>SALES AND COST OF SALES</b>		
Sales	\$1,881,897	\$1,494,872
Cost of Sales	1,094,786	781,909
Gross Profit	787,111	712,963
<b>EXPENSES</b>		
Selling, general and administrative	68,884	179,371
Payroll Expense--Indirect Labor	598,225	521,681
Consulting and Professional Fees Expense	55,909	209,792
Consulting Expense--Stock Compensation	81,208	
Depreciation	784	784
TOTAL EXPENSES	805,010	911,628
Net Income/(Loss) from Operations	(17,899 )	(198,665 )
<b>OTHER INCOME/(EXPENSE)</b>		
Interest Income	5,121	3,042
Interest Expense	(8,264 )	(7,106 )
NET OTHER INCOME/(EXPENSE)	(3,144 )	(4,064 )
PROVISION FOR INCOME TAXES	-	-
NET INCOME/(LOSS) FROM CONTINUING OPERATIONS	(21,044 )	(202,729 )
NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS	17,068	256,497
Net Income/(Loss)	\$(3,976 )	\$53,768
<b>Net income/(loss) per share--basic and fully diluted</b>		
Continuing Operations	\$(0.00 )	\$(0.01 )
Discontinued Operations	\$0.00	\$0.01
Net income/(loss) per share	\$(0.00 )	\$0.00
Weighted average shares outstanding--basic and fully diluted	27,828,635	25,802,841

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

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CYIOS Corporation and Subsidiaries  
Consolidated Statements of Stockholders' Deficit

	Preferred Shares (000's)	Preferred Stock \$	Common Shares (000's)	Common Stock \$	Stock Subscription Receivable	Additional Paid-in Capital	Accumulated Deficit
Balances, December 31, 2007	29,713	\$ 30	25,354,210	\$ 25,354	\$ 136,000	\$ 23,886,536	\$ (23,920,386)
Shares returned	-	-	(500,000 )	(500 )	(82,500 )	(74,500 )	-
Payments received for Stock Subscriptions	-	-	-	-	(48,500 )	-	-
Reduction for Uncollectible Stock Receivable	-	-	-	-	(5,000 )	(5,000 )	-
Shares issued for consulting services	-	-	2,003,000	2,003	-	207,627	-
Net Income (loss)	-	-	-	-	-	-	53,768
Balances, December 31, 2008	29,713	\$ 30	26,857,210	\$ 26,857	\$ -	\$ 24,014,663	\$ (23,866,618)
Shares issued for consulting services	-	-	2,366,667	2,367	-	159,300	-
Shares issued to employees	-	-	125,000	125	-	5,875	-
Shares sold	-	-	800,000	800	-	19,200	-
Net Income (loss)	-	-	-	-	-	-	(3,976 )
Balances, December 31, 2009	29,713	\$ 30	30,148,877	\$ 30,149	\$ -	\$ 24,199,038	\$ (23,870,593)

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

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CYIOS Corporation and Subsidiaries  
Consolidated Statements of Cash Flows

For the years ended  
December 31,  
2009                      2008

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net Income/(loss)		
From Continuing Operations	\$(21,044 )	\$(202,729 )
From Discontinued Operations	17,068	256,497
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	784	784
Value of Shares Issued for consulting/employee services	167,667	209,630
Reduction in Stock Receivable	-	7,500
Reduction in Liabilities from Discontinued Operations	(17,068 )	(256,497 )
Changes in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	(91,415 )	23,216
(Increase)/Decrease in Prepaid and Other Current Assets	(85,579 )	(11,217 )
Increase/(Decrease) in Accruals and Other Payables	73,029	(15,073 )
Increase/(Decrease) in Accounts Payable	(25,000 )	21,492
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>18,442</b>	<b>33,603</b>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

(Increase)/Decrease in Related Party Loan	28,228	(90,106 )
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>28,228</b>	<b>(90,106 )</b>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Proceeds from Issuance of Common Stock	20,000	-
Proceeds Received from Payments made on Stock Subscription Receivable	-	48,500
Payments on Line of Credit	(17,292 )	(10,425 )
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>2,708</b>	<b>38,075</b>

**NET INCREASE IN CASH AND**

<b>CASH EQUIVALENTS</b>	<b>49,378</b>	<b>(18,428 )</b>
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**CASH AND CASH EQUIVALENTS:**

Beginning of Period	27,070	45,498
End of Period	\$76,448	\$27,070

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:****CASH PAID DURING THE PERIOD FOR:**

Interest	\$8,264	\$7,106
Taxes	\$-	\$-

**NON CASH INVESTING AND FINANCING ACTIVITIES:**

Stock Issued for Prepaid Consulting Services	\$89,833	\$-
Stock Issued for Consulting Services/Employee Bonus	\$77,834	\$209,630
Return of 500,000 shares and reduction in related Stock Receivable	\$-	\$75,000



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

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CYIOS CORPORATION AND SUBSIDIARIES  
NOTES TO AUDITED FINANCIAL STATEMENTS  
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NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Business Activity**— China Print, Inc. formerly known as WorldTeq Group International, Inc. merged on September 19, 2005 with CYIOS Corporation of Washington DC. During the merger the company’s former CEO notified the public of his resignation and the assignment of a new CEO and president, Mr. Timothy Carnahan. After the merger, China Print, Inc. changed its name to CYIOS. The consolidated financial statements of CYIOS Corporation (The Company), formerly China Print, Inc. includes its subsidiary by the same name CYIOS Corporation, in addition to CKO, Inc. and WorldTeq Corporation. The Company, through its subsidiary CYIOS Corporation does business as a leading systems integrator and Knowledge Management Solutions provider supporting the United States Army. The company contracts its services for single and multiple year awards to different US Army and US Government agencies. CKO Inc. owns a custom designed online office management product. The company launched this product in November of 2005 to the general public and commercial businesses. WorldTeq Corporation in the past engaged primarily in the long distance service business and during 2009 and 2008 it had no operating activity. In December 2008, the Company filed to dissolve the WorldTeq Corporation.

**Consolidation**—The consolidated financial statements include the accounts of the Company and its Subsidiaries, after all eliminations of all intercompany accounts and transactions.

**Cash and Cash Equivalents**—For purposes of the Consolidated Statement of Cash Flows, the Company considers liquid investments with an original maturity of three months or less to be cash equivalents.

**Management’s Use of Estimates**—The preparation of consolidated 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 disclosures of contingent assets and liabilities at the date of consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition**—The Company derives revenue primarily from the sale and service of information technology services to the government. In accordance with SEC Staff Accounting Bulletin No. 104, “Revenue Recognition” (“SAB 104”), revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable, collectability is reasonably assured, contractual obligations have been satisfied and title and risk of loss have been transferred to the customer.

Revenues are recognized based on completion of a project and acceptance by the customer.

Selecting the appropriate revenue recognition method involves judgment based on the contract and can be complex depending upon the structure and terms and conditions of the contract.

Contract claims are unanticipated additional costs incurred but not provided for in the executed contract price that we seek to recover from the customer. Such costs are expensed as incurred. Additional revenue related to contract claims is recognized when the amounts are awarded by the customer.

**Comprehensive Income (Loss)**—The Company adopted Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 130, “Reporting Comprehensive Income”, which establishes standards for the

reporting and display of comprehensive income and its components in the consolidated financial statements. There were no items of comprehensive income (loss) applicable to the Company during the periods covered in the consolidated financial statements.

Advertising Costs—Advertising costs are expensed as incurred. For the years ended December 31, 2009 and 2008, the company incurred \$9,784 and \$11,983 respectively.

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CYIOS CORPORATION AND SUBSIDIARIES  
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NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Net Loss per Common Share—Statement of Financial Accounting Standard (SFAS) No. 128 requires dual presentation of basic and diluted earnings per share (EPS) with a reconciliation of the numerator and denominator of the EPS computations. Basic earnings per share amounts are based on the weighted average shares of common stock outstanding. If applicable, diluted earnings per share would assume the conversion, exercise or issuance of all potential common stock instruments such as options, warrants and convertible securities, unless the effect is to reduce a loss or increase earnings per share. Accordingly, this presentation has been adopted for the period presented. There were no adjustments required to net loss for the period presented in the computation of diluted earnings per share.

Income Taxes—Income taxes are provided in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, “Accounting for Income Taxes.” A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and net operating loss-carryforwards.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that, and some portion or the entire deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment.

Fair Value of Financial Instruments—The carrying amounts reported in the consolidated balance sheet for cash, accounts receivable and payables approximate fair value based on the short-term maturity of these instruments.

Accounts Receivable—Accounts deemed uncollectible are written off in the year they become uncollectible. For the years ended December 31, 2009 and 2008, the following amounts by subsidiary were deemed uncollectible and written off as bad debts. Outstanding Accounts Receivable as of December 31, 2009 was \$114,596 and as of December 31, 2008 was \$23,181 (CYIOS Subsidiary).

Impairment of Long-Lived Assets—. Using the guidance of Statement of Financial Accounting Standards (SFAS) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”, the Company reviews the carrying value of property, plant, and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors.

Property and Equipment—Property and equipment is stated at cost. Depreciation is provided by the straight-line method over the estimated economic life of the property and equipment remaining from five to seven years. New computer equipment assets in the amount of \$3,917 were purchased in 2007. These assets will be depreciated of their estimated useful life which the Company has determined to be 5 years. Total depreciation expense for the year ended December 31, 2009 was \$784 and for the year ended December 31, 2008 was \$784.



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NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Recent Accounting Pronouncements**—In June 2009, the Financial Accounting Standards Board (FASB) issued its final Statement of Financial Accounting Standards (SFAS) No. 168, “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a Replacement of FASB Statement No. 162”. SFAS No. 168 made the FASB Accounting Standards Codification (the Codification) the single source of U.S. GAAP used by nongovernmental entities in the preparation of financial statements, except for rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws, which are sources of authoritative accounting guidance for SEC registrants. The Codification is meant to simplify user access to all authoritative accounting guidance by reorganizing U.S. GAAP pronouncements into roughly 90 accounting topics within a consistent structure; its purpose is not to create new accounting and reporting guidance. The Codification supersedes all existing non-SEC accounting and reporting standards and was effective for the Company beginning July 1, 2009. Following SFAS No. 168, the Board will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead, it will issue Accounting Standards Updates (ASU). The FASB will not consider ASUs as authoritative in their own right; these updates will serve only to update the Codification, provide background information about the guidance, and provide the bases for conclusions on the change(s) in the Codification.

In August 2009, the FASB issued ASU 2009-05 which includes amendments to Subtopic 820-10, “Fair Value Measurements and Disclosures—Overall”. The update provides clarification that in circumstances, in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the techniques provided for in this update. The amendments in this ASU clarify that a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability and also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The guidance provided in this ASU is effective for the first reporting period, including interim periods, beginning after issuance. The adoption of this standard did not have a material impact on the Company’s consolidated financial position and results of operations.

In September 2009, the FASB issued ASU 2009-06, Income Taxes (Topic 740), “Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities”, which provides implementation guidance on accounting for uncertainty in income taxes, as well as eliminates certain disclosure requirements for nonpublic entities. For entities that are currently applying the standards for accounting for uncertainty in income taxes, this update shall be effective for interim and annual periods ending after September 15, 2009. For those entities that have deferred the application of accounting for uncertainty in income taxes in accordance with paragraph 740-10-65-1(e), this update shall be effective upon adoption of those standards. The adoption of this standard is not expected to have an impact on the Company’s consolidated financial position and results of operations since this accounting standard update provides only implementation and disclosure amendments.

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NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Recent Accounting Pronouncements (cont'd)

In September 2009, the FASB has published ASU No. 2009-12, "Fair Value Measurements and Disclosures (Topic 820) - Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)". This ASU amends Subtopic 820-10, "Fair Value Measurements and Disclosures – Overall", to permit a reporting entity to measure the fair value of certain investments on the basis of the net asset value per share of the investment (or its equivalent). This ASU also requires new disclosures, by major category of investments including the attributes of investments within the scope of this amendment to the Codification. The guidance in this Update is effective for interim and annual periods ending after December 15, 2009. Early application is permitted. The adoption of this standard did not have an impact on the Company's consolidated financial position and results of operations.

In October 2009, the FASB has published ASU 2009-13, "Revenue Recognition (Topic 605)-Multiple Deliverable Revenue Arrangements", which addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. Specifically, this guidance amends the criteria in Subtopic 605-25, "Revenue Recognition-Multiple-Element Arrangements", for separating consideration in multiple-deliverable arrangements. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) estimates. This guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method and also requires expanded disclosures. The guidance in this update is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial position and results of operations.

NOTE B—FINANCING FACILITY

During the year ended December 31, 2003 the Company entered into an accounts receivable financing facility for a maximum of \$500,000 with an unrelated third party. Collateral for the facility is a first security interest in all corporate assets and a personal guarantee of the Company's shareholder. The Company pays a 2% fee for each advance and interest accrues on all advances at a floating rate, at the prime rate published in the Wall Street Journal plus 2% (7.25% at December 31, 2009). The Company is advanced 90% of all government contract invoices. The advances are used for general corporate working capital. Residual, or holdback amounts, less fees and interest, are remitted to the Company when payments are received from the government. Substantially all of the Company's revenue stream and accounts receivables are factored through this facility.

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CYIOS CORPORATION AND SUBSIDIARIES  
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## NOTE C—INCOME TAXES

Due to the prior years' operating losses and the inability to recognize an income tax benefit therefrom, there is no provision for current or deferred federal or state income taxes for the year ended December 31, 2009.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for federal and state income tax purposes.

The Company's total deferred tax asset, calculated using federal and state effective tax rates, as of December 31, 2009 is as follows:

Total Deferred Tax Asset	\$2,264,327
Valuation Allowance	(2,264,327)
Net Deferred Tax Asset	-

The reconciliation of income taxes computed at the federal statutory income tax rate to total income taxes for the years ended December 31, 2009 and 2008 is as follows:

	2009		2008	
Income tax computed at the federal statutory rate	34	%	34	%
State income tax, net of federal tax benefit	0	%	0	%
Total	34	%	34	%
Valuation allowance	-34	%	-34	%
Total deferred tax asset	0	%	0	%

Because of the Company's lack of earnings history, the deferred tax asset has been fully offset by a valuation allowance. The valuation allowance increased (decreased) by \$8,160 and \$(18,281) in 2009 and 2008, respectively. No tax benefits have been recorded for the nondeductible (tax) expenses (including stock for services) totaling \$17,210,808.

As of December 31, 2009, the Company had federal and state net operating loss carryforwards as follows of \$6,659,786 which will expire at various times through the year 2029.

## NOTE D—CONCENTRATION

The Company is either a prime or sub contractor on contracts with the Information Management Support Center U.S. Army and GOMO/SLD. Loss of these contracts could have a material effect upon the Company's financial condition and results of operations.



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CYIOS CORPORATION AND SUBSIDIARIES  
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## NOTE E—SEGMENT REPORTING

The Company has four reportable segments—CYIOS, CYIOS Group, CKO, and WorldTeq:

Net Sales by Segment	For the Year Ended December 31, 2009			
	CYIOS	CYIOS Group	CKO	Totals
Sales, net	\$ 1,881,897	\$ -	\$ -	\$ 1,881,897
Cost of Sales	1,094,786	-	-	1,094,786
Gross Profit	\$ 787,111	\$ -	\$ -	\$ 787,111

Profit/(Loss) by Segment	For the Year Ended December 31, 2009			
	CYIOS	CYIOS Group	CKO	Totals
Net Operating Profit/(Loss)	\$ (13,119 )	\$ 2,331	\$ (10,256 )	\$ (21,044 )
Net (Loss)	\$ (13,119 )	\$ 19,399	\$ (10,256 )	\$ (3,976 )

Net Sales by Segment	For the Year Ended December 31, 2009				
	CYIOS	CYIOS Group	CKO	WorldTeq	Totals
Sales, net	\$ 1,494,872	\$ -	\$ -	\$ -	\$ 1,494,872
Cost of Sales	781,909	-	-	-	781,909
Gross Profit	\$ 712,963	\$ -	\$ -	\$ -	\$ 712,963

Profit/(Loss) by Segment	For the Year Ended December 31, 2009				
	CYIOS	CYIOS Group	CKO	WorldTeq	Totals
Net Operating Profit/(Loss)	\$ (198,072 )	\$ (20 )	\$ (4,637 )	\$ -	\$ (202,729 )
Net (Loss)	\$ (198,072 )	\$ (20 )	\$ (4,637 )	\$ 256,497	\$ 53,768

The accounting policies used for segment reporting are the same as those described in Note A “Summary of Significant Accounting Policies”;

## NOTE F—EQUITY

## Common Shares

The Company is authorized to issue 100,000,000 shares of \$.001 par value stock and as of December 31, 2009 the Company had 30,148,877 shares outstanding. During 2009 and 2008, the Company issued the following shares of common stock:



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CYIOS CORPORATION AND SUBSIDIARIES  
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## NOTE F—EQUITY (CONT'D)

During 2009, the Company issued 3,291,667 common shares to investors, employees, and consultants. The shares issued to the employees and consultants were issued from the Company's 2007 Equity Incentive Plan (see Note H). The shares issued as stock compensation were valued at the fair market value price at date of issuance. The issuance of the shares and the value is detailed in the following table:

Month/Description of transaction	Number of shares	Price per share	Total Value
January 29, 2009	100,000	\$ 0.05	\$ 4,500
January 29, 2009	550,000	\$ 0.05	\$ 27,500
February 9, 2009	25,000	\$ 0.06	\$ 1,500
May 1, 2009*	100,000	\$ 0.14	\$ 14,000
May 13, 2009	400,000	\$ 0.05	\$ 20,000
October 5, 2009	1,400,000	\$ 0.07	\$ 98,000
October 28, 2009	316,667	\$ 0.07	\$ 22,167
December 17, 2009*	400,000	\$ -	\$ -
Total	3,291,667		\$ 187,667

\*These shares were sold in May 2009.

During 2008, the Company issued 2,003,000 free trading common shares to employees and consultants. These shares were issued from the Company's 2007 Equity Incentive Plan (see Note H). The shares were valued at the fair market value price at date of issuance. The issuance of the shares and the value is detailed in the following table:

Month	Number of shares	Price per share	Total Value
January 3, 2008	400,000	\$ 0.23	\$ 92,000
January 4, 2008	53,000	\$ 0.21	\$ 11,130
March 12, 2008	250,000	\$ 0.10	\$ 25,000
May 30, 2008	250,000	\$ 0.10	\$ 25,000
June 18, 2008	50,000	\$ 0.08	\$ 4,000
August 25, 2008	250,000	\$ 0.06	\$ 15,000
October 8, 2008	750,000	\$ 0.05	\$ 37,500
Total	2,003,000		\$ 209,630

## Preferred Shares

The Company is authorized to issue 5,000,000 shares of \$.001 par value, non-voting, convertible preferred shares. The preferred shares are convertible to common shares at a 1 to 1 ratio. As of December 31, 2009, the Company had 29,713 preferred shares outstanding. During 2009 and 2008, the Company did not issue any preferred shares of stock.



CYIOS CORPORATION AND SUBSIDIARIES  
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NOTE G—STOCK OPTIONS AND WARRANTS

On April 21, 2006, the Company's board of directors approved the 2006 Employee Stock Option Plan (the "2006 Plan"). The 2006 Plan provides for the issuance of a maximum of 3,000,000 shares of common stock in connection with stock options granted thereunder, plus an annual increase to be added on the first nine anniversaries of the effective date of the 2006 Plan, equal to at least (i) 1% of the total number of shares of common stock then outstanding, (ii) 350,000 shares, or (iii) a number of shares determined by the Company's board of directors prior to such anniversary date. The 2006 Plan has a term of 10 years and may be administered by the Company's board of directors or by a committee made up of not less than 2 members of appointed by the Company's board of directors. Participation in the 2006 Plan is limited to employees, officer, directors and consultants of the Company and its subsidiaries. Incentive stock options granted pursuant to the 2006 Plan must have an exercise price per share not less than 100%, and non-qualified stock options not less than 85%, of the fair market value of our common stock on the date of grant. Awards granted pursuant to the 2006 Plan may not have a term exceeding 10 years and will vest upon conditions established by the Company's board of directors.

On April 21, 2006 the Company filed a registration statement on Form S-8 with the SEC registering 3,000,000 shares of common stock for issuance upon exercise of options granted pursuant to the 2006 Plan. As of December 31, 2009, options to acquire 1,812,300 shares of common stock were granted and exercised and there are 1,187,700 shares available for issuance under the 2006 Plan.

On November 12, 2007, the Company's board of directors approved the 2007 Equity Incentive Plan (the "2007 Plan"). The 2007 Plan provides for the issuance of a maximum of 3,500,000 shares of common stock in connection with awards granted thereunder, which may include stock options, restricted stock awards and stock appreciation rights. The 2007 Plan has a term of 10 years and may be administered by the Company's board of directors or by a committee appointed by the Company's board of directors (the "Committee"). Participation in the 2007 Plan is limited to employees, officer, directors and consultants of the Company and its subsidiaries. Incentive stock options granted pursuant to the 2007 Plan must have an exercise price per share not less than 100%, and non-qualified stock options not less than 85%, of the fair market value of the Company's common stock on the date of grant. Awards granted pursuant to the 2007 Plan may not have a term exceeding 10 years and will vest upon conditions established by the Committee.

On November 29, 2007 the Company filed a registration statement on Form S-8 with the SEC registering 3,500,000 shares of common stock for issuance upon exercise of options granted and exercised pursuant to the 2007 Plan. As of December 31, 2009, options to acquire 2,054,000 shares of common stock were granted and exercised and there are 1,210,700 shares available for issuance under the 2007 Plan.

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CYIOS CORPORATION AND SUBSIDIARIES  
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## NOTE G—STOCK OPTIONS AND WARRANTS (CONT'D)

Outstanding stock options granted as of December 31, 2009 are as follows:

	Stock/Options	Weighted average price per share	Aggregate intrinsic value
Outstanding at December 31, 2007	2,750,000	0.18	495,000
For the year ended December 31, 2008			
Granted	2,003,000	0.18	360,540
Options forfeited or expired	(335,716 )	0.13	(43,643 )
Options forfeited or expired	(400,000 )	0.29	(116,000 )
Exercised in 2008	(2,003,000 )	0.18	(360,540 )
Outstanding at December 31, 2008	2,014,284	0.13	261,857
For the period ended December 31, 2009			
Granted	3,291,667	0.06	197,500
Options forfeited or expired	(2,014,284 )	0.13	(261,857 )
Exercised in 2009	(3,291,667 )	0.06	(197,500 )
Outstanding at December 31, 2009	-	0.13	-

Securities available for future issuance under the 2007 and 2006 plan are as follows:

Plan Category	Number of shares available for issuance
Equity compensation approved by security holders	-
3	35,700

Under the fair value recognition provisions of SFAS No. 123(R), stock-based compensation cost is estimated at the grant date based on the fair value of the award and is recognized as expense over the requisite service period of the award. The Company has awarded stock-based compensation as restricted stock.

All of the options granted in each of the two years ended December 31, 2009 and 2008 were immediately vested upon grant and were immediately exercised upon grant too.

The weighted-average exercise prices for options outstanding at the beginning and end of the two years ended December 31, 2009 did not change. The method used to estimate the fair value of the awards granted under the share-based payment arrangements was the value of the stock at the date the stock option was granted because on this same date the options were exercised. The stock options granted and exercised were immediately vested.



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NOTE G—STOCK OPTIONS AND WARRANTS (CONT'D)

Compensation expense for restricted stock is recognized on the date of the grant at the closing price of the stock on the date of the grant because the options are immediately exercised on that same date

Our statement of operations for the years ended December 31, 2009 and 2008 included stock-based compensation of \$167,667 and \$209,630, respectively. In 2009, \$77,834 of the total \$167,667 was expensed and the remaining amount is prepaid expenses in the amount of \$89,833 which will be amortized over the next 33 months. In 2008, \$193,455 was expensed and the remaining amount was a prepaid amount of \$9,375 that was expensed in 2009.

The Company does not have any unrecognized stock-based compensation expense at December 31, 2009.

NOTE H—PENSION PLAN

The Company has a 401(k) plan which is administered by a third-party administrator. Individuals who have been employed for one month and reached the age of 21 years are eligible to participate. Employees may contribute up to the legal amount allowed by law. The Company matches one-half of the employee's contribution up to a maximum of 4% of the employee's wages. Employees are vested in the Company's contribution 25% a year and are fully vested after four years. The Company's contributions for the years ended December 31, 2009 and 2008 were \$13,294 and \$28,371 respectively.

NOTE I—COMMITMENTS/LEASES

The Company entered into a lease agreement on July 8, 2005 for office space. The current lease agreement is in effect from August 2009 to August 2010, and at that time is up for renewal. Monthly fees are approximately \$1,476. The Company's estimated future yearly minimum lease obligations are as follows:

2010 \$17,700

Total rent expense for 2009 and 2008 was \$17,715 and \$18,189 respectively.

NOTE J—RELATED PARTIES

The Company has a Note Receivable with one of its officers and major shareholders. The note is payable on demand and bears 8% interest per annum. The outstanding balance as of December 31, 2009 is \$234,284.

Annual payments including principal and interest are as follows:

Year ended	Interest and principal payments
2010	\$ 38,220



2011	38,220
2012	38,220
2013	38,220
2014	38,220
2015 and thereafter	130,564
Total principal and interest payments \$	321,664

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CYIOS CORPORATION AND SUBSIDIARIES  
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## NOTE K—LINE OF CREDIT

Two of the Company's subsidiaries have lines of credit with Bank of America. The line of credit for CKO is 10.75% interest and the line of credit for China Print, Inc. is 14.75%. The outstanding balances of the line of credit by Subsidiary as of December 31, 2009 are as follows:

CKO	\$44,729
CYIOS Group	26,371
	\$71,100

## NOTE L—LIABILITIES OF DISCONTINUED OPERATIONS

The original amount of the accounts payables and other payables from discontinued operations was \$441,670. The amount written off in 2007 was \$185,173 and the amount written off in 2008 was the \$256,497.

Our basis for writing off the payables balance into income in 2008 and 2007 was based upon management's estimation and determination that these particular amounts had fallen into one of three categories:

1. Some of the outstanding accounts payable had already been paid off by one of the other subsidiaries, but were never actually written off the books of the subsidiary (Worldteq) until now. The officers and managers of the company prior to the merger in 2005 provided the new officers and management with records that were incomplete. After careful review, management has concluded that some accounts outstanding had actually been paid, but not cleared off the books of the subsidiary (Worldteq).
2. Using reasonable estimates, management determined that amounts under \$1,000 were immaterial and exceeded the statute of limitations for the State of Delaware could be written-off as of December 31, 2008 and 2007.
3. The officers and management of the company prior to the merger in 2005 calculated accruals based on estimates for expenses for services that were never rendered to the company.

In 2009, Management wrote off an additional \$17,068 in accounts payable that also pertained to amounts owed by WorldTeq Corporation to various vendors. These amounts have been sitting on the books since 2003 and 2004 and no attempt has been made by the vendors to collect these amounts. Management believes that like the other outstanding payables, these amounts were already paid and not written off the books prior to the merger in 2005.

The Income from Discontinued Operations was \$17,068 and \$202,729 for the years ended December 31, 2009 and 2008, respectively.

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## NOTE L—LIABILITIES OF DISCONTINUED OPERATIONS (CONT'D)

The Company absorbed WorldTeq Corporation (a Delaware corporation) as a result of the merger in 2005. Since that time the Company has carried the debts of WorldTeq Corporation. Since the merger, management has determined that many of the debts outstanding had been satisfied by other subsidiaries and many other debts exceeded the State of Delaware's rules regarding the statute of limitations for collection of outstanding debts. According to Delaware code, title 6, section 2437A, the statute of limitations for debts classified as general written contracts is 3 years. The Company has carried the debts for over 3 years. Moreover, the Company plans to dissolve Worldteq since it has had no operations since 2005, the Company does not intend to continue operations in this subsidiary or business segment, and the CEO of Worldteq passed away. Since the merger in 2005, no attempt on the part of the creditors have been made to collect these debts, so based on management's estimate we have determined it reasonable to write them off over 2008 and 2007 as we have abandoned operations in this business segment and the Company has closed out and dissolved WorldTeq as of December 31, 2009.

## NOTE M—NET INCOME/ (LOSS) PER COMMON SHARE

The Company's reconciliation of the numerators and denominators of the basic and fully diluted income per shares is as follows for the years ended December 31, 2009 and 2008 are as follows:

	For the 12 months ended December 31, 2009			For the 12 Months Ended December 31, 2008		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net Income/(Loss)	\$(3,976 )			\$53,768		
Basic EPS						
Income available to common stockholders	(3,976 )	27,798,922	\$(0.00 )	53,768	25,744,896	\$0.00
Effect of Dilutive Securities						
Warrants						
Convertible preferred stock		29,713			29,713	
Diluted EPS						
Net Income/(Loss)	(3,976 )	27,828,635	\$(0.00 )	53,768	25,774,609	\$0.00

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Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

There were no events or disagreements requiring disclosure under Item 304(b) of Regulation S-B during the fiscal year ended December 31, 2009. For additional information regarding the change in our certifying accountants, reference is made to our Current Report on Form 8-K filed on July 16, 2007.

Item 9A(T). Controls and Procedures.

Our management is responsible for establishing and maintaining adequate control over our financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934 (“Exchange Act”) is recorded, processed, summarized and reported within the specified time periods. Our Chief Executive Officer and Principal Financial Officer, Timothy Carnahan is responsible for establishing and maintaining our disclosure controls and procedures. The controls and procedures established by us are designed to provide reasonable assurance that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms.

Our disclosure controls and procedures were designed to provide reasonable assurance that the information required to be disclosed in reports filed Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time period specified and that it is accumulated and communicated to our management, including certifying officers, as appropriate to allow timely decisions regarding timely disclosure. Our management including our certifying officer concludes that our disclosure controls and procedures are effective at the reasonable assurance level as of the end of the period covered by the report.

Under the supervision and with the participation of our management, including the Chief Executive Officer and Principal Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Our annual report does not include an attestation report of the Company’s registered public accounting firm regarding internal control over financial reporting pursuant to the temporary rules set forth by the Securities and Exchange Commission that permit the Company to provide only management’s report on the annual report.

We evaluated and assessed the effectiveness of our internal control over financial reporting as of December 31, 2009, using criteria set forth in the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Chief Executive Officer and Principal Financial Officer has also concluded, based on his evaluation of our controls and procedures that as of December 31, 2009, our internal controls over financial reporting are effective and provide a reasonable assurance of achieving their objective.

The Chief Executive Officer and Principal Financial Officer has also concluded that there were no change in our internal controls over financial reporting identified in connection with the evaluation that occurred during our fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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During the year 2008, we became aware of the fact that the Shareholder Loan outstanding to our CEO and major shareholder is considered to be a prohibited transaction according to Section 402 of the Sarbanes-Oxley Act of 2002. However, Section 402 does contain a grandfather clause exempting from the prohibition any loans maintained by the issuer on July 30, 2002; provided, however, that there are no material modifications to, or renewal of the terms of, such loans following that date. A portion of the Shareholder Loan does meet the exemption rules of the grandfather clause; however, after that date additional amounts were added to the Shareholder Loan. The Company has addressed this issue and is disclosing the matter here and has executed a new promissory note for the full amount owed to the Company of \$262,512 (the original amount). The terms of the promissory note state that the payoff of the note must be made within a reasonable amount of time and bears an interest rate of 8% per annum. The Company will no longer make payments to the CEO or any other executive officer or director that would be classified as a loan.

Item 9B. Other Information.

None

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PART III

Item 10. Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act.

Executive Officers and Directors

The following table sets forth information regarding our executive officers and directors as of December 31, 2009.

Name	Age	Position
Timothy W. Carnahan	42	Director, Chief Executive Officer and Treasurer

Timothy Carnahan has served as our Chief Executive Officer, Treasurer and Chairman of our board of directors since September 2005. Previously, from July 2004 through September 2005 Mr. Carnahan served as the President and founder of CKO, Inc., a District of Columbia corporation (“CKO”), and from April 1995 through September 2005 as the President and founder of CYIOS Corporation, a District of Columbia corporation (“CYIOS DC”). CKO and CYIOS DC presently make up our two operating subsidiaries. Mr. Carnahan has some level of security clearance at the Department of Defense. Mr. Carnahan holds a Bachelor of Science degree in Computer Science from Old Dominion University.

Family Relationships

There are no family relationships among any of our directors or executive officers.

Legal Proceedings

During the past five years, none of our directors, executive officers or control persons have been involved in any of the following events:

- any bankruptcy petition filed by or against any business of which such person was an executive officer either at the time of the bankruptcy or within two years prior to that time;
- any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and
- being found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers, directors and persons who beneficially own more than 10% of our common stock to file reports of ownership and changes in ownership with the Securities Exchange Commission. These persons are required to provide us with copies of all

Section 16(a) forms that they file. Based solely on our review of these forms and written representations of our executive officers and directors, we believe that all Section 16(a) filing requirements were met during the fiscal year ended December 31, 2009.



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## Code of Ethics

We have adopted a written code of ethics that applies to all of our officers, directors and employees, including our principal executive officer and principal financial officer, or persons performing similar functions.

## Audit Committee

As of the date of this annual report for the fiscal year ended December 31, 2009, we have no standing committees and our entire board of directors serves as our audit and compensation committees. Our board of directors has determined that

## Item 11. Executive Compensation.

The following table sets forth all compensation awarded, paid to or earned by our Chief Executive Officer, who was our only executive officer during the fiscal year ended December 31, 2009.

Name and principal position	Year	Summary Compensation Table							Total Compensation
		Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	
Timothy Carnahan, Chief Executive Officer	2009	\$ 151,534	--	--	--	--	--	--	\$ 151,534

The following table sets forth certain information concerning unexercised options, stock that has not vested, and equity incentive plan awards for each of our named executive officers outstanding as of December 31, 2009.

## Outstanding Equity Awards at Fiscal Year-End

Name	Number of securities underlying unexercised options (#) Exercisable	Option Awards			Option exercise price (\$)	Option expiration date	Stock Awards			
		Number of securities underlying unexercised options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities underlying unexercised unearned options (#)	Option			Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that

								(#)	have not vested (\$)
Timothy Carnahan, Chief Executive Officer	--	--	--	--	--	--	--	--	--

Director Compensation

No salary or regular compensation is paid to our directors. Pursuant to our bylaws, our directors are eligible to be reimbursed for their actual out-of-pocket expenses incurred in attending board meetings and other director functions, as well as fixed fees and other compensation to be determined by our board of directors. No such compensation or expense reimbursements have been requested by our directors or paid to date.

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

The following table sets forth certain information regarding the beneficial ownership of our common stock as of February 25, 2010. The information in this table provides the ownership information for:

- each person known by us to be the beneficial owner of more than 5% of our common stock;
- each of our directors and executive officers; and
- all of our directors and executive officers as a group.

Beneficial ownership has been determined in accordance with the rules and regulations of the SEC and includes voting or investment power with respect to our common stock and those rights to acquire additional shares within sixty days. Unless otherwise indicated, the persons named in the table below have sole voting and investment power with respect to the number of shares of common stock indicated as beneficially owned by them, except to the extent such power may be shared with a spouse. Common stock beneficially owned and percentage ownership are based on 30,148,877 shares of common stock currently outstanding and no additional shares potentially acquired within sixty days.

Name and address of beneficial owner (1)	Amount and nature of beneficial ownership	Percent of Class
Timothy Carnahan	15,976,294	52.99 %
All officers and directors as a group	15,976,294	52.99 %

(1)The address of each person listed is care of CYIOS Corporation, 1300 Pennsylvania Avenue, Suite 700, Washington D.C. 20004.

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

We have determined that our sole director, Timothy Carnahan, is not independent based on an analysis of the standards for independence set forth in Section 121A of the American Stock Exchange Company Guide.

## Item 14. Principal Accountant Fees and Services.

The following table sets forth the aggregate amount of various professional fees billed by our principal accountants with respect to our last two fiscal years:

Year Ended December 31,	2009			2008	
	JSW & Assoc. (6)	Anderson (5)	Baum (5)	Baum (5)	Anderson(5)
Audit Fees (1)	\$5,000	\$-	\$12,500	\$27,500	\$ -
Audit Related Fees (2)	-	-	-	-	-
Tax Fees (3)	-	1,500	-	-	1,500
All Other Fees (4)	-	7,425	-	-	10,237
Total Accounting Fees and Services	\$5,000	\$8,925	\$12,500	\$27,500	\$ 11,737



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- (1) **Audit Fees:** These are fees for professional services for the audit of our annual financial statements, and for the review of the financial statements included in our filings on Forms 10-QSB (now 10-Q), and for services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) **Audit-related Fees:** These are fees for the assurances and related services reasonably related to the performance of the audit or the review of our financial statements.
- (3) **Tax Fees:** These are fees for professional services with respect to tax compliance, tax advice, and tax planning.
- (4) **All Other Fees:** These are fees for permissible work that does not fall within any of the other fee categories, i.e., Audit Fees, Audit-related Fees or Tax Fees.
- (5) All Audit Fees are approved by our board of directors. For the fiscal year ended December 31, 2006, Traci J. Anderson, CPA (Anderson) served as our independent accountant. As previously disclosed in a current report on Form 8-K filed with the SEC on July 20, 2007, Ms. Anderson resigned on July 16, 2007, and we appointed Baum & Company, PA (Baum) as our new independent accountant for the fiscal year ended December 31, 2007. For the fiscal year ended December 31, 2006, Paul Beeks, CPA (Beeks) served as our internal accountant and Mr. Beeks was replaced by Traci J. Anderson, CPA on July 16, 2007.
- (6) As disclosed in a current report on Form 8-K filed with the SEC on July 15, 2009, Baum & Company (Baum) resigned as our independent auditor, and we appointed Jewett, Schwartz, Wolfe, & Associates (JSW & Assoc.) as our new independent accountant for the fiscal year ended December 31, 2009

Pre-Approval Policy For Audit and Non-Audit Services

We do not have a standing audit committee, and the full Board performs all functions of an audit committee, including the pre-approval of all audit and non-audit services before we engage an accountant.

PART IV

Item 15. Exhibits.

No.	Description of Exhibit
<u>21.1</u>	Subsidiaries of CYIOS Corporation.*
<u>23.1</u>	Independent Auditor's consent
<u>23.2</u>	Independent Auditor's Consent
<u>31.1</u>	Certification of CYIOS Corporation Chief Executive Officer and Principal Financial Officer, Timothy Carnahan, required by Rule 13a-14(a) or Rule 15d-14(a), dated j.*
<u>32.1</u>	Certification of CYIOS Corporation Chief Executive Officer and Principal Financial Officer, Timothy Carnahan, required by Rule 13a-14(b) or Rule 15d-14(b), dated January 31, 2010.*

\* Filed herewith.

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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.

Date: June 1, 2010

CYIOS Corporation

By:

/s/Timothy Carnahan  
Timothy W. Carnahan  
President, Chief Executive Officer &  
Principal Financial Officer

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