

CYIOS CORP
Form S-1/A
July 14, 2010

As filed with the Securities and Exchange Commission on July 13, 2010
Registration No. 333-165941

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1/A
(Amendment No. 2)

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CYIOS CORPORATION
(Exact name of registrant as specified in Charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

000-27243
(Commission File No.)

03-7392107
(IRS Employee Identification No.)

1300 Pennsylvania Avenue, Suite 700
Washington, D.C. 20004
(Address of Principal Executive Offices)

(202) 204-3006
(Issuer Telephone number)

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Telephone No.: (212) 752-9700

Facsimile No.: (212) 980-5192

Approximate Date of Proposed Sale to the Public: As soon as practicable after the effective date of the Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated Filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Calculation of Registration Fee

Title Of Securities To be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price (4)	Amount of Registration Fee(1)
Common Stock, \$0.001(1)	3,500,000 (2)	\$0.025 (3)	\$87,500	\$ 14.97

(1) Estimated pursuant to Rule 457(o) under the Securities Act of 1933 solely for the purpose of computing the amount of the registration fee.

(2) Representing shares of the Company to be offered through an equity financing arrangement and shares to be sold by the Selling Security Holder.

(3) Based on Rule 457 under the Securities Act.

(4) This amount represents the maximum aggregate value of common stock which may be drawn from the Underwriter by the registrant pursuant to the terms and conditions of a Drawdown Equity Financing Agreement between the Underwriter and the registrant.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

ITEM 1 – Forepart of the Registration statement and cover page of Prospectus

Preliminary Prospectus Subject to Completion dated April 2, 2010

3,500,000 Shares

Common Stock

This prospectus relates to the resale of up to 3,500,000 shares of the common stock of CYIOS Corporation, a Nevada corporation, by Auctus Private Equity Fund, LLC, a Cayman Island exempted company (“Auctus” or “Selling Security Holder”), a selling shareholder pursuant to Drawdown Notice under a Drawdown Equity Financing Agreement (the “Drawdown Equity Financing Agreement” or “DEFA”), also referred to as an Equity Line of Credit, that we have entered into with Auctus. The Drawdown Equity Financing Agreement permits us to sell shares of our common stock to Auctus enabling us to drawdown up to \$7,000,000 million from Auctus. We will not receive any proceeds from the sale of these shares of common stock offered by Auctus. However, we will receive proceeds from the sale of securities pursuant to each Drawdown Notice we send to Auctus. We will bear all costs associated with this registration.

Auctus is an “underwriter” within the meaning of the Securities Act of 1933, as amended (the “Securities Act”) in connection with the resale of our common stock under the Equity Line of Credit. Auctus will pay us 94% of the lowest closing “best bid” price of the common stock during the five consecutive trading days immediately following the date of our notice to Auctus of our election to put shares pursuant to the Drawdown Equity Financing Agreement.

Our shares of common stock are traded on the Over-the-Counter Bulletin Board (the “OTCBB”) under the symbol “CYIO.OB.” On July 6, 2010, the closing sale price of our common stock was \$0.025 per share.

This investment involves a high degree of risk. You should purchase shares only if you can afford a complete loss. See “Risk Factors” beginning on page 3.

The information in this prospectus is not complete and may be changed. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. No one may sell these securities nor may offers to buy be accepted until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer, solicitation or sale is not permitted.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is April __, 2010

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ITEM 3 - SUMMARY INFORMATION AND RISK FACTORS

This summary highlights information described more fully elsewhere in this prospectus. You should read the entire prospectus carefully. In this prospectus, "CYIOS," the "Company," "CYIOS Corp," "we," "us" and "our" refer to CYIOS Corporation, a Nevada corporation.

The Company

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.

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.

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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.

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.

Our principal executive offices are located at 1300 Pennsylvania Avenue, Suite 700, Washington, D.C. 20004, and our telephone number is (202) 204-3006. The address of our website is www.cyios.com. Information on our website is not part of this prospectus.

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.

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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.

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.

The transaction with Auctus

This prospectus relates to the resale of up to 3,500,000 shares of our common stock by Auctus (Investor). Auctus will obtain our common stock pursuant to a Drawdown Equity Financing Agreement (“DEFA”), effective March 24, 2010, entered into by Auctus and CYIOS. The company has paid the Auctus Seventy Five Hundred Dollars (\$7,500) in cash and has also issued to the Investor One Hundred Thousand (100,000) Shares of Restricted Common Stock as a non-refundable origination fee.

In connection with the DEFA, the Company has agreed to issue and sell to Auctus, and Auctus has committed to purchase from the Company, up to \$7,000,000 worth of the Company’s common stock (“Shares”), par value \$0.0001 per share over a three year period. We may not obtain the full \$7,000,000 in funding if our average trading price is too

low. There is no assurance that the market price of our commons stock will increase substantially in the near future. The number of commons shares that remains issuable is lower than the number of common shares we may need to issue in order to have access to the full amount under the Equity Line of Credit. Therefore, we may not have access to the remaining commitment under the equity line unless we amend our Articles of Incorporation to increase the number of authorized common shares and/or the market price of our common stock increases substantially. Based on our stock price as of July 6, 2010, the registration statement covers the offer and possible sale of only approximately \$87,500 of our shares at current market price of \$.025 per share. We are authorized to issue 100,000,000 shares of common stock and have 40,460,782 (19,483,988 in public float) shares issued and outstanding as of July 6, 2010. The number of common shares that remains issuable is lower than the number of common shares we need to issue in order to have access to the full amount under the Equity Line of Credit. Therefore, we may not have access to the remaining commitment under the equity line unless we amend our Articles of Incorporation to increase the number of authorized common shares and/or the market price of our common stock increase substantially

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The amount that the Company shall be entitled to request from each advance (“Advance”) shall be equal to, at the Company’s election, either (i) \$200,000 or (ii) 200% of the average daily volume (U.S. market only) of the common stock based on the ten (10) trading days preceding the Drawdown Notice Date (as defined in the DEFA), whichever is larger. The purchase price of the common stock shall be set at ninety-four percent (94%) of the lowest closing bid price of the common stock during the pricing period. The pricing period shall be the five (5) consecutive trading days immediately after the Drawdown Notice Date. If the average trading in our common stock is too low, it is possible that we may not be permitted to draw the full amount of proceeds of the drawdown of \$200,000, which may not provide adequate funding for our planned operations.

On the Advance Date, the Company shall deliver to the Investor the number of shares of the Common Stock registered in the name of the Investor as specified in the Drawdown Notice. In addition, the Company must deliver the other required documents, instruments and writings required. If the Company has not paid the fees, expenses, and disbursements of the Investor in accordance with the DEFA, Section 12.4, the amount of such fees, expenses, and disbursements may be deducted by the Investor directly out of the proceeds of the Advance with no reduction in the amount of shares of the Company’s Common Stock to be delivered on the Advance Date. The Company has certain obligations upon closing that must be met:

- The shares delivered to the Investor must be done so through a Deposit/Withdrawal at Custodian (DWAC) from a Deposit Trust Company and shares must have proof that they are free of restrictive legends.
- The Company’s Registration Statement with respect to the resale of the shares of Common Stock delivered in connection with the Advance shall have been declared
- The Company shall have obtained all material permits and qualifications required by any applicable state for the offer and sale of the Registrable Securities..
- The Company shall have filed with the SEC in a timely manner all reports, notices and other documents required.
 - All fees set forth in Section 12. 4 of the DEFA shall have been paid or withheld.
 - The Company’s transfer agent is DWAC eligible.

We believe that we will be able to meet all of the above obligations mandated in Section 2.3 of the DEFA (mentioned above). We are aware that if we fail to perform our obligations and we fail to deliver to the Investor on the Advance Date the shares of Common Stock corresponding to the applicable Advance, the Investor shall suffer financial hardship and therefore we acknowledge that we will be liable for any and all losses, commission, fees, interest, legal fees or any other financial hardships caused to the Investor. Fees and penalties for such losses (liquidated damages) to the Investor shall be paid by the Company in accordance with the following schedule:

Payments for Each Number of Days \$10,000 Worth of Common Stock Overdue

1	\$100
2	\$200
3	\$300
4	\$400
5	\$500
6	\$600
7	\$700

8	\$800
9	\$900
10	\$1000
Over 10	\$1000 + \$200 for each Business Day beyond the tenth day

Auctus shall immediately cease selling any shares within a Drawdown Notice if the price falls below seventy-five percent (75%) of the average closing bid price of the common stock over the preceding ten (10) trading days prior to the Drawdown Notice Date (the “Floor”). Notwithstanding, the Company, in its sole and absolute discretion, may waive its right with respect to the Floor and allow Auctus to sell any shares below the Floor Price. In the event that the Company does not waive its right with respect to the Floor, Auctus shall immediately cease selling any shares within the Drawdown Notice if the price falls below the Floor Price. The chart below depicts a quick view of the transaction and where to go for further information.

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Common stock offered:	Up to 3,500,000 shares of common stock, no par value, to be offered for resale by Auctus.
Common stock to be outstanding after this offering:	43,960,782 shares to be outstanding after this offering
Use of proceeds:	We will not receive any proceeds from the sale of the shares of common stock offered by Auctus. However, we will receive proceeds from the Equity Line of Credit. See “Use of Proceeds”.
Risk factors:	An investment in our common stock involves a high degree of risk. See “Risk Factors” of this prospectus.
OTC Bulletin Board symbol:	“CYIO.OB”

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ITEM 3 - RISK FACTORS

Investing in our shares is very risky. Before making an investment decision, you should carefully consider all of the risks described in this prospectus. If any of the risks discussed in this prospectus actually occur, our business, financial condition and results of operations could be materially and adversely affected. If this were to happen, the price of our shares could decline significantly and you might lose all or a part of your investment. Our forward-looking statements in this prospectus are also subject to the following risks and uncertainties. In deciding whether to purchase our shares, you should carefully consider the following factors, among others, as well as information contained in this prospectus, and our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q:

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.

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.

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ITEM 3 - 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 affect 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.

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.

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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.

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.

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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.

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.

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ITEM 3 - Risk Factors Related to Our Securities, the Equity Line of Credit and This Offering

We are registering an aggregate of 3,500,000 shares of common stock to be issued under the Equity Line of Credit. The sale of such shares could depress the market price of our common stock.

We are registering an aggregate of 3,500,000 shares of common stock under the registration statement of which this prospectus forms a part for issuance pursuant to the Equity Line of Credit. The sale of these shares into the public market by Auctus could depress the market price of our common stock. As of July 6, 2010, there were 40,460,782 shares of our common stock issued and outstanding.

We May Not Have Access to the Full Amount under the Equity Line.

On July 6, 2010, the closing price of our common stock was \$0.025. There is no assurance that the market price of our common stock will increase substantially in the near future. The entire commitment under the Equity Line of Credit is \$7,000,000. Presumably we will maintain the market price of our common stock at or around \$0.03 per share, we need to issue 233,333,333 shares of common stock to Auctus in order to have access to the full remaining amount under the Equity Line of Credit. We are authorized to issue 100,000,000 shares of common stock and have 40,460,782 (19,483,988 in public float) shares issued and outstanding as of July 6, 2010. The number of common shares that remains issuable is lower than the number of common shares we need to issue in order to have access to the full amount under the Equity Line of Credit. Therefore, we may not have access to the remaining commitment under the equity line unless we amend our Articles of Incorporation to increase the number of authorized common shares and/or the market price of our common stock increase substantially. In addition, based on our stock price as of July 6, 2010, the registration statement covers the offer and possible sale of only approximately \$87,500 of our shares at current market price of \$.025 per share.

Resulting dilutive risk since Auctus will pay less than the prevailing market price per share.

The common stock to be issued to Auctus pursuant to the Drawdown Equity Financing Agreement (“DEFA”) will be purchased at a six percent (6%) discount to the lowest closing “best bid” price of the common stock during the five consecutive trading days immediately following the date of our notice to Auctus of our Drawdown Notice. Auctus has a financial incentive to sell our common stock immediately upon receiving the shares to realize the profit equal to the difference between the discounted price and the market price. If Auctus sells the shares, the price of our common stock could decrease. If our stock price decreases, Auctus may have a further incentive to sell the shares of our common stock that it holds. These sales may have a further impact on our stock price. Auctus will not engage in short-selling because a floor price has been set and Auctus will immediately cease selling any shares if the stock price falls below seventy-five (75%) of the average closing bid price of the stock over the preceding ten (10) trading days prior to any Drawdown Notice.

There may not be sufficient trading volume in our common stock to permit us to generate adequate funds.

The Drawdown Equity Financing Agreement provides that the dollar value that we will be permitted to draw from Auctus will be either: (A) 200% of the average daily volume in the US market of the common stock for the twenty trading days prior to the Drawdown Notice, or (B) \$200,000. If the average daily trading volume in our common stock is too low, it is possible that we would only be permitted to draw \$200,000, which may not provide adequate funding for our planned operations. For example, if we were to request a Drawdown Notice based on a average price for the last 5 days of \$.025 per share, Auctus would pay 94% of that price or \$.024. In order to obtain \$200,000 shares, we would have to issue Auctus approximately 8,333,333 which is more than the amount we are requesting for this S-1 (3,500,000). We would only obtain \$87,500 in funding based on the 3,500,000 that we have requested in this S-1.

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The sale of our common stock to Auctus in accordance with the DEFA may have a dilutive impact on our shareholders. As a result, our net income per share could decrease in future periods and the market price of our common stock could decline. In addition, the lower our stock price is at the time we exercise our put option, the more shares of our common stock we will have to issue to Auctus in order to drawdown on the facility. If our stock price decreases, then our existing shareholders would experience greater dilution for any given amount raised through the offering.

Additionally, since Auctus will pay less than the prevailing market rate:

* The equity financing pricing mechanism used to determine sales price to Auctus will have a dilutive effect on the market price resulting in a decline in market price since Auctus will be paying 94% of the closing price of the common stock for 5 consecutive days following notice date. At the current market price of \$.025 per share (as of July 6, 2010), Auctus would pay \$.024 per share.

* Auctus will not be able to engage in short-selling because the selling price will be limited by the floor price that Auctus must stay above during its selling activities. Any short sales that do occur by other parties would cause the price of shares to further decline since trading would be generally low.

* We may be required to issue a substantial number of additional shares with each Advance from Auctus if our market price declines. At the current market price of \$.025, Auctus would pay \$.024 per share and we would have to issue 8,333,333 in shares for each request of \$200,000 in advances.

* Substantial dilution may occur in the event that our stock price falls and we must issue more shares in connection with additional Advances from Auctus.

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;
- 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.

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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;
- 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 the 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 exemptions 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.

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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.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. All statements, other than statements of historical fact, contained in this prospectus constitute forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “intend,” “might,” “will,” “should,” “could,” “would,” “expect,” “believe,” “estimate,” “predict,” “project,” “potential,” or the negative of these terms and similar expressions intended to identify forward-looking statements.

Forward-looking statements are based on assumptions and estimates and are subject to risks and uncertainties. We have identified in this prospectus some of the factors that may cause actual results to differ materially from those expressed or assumed in any of our forward-looking statements. There may be other factors not so identified. You should not place undue reliance on our forward-looking statements. As you read this prospectus, you should understand that these statements are not guarantees of performance or results. Further, any forward-looking statement speaks only as of the date on which it is made and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated events or circumstances. New factors emerge from time to time that may cause our business not to develop as we expect and it is not possible for us to predict all of them. Factors that may cause actual results to differ materially from those expressed or implied by our forward-looking statements include, but are not limited to, those described under the heading “Risk Factors” beginning on page 3, as well as the following:

- Our limited operating history and business development associated with being a growth stage company;
 - General economic and capital market conditions;
 - Our history of operating losses, which we expect to continue;
 - Our exposure to unanticipated and uncontrollable business interruptions;
- Our ability to generate enough positive cash flow to pay our creditors and continue our operations;
- Pricing and product actions taken by our competitors in either our organ and tissue preservation or alternative energy markets;
 - Our dependence on key personnel;
 - Financial condition of our prospective customers;
 - Our need to attract and retain technical and managerial personnel;
 - Customers’ perception of our financial condition relative to that of our competitors;
 - Our ability to execute our business strategy;
 - Changes in United States or foreign tax laws or regulations;
 - Our ability to protect our intellectual property and proprietary technologies;
 - Unforeseen liabilities resulting from litigation;
 - Costs associated with potential infringement claims asserted by a third party;
- Our ability to successfully complete the integration of any future acquisitions; and ability to protect, and build recognition of, our trademarks and trade names;
 - Our ability to project the markets for our products and services based upon estimates and assumptions.

Reliance on Management.

The investors will have no rights to participate in the management decisions of the Company; the shareholder will only have such rights as other shareholders.

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ITEM 4 - USE OF PROCEEDS

We will not receive any proceeds from the sale of common stock offered by Auctus. However, we will receive proceeds from the sale of our common stock to Auctus pursuant to the Drawdown Equity Financing Agreement.

Assuming a prevailing market price of \$.025 per share as of July 6, 2010, we propose to expend proceeds on the sale of 3,500,000 as follows:

	Proceeds if 100% shares sold	Proceeds if 50% sold
Gross proceeds	87,500	43,750
Offering expenses:		
Legal fees	5,000	2,500
Printing of prospectus	1,000	1,000
Accounting and auditing fees	1,000	1,000
Marketing and cost of sales	79,800	38,550
Transfer agent fees	500	500
Miscellaneous expenses	200	200
Total offering expenses	87,500	43,750
Net proceeds	-0-	-0-

Our primary reason for requesting the funding is for growth of the CYIOS subsidiary CKO. We need additional funding to pay for the marketing and additional staff expenses for our CYIPRO system. We need to hire marketing firms to help us market and advertise our product and we need to hire additional staff to work on our CYIPRO system and provide support to our customers. Our strategy is to market our product to the government telework coordinators and augment our services.

ITEM 5 - DETERMINATION OF OFFERING PRICE

The offering price, the market price, of the common stock bears no relationship to any objective criterion of value. The price does not bear any relationship to the Company's assets, book value, historical earnings, or net worth. In determining the offering price, management considered such factors as the prospects, if any, for similar companies, anticipated results of operations, present financial resources and the likelihood of acceptance of this offering. Accordingly, the offering price should not be considered an indication of the actual value of our securities.

ITEM 6 - Dilution

The sale of our common stock to Auctus in accordance with the Drawdown Equity Facility Agreement may have a dilutive impact on our shareholders. As a result, our net income per share could decrease in future periods and the market price of our common stock could decline. In addition, the lower our stock price is at the time we exercise our put option, the more shares of our common stock we will have to issue to Auctus. If our stock price decreases, then our existing shareholders would experience greater dilution for any given dollar amount raised through the offering.

The perceived risk of dilution may cause our stockholders to sell their shares, which would contribute to a decline in the price of our common stock. Moreover, the perceived risk of dilution and the resulting downward pressure on our stock price could encourage investors to engage in short sales of our common stock. By increasing the number of shares offered for sale, material amounts of short selling could further contribute to progressive price declines in our common stock.

Although the amount of shares that we may issue pursuant to the equity line will vary based on our stock price (the higher our stock price, the less shares we have to issue) the information set out below indicates the potential dilution of our shareholders if the full amount of the equity line is exercised.

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Dilution represents the difference between the offering price (market price) and the net tangible book value per share immediately after completion of this Offering. Net tangible book value is the amount that results from subtracting total liabilities and intangible assets (product development costs) from total assets. Dilution arises mainly as a result of our arbitrary determination of the Offering price of the shares being offered. Dilution of the value of the shares you purchase is also a result of the lower book value of shares of our common stock held by our existing shareholders.

As of March 31, 2010, the net tangible book value of our shares of common stock was approximately \$218,073, or approximately \$.01 per share based upon 35,698,877 shares outstanding as of March 31, 2010.

If 100% of the Shares are Sold (3,500,000 shares) at a market price of \$.024 (94% of \$.025 market price) per share:

Upon completion of this Offering, in the event all of the shares are sold, the net tangible book value of the 39,198,877 shares to be outstanding will be approximately \$419,693 or \$.001 per share. The net tangible book value of the shares held by our existing stockholders will remain at \$0.01 per share.

After completion of this Offering, if 3,500,000 shares are sold, investors in this Offering will own 8.93% of the total number of shares then outstanding for which they will have made a cash investment of \$87,500, or \$.025 per share. Our shareholders existing prior to this Offering will then own 91.07% of the total number of shares outstanding for which they made contributions of cash and liquidation of amounts owed to them totaling \$332,193 or \$.01 per share.

If 100% of the Shares are Sold (3,500,000 shares) at a market price of \$.0125 (50% decrease):

Upon completion of this Offering, in the event 100% of the Shares are sold at a market price of \$.0125 per share (a 50% decrease in market value), the net tangible book value of the 39,198,877 shares to be outstanding will be approximately \$375,943 or approximately \$0.01 per share. The net tangible book value of the shares held by our shareholders, existing prior to this Offering, will remain the same per share.

After completion of this Offering, if 3,500,000 shares are sold, investors in this Offering will own approximately 8.93% of the total number of shares then outstanding for which they will have made cash investment of \$43,750 or \$.0125 per share. Our shareholders who existed prior to this Offering will then own approximately 91.07% of the total number of shares outstanding, for which they made contributions of cash and liquidation of amounts owed to them totaling \$332,193 or approximately \$0.01 per share.

If 100% of the Shares are Sold (3,500,000 shares) at a market price of \$.00625 (75% decrease):

Upon completion of this Offering, in the event 100% of the Shares are sold at a market price of \$.00625 per share (a 75% decrease in market value), the net tangible book value of the 39,198,877 shares to be outstanding will be approximately \$335,068 or approximately \$0.01 per share. The net tangible book value of the shares held by our shareholders, existing prior to this Offering, will remain the same per share.

After completion of this Offering, if 3,500,000 shares are sold, investors in this Offering will own approximately 8.93% of the total number of shares then outstanding for which they will have made a cash investment of \$21,875 or \$.00625 per share. Our shareholders who existed prior to this Offering will then own approximately 91.07% of the total number of shares outstanding, for which they made contributions of cash and liquidation of amounts owed to them totaling \$332,193 or approximately \$0.01 per share.

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Existing Shareholders if all of the Shares are Sold at a market price of \$.025:

Price per share	\$0.025	
Net tangible book value per share before offering	\$332,193	
Potential gain to existing shareholders	\$87,500	
Net tangible book value per share after offering	\$419,693	
Increase to present shareholders in net tangible book value per share after offering	\$87,500	
Capital contributions	\$87,500	
Number of shares outstanding before the Offering	35,698,877	
Number of shares after Offering assuming the sale of 100% of shares offered	39,198,877	
Percentage ownership after Offering	91.07	%

Purchasers of Shares in this Offering if all Shares Sold at stock price of \$.025:

Price per share	\$0.025	
Dilution per share	\$0.01	
Capital Contributions	\$87,500	
Number of shares after Offering held by public investors	39,198,877	
Percentage of capital contributions by existing shareholders	79.15	%
Percentage of capital contributions by new investors	20.85	%
Percentage of ownership after Offering	8.93	%

Purchasers of Shares in this Offering if all Shares Sold at stock price decreased by 50% to \$.0125 per share:

Price per share	\$0.0125	
Dilution per share	\$0.00	
Capital Contributions	\$43,750	
Number of shares after Offering held by public investors	39,198,877	
Percentage of capital contributions by existing shareholders	88.36	%
Percentage of capital contributions by new investors	11.64	%
Percentage of ownership after Offering	8.93	%

Purchasers of Shares in this Offering if all Shares Sold if stock price decreased by 75% to \$.00625 per share:

Price per share	\$0.00625	
Dilution per share	\$0.00	
Capital Contributions	\$21,875	
Number of shares after Offering held by public investors	39,198,877	
Percentage of capital contributions by existing shareholders	93.82	%
Percentage of capital contributions by new investors	6.18	%
Percentage of ownership after Offering	8.93	%

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Net cash payments to the Company for shares issued to Auctus are shown as follows:

Net cash payments to CYIOS from Auctus

If 100% (3,500,000) of shares sold at \$.025 market price per share:

Total proceeds	\$87,500
less fee to Auctus--6%	\$5,250
Total net payments to Company	\$82,250

If 100% (3,500,000) of shares sold at \$.0125 market price per share (a 50% decrease):

Total proceeds	\$43,750
less fee to Auctus--6%	\$2,625
Total net payments to Company	\$41,125

If 100% (3,500,000) of shares sold at \$.00625 market price per share (a 75% decrease):

Total proceeds	\$21,875
less fee to Auctus--6%	\$1,313
Total net payments to Company	\$20,562

ITEM 7 - SELLING SECURITY HOLDERS

We agreed to register for resale shares of common stock of the selling security holder. The selling security holder may from time to time offer and sell any or all of their shares that are registered under this prospectus. The selling security holder and any participating broker-dealers are “underwriters” within the meaning of the Securities Act of 1933, as amended. All expenses incurred with respect to the registration of the common stock will be borne by us, but we will not be obligated to pay any underwriting fees, discounts, commissions or other expenses incurred by the selling security holder in connection with the sale of such shares.

The following table sets forth information with respect to the maximum number of shares of common stock beneficially owned by the selling security holder named below and as adjusted to give effect to the sale of the shares offered hereby. The shares beneficially owned have been determined in accordance with rules promulgated by the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. The information in the table below is current as of the date of this prospectus. All information contained in the table below is based upon information provided to us by the selling security holder and we have not independently verified this information. The selling security holder is not making any representation that any shares covered by the prospectus will be offered for sale. The selling security holder may from time to time offer and sell pursuant to this prospectus any or all of the common stock being registered.

Except as indicated below, the selling security holder has not held any position or office with us, nor are any of the selling security holder associates or affiliates of any of our officers or directors. Except as indicated below, the selling stock holder is not the beneficial owner of any additional shares of common stock or other equity securities issued by us or any securities convertible into, or exercisable or exchangeable for, our equity securities. The selling security holder is not a registered broker-dealer or an affiliate of a broker-dealer.

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For purposes of this table, beneficial ownership is determined in accordance with SEC rules, and includes voting power and investment power with respect to shares and shares owned pursuant to warrants exercisable within 60 days. The "Number of Shares Beneficially Owned After the Offering" column assumes the sale of all shares offered.

As explained below under "Plan of Distribution," we have agreed with the selling security holder to bear certain expenses (other than broker discounts and commissions, if any) in connection with the registration statement, which includes this prospectus.

Name	Number of Shares Beneficially Owned Prior to Offering (1)	Number of Shares Offered	Number of Shares Beneficially Owned after the Offering
Auctus Private Equity Fund, LLC (2)	100,000	3,500,000	0

(1) The actual number of shares of common stock offered in this prospectus, and included in the registration statement of which this prospectus is a part, includes such additional number of shares of common stock as may be issued or issuable upon draw downs under the Auctus credit facility.

(2) Al Sollami is a managing member of Auctus Private Equity Fund, LLC, and has sole voting and/or investment control over the securities Auctus owns in the company.

ITEM 8 - PLAN OF DISTRIBUTION

Drawdown Equity Finance Agreement / Registration Rights Agreement

On March 24, 2010, we entered into Drawdown Equity Finance Agreement and Registration Rights Agreement with Auctus Private Equity Fund, LLC in order to establish a possible source of funding for us. The equity line of credit agreement establishes what is sometimes also referred to as an equity drawdown facility. Auctus is subject to Regulation M.

Under the equity line of credit agreement, Auctus has agreed to provide us with up to \$7,000,000 of funding over a thirty-six (36) month period from the effective date of this prospectus; 3,500,000 shares of our common stock are being registered pursuant to this prospectus. Please Read in conjunction to this section, ITEM 3 – Risk Factors, specifically, Risk Factors Related to Our Securities, the Equity Line of Credit and This Offering. During this period, we may request a drawdown under the equity line of credit by selling shares of our common stock to Auctus and Auctus will be obligated to purchase the shares. We may request a drawdown once every five trading days, although we are under no obligation to request any drawdowns under the equity line of credit. There must be a minimum of five trading days between each drawdown request.

We may request a drawdown by sending a drawdown notice to Auctus, stating the amount of the draw down and the price per share, which shall be the lowest closing bid price of our common stock during the preceding five trading days. During the five trading days following a drawdown request, we will calculate the amount of shares we will sell to Auctus and the purchase price per share. The number of shares of Common Stock that Auctus shall purchase pursuant to each advance shall be determined by dividing the amount of the advance by the purchase price.

The purchase price per share of common stock will be set at ninety-four percent (94%) of the lowest closing bid of the common stock during the pricing period. Further, Auctus shall immediately cease selling any shares of our common stock within a drawdown notice if the price of the Company's common stock falls below 75% of the average closing bid price of the common stock over the preceding ten (10) trading days prior to the drawdown notice date; such floor can be waived only in the sole discretion of the Company.

There is no minimum amount we can draw down at any one time. The maximum amount we can draw down at any one time is the larger of \$200,000; or 200% of the average daily volume based on the trailing ten days preceding the drawdown notice date.

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Upon effectiveness of the Registration Statement, the Company shall deliver Instructions to its transfer agent to issue shares of Common Stock to the Investor free of restrictive legends on or before each advance date.

Pursuant to the Drawdown Agreement, Auctus and its affiliates shall not be issued shares of the Company's common stock that would result in its beneficial ownership equaling more than 4.99% of the outstanding common stock of the Company.

Per section 3.10 of the DEFA, Auctus will not enter into any short selling or any other hedging activities during the pricing period. Auctus does have the ability to promptly sell shares corresponding to the drawdown notices during the pricing period.

The obligation of Auctus to make an advance to the Company pursuant to the Drawdown Agreement shall terminate permanently in the event that (i) there shall occur any stop order or suspension of the effectiveness of this registration statement for an aggregate of fifty (50) trading days, other than due to the acts of Auctus, during the commitment period, or (ii) the Company shall at any time fail materially to comply with the requirements contained in the Drawdown Agreement and such failure is not cured within thirty (30) days after receipt of written notice from the Investor, provided, however, that the termination provision shall not apply to any period commencing upon the filing of a post-effective amendment to this registration statement and ending upon the date on which such post-effective amendment is declared effective by the SEC.

On March 24, 2010 the Company signed a Registration Rights Agreement with Auctus requiring, among other things, that the Company prepare and file with the SEC Form S-1/A, or on such other form as is available no later than one hundred and twenty (120) days after signing. In addition, the Company shall use all commercially reasonable efforts to have the Registration Statement(s) declared effective by the SEC within one hundred and twenty (120) calendar days from the date that the Registration Statement is filed with the SEC.

As per the Drawdown Agreement, none of Auctus's obligation thereunder are transferrable and may not be assigned to a third party.

Again, there is no assurance that the market price of our common stock will increase substantially in the near future. The entire commitment under the Equity Line of Credit is \$7,000,000. Presumably if we maintain the market price of our common stock at or around \$0.025 per share, we need to issue 280,000,000 shares of common stock to Auctus in order to have access to the full remaining amount under the Equity Line of Credit. We are authorized to issue 100,000,000 shares of common stock and have 40,460,782 (19,483,988 in public float) shares issued and outstanding as of July 6, 2010. The number of common shares that remains issuable is lower than the number of common shares we need to issue in order to have access to the full amount under the Equity Line of Credit. Therefore, we may not have access to the remaining commitment under the equity line unless we amend our Articles of Incorporation to increase the number of authorized common shares and/or the market price of our common stock increase substantially. In addition, based on our stock price as of July 6, 2010, the registration statement covers the offer and possible sale of only approximately \$87,500 of our shares at current market price of \$.025 per share.

ITEM 9 - DESCRIPTION OF SECURITIES

General

Our authorized capital stock consists of 100,000,000 shares of common stock at a par value of \$0.0001 per share and 5,000,000 shares of convertible preferred shares. There are no provisions in our charter or by-laws that would delay, defer or prevent a change in our control.

Common Stock

As of December 31, 2009, 35,148,877 shares of common stock are issued and outstanding and held by 102 stockholders. Holders of our common stock are entitled to one vote for each share on all matters submitted to a stockholder vote.

Holders of common stock do not have cumulative voting rights. Therefore, holders of a majority of the shares of common stock voting for the election of directors can elect all of the directors. Holders of our common stock representing a majority of the voting power of our capital stock issued and outstanding and entitled to vote, represented in person or by proxy, are necessary to constitute a quorum at any meeting of our stockholders. A vote by the holders of a majority of our outstanding shares is required to effectuate certain fundamental corporate changes such as liquidation, merger or an amendment to our Articles of Incorporation.

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Holders of common stock are entitled to share in all dividends that the board of directors, in its discretion, declares from legally available funds. In the event of liquidation, dissolution or winding up, each outstanding share entitles its holder to participate pro rata in all assets that remain after payment of liabilities and after providing for each class of stock, if any, having preference over the common stock. Holders of our common stock have no pre-emptive rights, no conversion rights and there are no redemption provisions applicable to our common stock.

Dividends

Since inception we have not paid any dividends on our common stock. We currently do not anticipate paying any cash dividends in the foreseeable future on our common stock, when issued pursuant to this offering. Although we intend to retain our earnings, if any, to finance the exploration and growth of our business, our Board of Directors will have the discretion to declare and pay dividends in the future. Payment of dividends in the future will depend upon our earnings, capital requirements, and other factors, which our Board of Directors may deem relevant.

Warrants

There are no outstanding warrants to purchase our securities.

Options

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.

Preferred Stock

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.

MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Our common stock is listed on the OTCBB under the symbol "CYIO.OB". The following table sets forth, for the periods indicated, the high and low bid prices for our common stock on the OTCBB as reported by various Bulletin Board market makers. The quotations do not reflect adjustments for retail mark-ups, mark-downs, or commissions and may not necessarily reflect actual transactions.

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	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

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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 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.

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

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Recent Sales of Unregistered Securities

In 2009, 800,000 shares were sold to an individual investor, any other shares issued in 2009 were issued to consultants and employees for services rendered. In 2010, 100,000 shares were given to Auctus as payment for the origination fee for the DEFA.

Purchases of Equity Securities

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

PENNY STOCK RULES

The Securities and Exchange Commission has also adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or quoted on the Nasdaq system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system).

A purchaser is purchasing penny stock, which limits the ability to sell the stock. The shares offered by this prospectus constitute penny stock under the Securities and Exchange Act. The shares will remain penny stocks for the foreseeable future. The classification of penny stock makes it more difficult for a broker-dealer to sell the stock into a secondary market, which makes it more difficult for a purchaser to liquidate his/her investment. Any broker-dealer engaged by the purchaser for the purpose of selling his or her shares in us will be subject to Rules 15g-1 through 15g-10 of the Securities and Exchange Act. Rather than creating a need to comply with those rules, some broker-dealers will refuse to attempt to sell penny stock.

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document, which:

- Contains a description of the nature and level of risk in the market for penny stock in both Public offerings and secondary trading;
- Contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the Securities Act of 1934, as amended;
- Contains a brief, clear, narrative description of a dealer market, including "bid" and "ask" price for the penny stock and the significance of the spread between the bid and ask price;
 - Contains a toll-free number for inquiries on disciplinary actions;
 - Defines significant terms in the disclosure document or in the conduct of trading penny stocks; and
- Contains such other information and is in such form (including language, type, size and format) as the Securities and Exchange Commission shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, to the customer:

- The bid and offer quotations for the penny stock;

- The compensation of the broker-dealer and its salesperson in the transaction;
- The number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and
- Monthly account statements showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgement of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement. These disclosure requirements will have the effect of reducing the trading activity in the secondary market for our stock because it will be subject to these penny stock rules. Therefore, stockholders may have difficulty selling their securities.

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ITEM 10 - INTEREST OF NAMED EXPERTS AND COUNSEL

None of the experts named herein was or is a promoter, underwriter, voting trustee, director, officer or employee of CYIOS Corp. Furthermore, none of the experts was hired on a contingent basis and none of the other experts named herein will receive a direct or indirect interest in CYIOS.

ITEM 11 – Information with Respect to the Registrant.

TRANSFER AGENT

The Transfer Agent and Registrar for the common stock is

Corporate Stock Transfer
3200 Cherry Creek Drive South
Suite 430
Denver, CO 80209
303-282-4800 (phone)
303-777-3094 (fax).

AUDITORS

Our financial statements as of December 31, 2009 and for the periods then ended, have been included in this prospectus and in the registration statement filed with the Securities and Exchange Commission in reliance upon the reports of our independent registered public accounting firm, dated February 23, 2010 and April 9, 2009 upon authority as experts in accounting and auditing. Jewitt Schwartz Wolfe and Associates and Baum & Co., PA and report on the financial statements can be found at the end of this prospectus and in the registration statement.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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 registration statement. 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 registration statement, including information regarding our plans and strategy for our business, constitute forward-looking statements. See "Note Regarding Forward-Looking Statements."

Overview

CYIOS does business as a leading systems integrator and Knowledge Management Solutions provider supporting the United States Army. All of CYIOS' revenue is derived from the services it provides for single and multiple year awards to different US Army and US Government agencies. CKO, Inc., one of the CYIOS subsidiaries provides a designed online office management product which is known as CYIPRO. For the three ended March 31, 2010 and 2009, CYIOS received no revenue from CYIPRO.

Results of Operations

Sales/Net Profit

Revenue: Total sales for the 1st quarter 2010 were \$446,276 as compared to \$374,923 in sales for the 1st quarter 2009, an increase of approximately 19.03%. The overall increase in sales was due to the Company winning new contracts in 2009.

Cost of Sales: Cost of sales for the 1st quarter ended March 31, 2010 were \$266,299, resulting in a gross profit of \$179,977 (40.33% gross profit margin) compared to cost of sales for the 1st quarter ended March 31, 2009 of \$218,508, resulting in a gross profit of \$156,415 (41.72% gross profit margin). Cost of sales have increased for the 1st quarter in 2010 as compared to 2009 by approximately 21.87% overall. Cost of sales consists solely of direct labor expense which can best be described as contracted services being rendered. We have to pay higher than average salaries to employ the best trained staff and we must also offer the best benefits for these staff.

Indirect Labor: Indirect labor expense increased by \$47,137 or approximately 42.49% to \$158,070 for the 1st quarter ended March 31, 2010 from \$110,933 for the 1st quarter ended March 31, 2009. The increase is a direct result of the hiring of a new administrative staff person. A stock bonus was paid to our CEO and president. The company's board authorized the issuance of 5,000,000 shares valued at \$.07 per share or \$350,000 in total.

Consulting and Professional Fees: Consulting and professional fees for the 1st quarter ended March 31, 2010 was \$23,380 as compared to \$5,156 for the 1st quarter ended March 31, 2009, resulting in an increase of \$23,224. The overall increase from 2010 to 2009 was a result of an increase in our use of consultants' services.

Depreciation and Interest Expense: Interest expense for the 1st quarter ended March 31, 2010 was \$2,647, as compared to \$4,864 for the 1st quarter ended March 31, 2009. The reduction is a result in the reduction of the principal balance on the Lines of Credit. Depreciation expense for the 1st quarter ended March 31, 2010 was \$196 as compared to \$196 for the same quarter ended March 31, 2009.

Selling, General, and Administrative: Selling, general and administrative expenses for the 1st quarter ended March 31, 2010 was \$28,254 as compared to \$17,869 for the 1st quarter ended March 31, 2009—an increase of \$10,385 or approximately 58.12%. Selling, general, and administrative expenses consist primarily of advertising, conference fees, fees, insurance, office supplies, rent, and travel and entertainment expenses.

Net Income/(Loss) from Operations: Net loss for the 1st quarter ended March 31, 2010 was \$400,430 as compared to a net loss of \$14,837 for the 1st quarter ended March 31, 2009—an increase of \$385,593. Although our sales were up we had an increase in expenses during the quarter. The increase in expenses is primarily due to the fact that we incurred expenses in the form of stock compensation totaling \$364,167; an increase in our indirect labor costs; an increase in our consulting expenses; and an increase in our selling, general and administrative expenses. We plan on reducing our expenses and only incurring expenses when necessary so that we can become profitable for the remainder of 2010.

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LIQUIDITY AND CAPITAL RESOURCES

Liquidity: At March 31, 2010, CYIOS had cash and cash equivalents of \$31,961, compared with \$7,232 at March 31, 2009, an increase of \$24,729.

During the three months ending March 31, 2010, cash used in operating activities was \$89,660, consisting primarily of the net loss for the three months ended March 31, 2010 of \$400,430 offset by non-cash charges to:

- Depreciation charges of \$196;
- Stock based compensation in the amount of \$374,000;
- Working capital changes of \$63,426, consisting of a net increase of \$65,705 in Accounts Receivable and Other Assets and a net increase of \$2,279 in Accrued Expenses, Payroll Taxes Payable, and Accounts Payable.

Financing activities for the three months ended March 31, 2010 provided cash in the amount of \$45,173, consisting of:

- Proceeds from the issuance of a Convertible Note Payable in the amount of \$50,000 less.
- Payments made on the Line of Credit in the amount of \$4,827.

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 quarter ended March 31, 2010, 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.

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.

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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 at a rate of \$1,476 per month. There are two 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.

LEGAL PROCEEDINGS

None of the executive officers of the Company (i) has been involved as a general partner or executive officer of any business which has filed bankruptcy petition; (ii) has been convicted in any criminal proceeding nor is subject to any pending criminal proceeding; (iii) has been subjected to any order, judgment or decree of any court permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and (iv) has been found by a court, the United States Securities and Exchange Commission or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law.

Gersten Savage, LLP, an independent legal counsel, has provided an opinion on the validity of CYIOS Corporation's common stock.

Legal – Peter J. Gennuso, Esq
Gersten Savage, LLP
600 Lexington Avenue
New York NY 10022-6018
212-752-9700 (office)
212-980-5192 (fax)

ITEM 11 - SUMMARY FINANCIAL INFORMATION

The summary financial information set forth below is derived from the detailed financial statements appearing elsewhere in this prospectus. This information should be read in conjunction with those financial statements and related notes, and the "use of Proceeds" and "Plan of Operation" sections included in the prospectus.

	As of March 31,	
	2010	2009
Balance Sheet Data:		
Cash and cash equivalents	\$ 31,961	\$ 7,232
Property and equipment net of depreciation	2,024	2,808
Total assets	550,266	410,077
Total liabilities	218,073	197,882
Stockholders' Equity	332,193	212,195

STATEMENT OF OPERATIONS DATA

	For the 3 months ending March 31,	
	2010	2009
Revenues	\$ 446,276	\$ 374,923

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Total cost and expenses	845,366	367,562
Other Income (Expense)	(1,340)	(3,598)
Net Loss from Continuing Operations	(400,430)	3,763
Net Income (Loss)	(400,430)	3,763
Net Income/(Loss) per share—basic and fully diluted \$	0.00	\$ 0.00

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MANAGEMENT

The following table sets forth information regarding our executive officers and directors as of March 31, 2010.

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 ten 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.
- Any judicial or administrative proceedings resulting from involvement in mail or wire fraud or fraud in connection with any business entity;
- Any judicial or administrative proceedings based on violations of federal or state securities, commodities, banking or insurance laws and regulations, or any settlement¹¹⁴ to such actions; and
 - Any disciplinary sanctions or orders imposed by a stock, commodities or derivatives exchange or other self-regulatory organization.

Term of Office

Our directors are appointed for a one-year term to hold office until the next annual general meeting of our stockholders or until removed from office in accordance with our bylaws. Our officers are appointed by our board of directors and hold office until removed by the board.

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Current Issues and Future Management Expectations

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.

Summary Compensation Table

Name and principal position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity	Non-qualified	All	Total Compensation (\$)
						Incentive Plan Compensation (\$)	Deferred Earnings Compensation (\$)	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	Option Awards				Stock Awards				Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested (\$)
	Number of securities underlying unexercised options (#)	Number of securities underlying unexercised options (#)	Equity Incentive Plan Awards: Number of Securities unexercised options (#)	Exercise price (\$)	Option expiration date	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 (#)	
Timothy Carnahan, Chief Executive Officer	--	--	--	--	--	--	--	--	--

Officer

Director Compensation