

CYIOS CORP  
Form 10KSB  
April 17, 2007

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

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FORM 10-KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR FISCAL YEAR ENDED DECEMBER 31, 2006

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 000- 27243

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CYIOS CORPORATION  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of incorporation or organization)

03-7392107  
(I.R.S. Employer Identification No.)

1300 Pennsylvania Ave, Suite 700 Washington DC 20004  
(Address of principal executive offices) (Zip Code)

(703) 294-9933  
(Issuer's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: COMMON STOCK, \$0.001 PAR VALUE

(Title of Class)

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements

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incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Indicate by check mark whether the registrant is a shell company YES  NO

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT (CHECK ONE) YES  NO

CYIOS Corporation's Revenue for the most recent fiscal year ended December 31, 2006 was \$1,709,907

On December 31, 2006, the aggregate market value of the voting stock of CYIOS Corporation (consisting of common stock, \$0.001 par value) held by non-affiliates of the Registrant (3,402,531 shares) was approximately \$850,632.75 based on the closing price for such common stock (\$0.25) on said date as reported by the OTC Bulletin Board.

As of December 31, 2006, there were 23,356,210 outstanding common shares of CYIOS Corporation common stock.

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## Table of Contents

<u>FORWARD LOOKING STATEMENTS</u>	3
<u>Part I</u>	3
<u>ITEM 1. DESCRIPTION OF BUSINESS</u>	3
<u>ITEM 2. Description of Property</u>	6
<u>ITEM 3. LEGAL PROCEEDINGS</u>	6
<u>ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	6
<u>PART II</u>	7
<u>ITEM 5. Market for Common Equity &amp; related Stockholder matters</u>	7
<u>ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	7
<u>ITEM 7. FINANCIAL STATEMENTS.</u>	8
<u>INDEPENDENT AUDITOR'S REPORT</u>	8
<u>Consolidated Balance Sheet</u>	9
<u>Consolidated Statement of Operations</u>	10
<u>Consolidated Statement of Cash Flow</u>	11
<u>Consolidated Statement of Stockholders' Equity</u>	12
<u>NOTES to consolidated financial statements</u>	13
<u>NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>	13
<u>NOTE B—SUPPLEMENTAL CASH FLOW INFORMATION</u>	17
<u>NOTE C—FINANCING FACILITY</u>	17
<u>NOTE D—INCOME TAXES</u>	17
<u>NOTE D—INCOME TAXES (CONT'D)</u>	18
<u>NOTE E—GOING CONCERN</u>	19
<u>NOTE F—CONCENTRATION</u>	19
<u>NOTE G—SEGMENT REPORTING</u>	19
<u>NOTE H—EQUITY</u>	20
<u>NOTE K—PENSION PLAN</u>	20
<u>NOTE L—COMMITMENTS/LEASES</u>	20
<u>NOTE M—SHAREHOLDER LOANS</u>	20
<u>NOTE N—ACCOUNTS PAYABLE</u>	21
<u>NOTE O—LINE OF CREDIT</u>	21
<u>NOTE L—TAXES PAYABLE AND PAYROLL TAXES PAYABLE</u>	21
<u>NOTE M—SUBSEQUENT EVENTS</u>	22
<u>ITEM 8. Changes in and disagreements with accountants and on accounting and financial disclosure</u>	22
<u>Item 8A. CONTROLS AND PROCEDURES</u>	23
<u>Item 8B OTHER INFORMATION - none</u>	23
<u>PART III</u>	24
<u>ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT</u>	24
<u>ITEM 10. EXECUTIVE COMPENSATION</u>	25
<u>ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	26
<u>ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	26
<u>ITEM 13. EXHIBITS</u>	27
<u>ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	27
<u>SIGNATURE</u>	27

Table of Contents

**FORWARD LOOKING STATEMENTS**

In addition to historical information, this Report contains forward-looking statements. Such forward-looking statements are generally accompanied by words such as "intends," "projects," "assumes," "believes," "anticipates," "plans," and similar terms that convey the uncertainty of future events or outcomes. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in ITEM 6 of this Report, the section entitled "MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof and are in all cases subject to the Company's ability to cure its current liquidity problems. There is no assurance that the Company will be able to generate sufficient revenues from its current business activities to meet day-to-day operation liabilities or to pursue the business objectives discussed herein.

The forward-looking statements contained in this Report also may be impacted by future economic conditions. Any adverse effect on general economic conditions and consumer confidence may adversely affect the business of the Company.

CYIOS Corporation undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Factors that could cause actual results or conditions to differ from those anticipated by these and other forward-looking statements include those more fully described in the "Risk Factors" section and elsewhere in this report. In addition, readers should carefully review the risk factors described in other documents the Company files from time to time with the Securities and Exchange Commission.

**Part I**

**ITEM 1. DESCRIPTION OF BUSINESS**

**CORPORATE HISTORY**

Corporate History prior to Jan 1, 2005 can be found in the company's previous 10KSB amended filing on June 3, 2005 with the Securities and Exchange Commission.

The company had filed a 14C and has obtained written consent from the majority of the stockholders as of April 7, 2005, approving (i) a reverse split of the Company's common stock at a ratio of 1:30 (the "Reverse Split"), and (ii) an amendment to the Company's Articles of Incorporation changing the name of the Company to "China Print Inc." The Board of Directors of the Company unanimously approved the Name Change on March 31, 2005 and the Reverse Split on April 1, 2005.

In June of 2005, management of WorldTeq Group International, then called China Print, Inc. was informed by council that Harbin Yinhai decided not to complete the merger transaction because the company was then listed on the pink sheets and not the OTC-BB as the original agreement had called for. Management decided to keep the name China Print, Inc. while searching for a new merger acquisition candidate.

On September 19, 2005, China Print, Inc. ("CHPR") entered into an agreement with CYIOS Corporation, a District of Columbia corporation and Timothy Carnahan, whereby CHPR would acquire 100% of the issued and outstanding capital stock of CYIOS in exchange for 19,135,000 common shares of stock in CHPR.

On September 27, 2005 the Corporation's board of directors approved a resolution calling on the stockholders of the Corporation to authorize the board of directors to change the Corporation's name to CYIOS Corporation. On September 27, 2005, the holders of a majority of the outstanding shares of the Corporation's common stock entitled to vote thereon executed a written consent in accordance with Nevada law to adopt the amendment to the Corporation's articles of incorporation.

Table of Contents

BUSINESS OVERVIEW

CYIOS Corporation, a Nevada corporation (“CYIOS”) is a holding company made up of two operating subsidiaries: CYIOS Corporation and CKO Corporation. CYIOS Corporation, which bears the same name as the parent company, is an Information Technology (IT) Systems Integrator currently supporting the Department of Defense (DoD) community. CKO is the product arm of CYIOS that offers CKO, an online office management tool for project and knowledge management (KM), collaboration, scheduling and reporting. Currently CYIOS, the holding company, still owns WorldTeq Corporation which was inherited by current management during the acquisition by China Print, Inc. Management has decided to close WorldTeq Corporation sometime by the end 2007. WTC is a dormant entity which has ceased operating in October of 2005. Aero-Financial has agreed to assume \$611K of the WorldTeq Corporation debt per the merger and the 8-K filed September, 2005.

Additional information on CYIOS DC, the subsidiary:

CYIOS Corporation is recognized as a premier IT solutions provider for the DoD. Established in 1994 CYIOS has worked closely with the United States military as a small business contractor providing innovative and comprehensive solutions for the Army’s General Officers and other high-level agencies. CYIOS DC wins its business through bidding against other companies for federal and state government contracts. These bids may be done independently or through teaming arrangements with other contractors.

Timothy Carnahan, president and CEO of CYIOS, has over 13 years of executive and technical experience with the highest levels of the U.S. government. When supporting the General Officer Management Office, Mr. Carnahan designed and implemented the first knowledge management system for the Army, America’s Army Online, which became the core for Army Knowledge Online (AKO), the portal that supports over 1.8 million soldiers and civilians worldwide. AKO has become the KM paradigm for the Department of Defense (“DoD”) as it has been an acclaimed success in its worldwide support of the Army. The DoD will increase its KM spending from \$387 million in FY 2005 to \$524 million in FY 2010, representing a growing market for CYIOS, where KM is the company’s core competency in both product and service support.

With KM as a major focal point for CYIOS, 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. Knowledge Management involves data mining and some method or operation to share information among users.

CYIOS uses its 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. The first and most important part of the company’s growth strategy is its recent bid with the Department of Homeland Security (DHS).

Additional information on CKO Incorporated:

CKO Corporation launched its CKO product the third week of November 2005. CKO is a robust and user-friendly knowledge management solution created by the same experts who created the original AKO product. The solution has been created for both the government and commercial market. The company operates the site <http://ckoapp.cyios.com> where customers can sign up for a free 30-day trial.

CKO 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 CKO, users can manage their entire organization online. Employees access the organization via a virtual CKO from any computer with an Internet connection and web browser. The result: connected, organized and effective business practices.

Table of Contents

The tools of our full online office suite include Email, 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. CKO removes the dependency of working from an organization's office, which frees employees to access their email, documents, projects, contacts, and reports from any geographic location at anytime. Operational costs are also reduced as CKO helps small businesses eliminate the burdensome expenses of owning and maintaining servers, associated software, and an internal or outsourced IT staff.

RECENT DEVELOPMENTS

In April of 2006, CYIOS received certification as a Microsoft Small Business Specialist. Not only does this help the company become more valuable as it reaffirms the company as an expert in its areas of specialty, but also it will help increase business, especially in the commercial sector as Microsoft offers very aggressive sales assistance programs to its small business specialist partners. Recently this has become more significant as the company works with Microsoft on its recent efforts to convert its product, CKO, to work on MS Mobile 5.0/6.0 software for mobile phone PDA's.

In May of 2006, CYIOS was awarded a \$400k, 1 year follow-on contract at the Headquarters Department of the Army Information Management Support Center (IMCEN). The program, End-User Workstation Survey and Post Installation Quality Assurance, makes CYIOS responsible for the inventory assets of over 10,000 Headquarters, Department of the Army customer desktop devices in the preparation for upgrade or replacement; conduct post-installation quality assurance surveys to gauge customer satisfaction; and provide technical support and training to end users for desktop-related issues after an upgrade or replacement.

In June of 2006, CYIOS was awarded a contract to perform work for the U.S. Army's Senior Leadership Development (SLD) under operational control of the Chief of Staff, Army (CSA). The contract is valued at up to \$1 million with over \$300,000 invoiced by the date of this filing. CYIOS designed and now supports the General Officer Management Office (GOMO) Knowledge Management system. The CSA approved, and the Secretary of the Army endorsed, the realignment of GOMO to include Colonels Division, Officer Personnel Management Directorate, U.S. Army Human Resources Command (HRC) to form the Army Senior Leader Development Office (SLD). CYIOS has been recognized for delivering quality work, outstanding customer service, and ingenuity; and this initiative is to expand its efforts to build a knowledge management system for the Colonel's Branch of SLD.

In July of 2006, CYIOS received a score of 94/100 from the Dun & Bradstreet Open Ratings Past Performance Evaluation. CYIOS scored over 90% in every performance category, including reliability, cost, order accuracy, delivery/timeliness, quality, business relations, personnel, customer support and responsiveness.

In September of 2006 CYIOS Corporation entered into an agreement to set up and own 25% of a joint venture called CLNS LLC. The company retained InterPlan Systems to co-write a proposal for a multi-billion dollar, multi- award contract with a large Federal Agency for this new entity. This joint-venture includes three other small business DoD contractors. This unique arrangement was created to allow a better chance of winning the contract as the past performance from all four company's combined offered a very solid proposal. Awards are expected August or September 2007.

In January of 2007 CYIOS started off the new year with signing a subcontract providing Change Management services worth \$225,000 a year. The work is being performed for DHS and is part of a subcontract with one of the top 10 government contractors.

In February of 2007 CYIOS once again used the services of InterPlan Systems to co-write a proposal for a U.S. Navy agency. This is a large multi-award contract with award decisions expected by the end of the second quarter of 2007.



In March of 2007 CYIOS was awarded a new one-year task order by the Department of Defense, U.S. Army for \$330,000. This task order was awarded on Tuesday, March 28, 2007. The company has the opportunity to get this task order renewed two more times, which would ultimately put the total value at approximately \$1 million over three years.

Table of Contents

2006 EMPLOYEES

As of December 31, 2006 there 22 full time employees in CYIOS Corporation and its subsidiaries in the following capacities:

3.75 full time employees in Executive Management and administration staff; and

1.25 full time in product development and technical operations; and

17 full time employees that are on service contracts on either prime or subcontracted contracts with the United States Government. These employees include but are not limited to:

Quality Assurance Specialist	Senior Software Developer
Project Manager	Database Administrator
Principal Engineer	Internet Developer
Senior Systems Engineer	Software Developer
LAN/WAN Engineer	Application Testing Engineer III
Computer Analyst	Application Testing Engineer II
Systems Administrator	Application Testing Engineer I
Business Analyst III	Technical Writer / Editor
Business Analyst II	Document Publisher
Business Analyst I	

There are no collective bargaining agreements in effect. We believe the relationships with our employees are excellent.

**ITEM 2. Description of Property**

Real Estate: CYIOS Corporation does not have any ownership on physical property. Headquarters is located at leased space at The Ronald Reagan Building, 1300 Pennsylvania Ave, Suite 700 Washington DC 20004.

**INTELLECTUAL PROPERTY**

The Company's subsidiary CKO Incorporate is the sole owner of 100% of the intellectual property rights of its online software, CKO. CKO is copyright protected and the company is currently considering the feasibility of patenting certain currently confidential processes used within CKO.

**ITEM 3. LEGAL PROCEEDINGS**

During 2006 CYIOS Corporation was involved in a trademark infringement with XO Communications; it has been resolved in an equitable manner. None of its subsidiaries were involved in any lawsuits or litigation.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters were submitted during the fourth quarter of the fiscal year covered by this Report to a vote of security holders, through the solicitation of proxies or otherwise. The annual shareholder meeting has been postponed to a date in the near future.



Table of Contents

**PART II**

**ITEM 5. Market for Common Equity & related Stockholder matters**

The company trades on the Over the Counter Bulletin Board market

The closing price of our common stock on the OTC was \$0.25 as of December 31, 2005.

We have not declared any cash dividends on the common stock. We intend to retain future earnings, if any, for use in our business and do not anticipate paying regular cash dividends on the common stock.

Approximately 3,500,000 shares of common stock issued to stockholders are available for resale under Rule 144, subject to notice, volume and manner of sale restrictions under that rule. As of December 31, 2006, the Company had approximately 23,356,210 shares issued and outstanding of the common stock. As of December 31, 2006, we had approximately 150 holders of our common stock. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, and registered clearing agencies. The transfer agent for the Company is Corporate Stock Transfer, Inc. at 3200 Cherry Creek Drive South, Suite 430, Denver, Colorado 80209.

**RECENT SALE OF UNREGISTERED SECURITIES:**

There were \$0.00 sales made of restricted and unregistered common stock during the year ended December 31, 2006.

**OPTIONS AND WARRANTS:** There were 1,872,300 options or warrants issued during the year ended December 31, 2006.

**ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the financial statements, related notes, and other detailed information included elsewhere in this Form 10-KSB. Certain information contained below and elsewhere in this Form 10-KSB, including information regarding our plans and strategy for our business, are forward-looking statements. See "Note Regarding Forward-Looking Statements."

**MANAGEMENTS DISCUSSION AND ANALYSIS**

The total sales for CYIOS' two active subsidiaries CYIOS the subsidiary and CKO Inc, is explained in detail below, total 2006 was \$1,709,907 compared to 2005 that was \$2,298,802.

The sales for CYIOS subsidiary for the year ending December 31, 2006 is 1,709,907 decreased \$63,895 from the equivalent period in 2005 which was \$1,773,802. The sales for CKO Inc subsidiary decreased from \$0 in 2006 from the equivalent period in 2005 which was \$525,000; however, \$525,000 was never collected. CKO has no revenue coming in at this time. CYIOS was awarded a contract that only has been active for part of the year in 2006. This is important to note that as we reduced our overhead due to the award and had more revenue coming into 4QTR in 2006. Our net loss for the year ending December 31, 2006 was \$889,357 or \$0.004 per share, compared to \$271,573 for the equivalent period in 2005 or \$0.001 per share. The \$889,357 net loss is primarily due to our third subsidiary, WorldTeq Corporation.

In addition to the WorldTeq debt, the loss in 2006 was primarily due to the company's investment in the development of the company's product CKO and costs incurred from the acquisition. During 2006 management made the decision

to expand its operations by attempting to increase its business with the DoD and the rest of the Federal Government. In order to achieve this goal the company must actively bid on request for proposals by the different departments and their agencies. The company has and continues to invest all of its earnings into additional personnel to help achieve this goal. The current financial result of this is a net operating loss which should be re-cooped in future revenues and profits driven by awards. While this type of investment can be fruitful, the company must exude patience, because the cycle of an award of a government contract can be as long as 12 to 18 months. It should be also noted that CYIOS, by using the benefits of its own product CKO, can expand its contract business more then three-fold without having to add any additional overhead expenditures. The costs of running a new contract would only include that of compensation for the contracted personnel.

Cost of sales for the year ended December 31, 2006 increased from the equivalent period in 2005 from 145,693 to 432,360. This increase is due to the 2005 merger. Selling, general and administrative expenses for the period ending December 31, 2006 decreased from the equivalent period in 2005, \$252,987 and \$536,490 respectively. This is also due to the 2005 merger.

Table of Contents

**ITEM 7. FINANCIAL STATEMENTS.**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Stockholders  
CYIOS Corporation (FKA China Print, Inc.), Inc. and Subsidiaries

I have audited the accompanying consolidated balance sheets of CYIOS Corporation (FKA China Print, Inc.) and Subsidiaries as of December 31, 2006, and the related consolidated statements of operations, stockholders' deficit and comprehensive income, and cash flows for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CYIOS Corporation (FKA China Print, Inc.) and Subsidiaries as of December 31, 2006, and the results of its operations and its cash flows for the years ended December 31, 2006 and 2005 in conformity with accounting principles generally accepted in the United States of America.

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

Traci J. Anderson, CPA  
Huntersville, NC  
April 13, 2007

Table of Contents

CYIOS Corporation and Subsidiaries

**Consolidated Balance Sheet**

December 31, 2006

## ASSETS

## Current Assets:

Cash	\$	25,305
Accounts Receivable (Note A)		60,647
Other Current Assets		19,913
Total Current Assets		105,865
Property and Equipment:		
Property and Equipment		873,528
Accumulated Depreciation		(873,528)
Total Furniture and Equipment		-
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>105,865</b>