

CYIOS CORP  
Form 10-Q/A  
March 26, 2010

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-QA  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the quarterly period ended  
March 31, 2008

OR  
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the transition period from to

Commission File No. 000-27243

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 Number)

1300 PENNSYLVANIA AVE, SUITE 700  
WASHINGTON DC  
(Address of principal executive offices)

20004  
(Zip/Postal Code)

(703) 294-9933  
(Telephone Number)

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 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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

State the number of shares outstanding of each of the Issuer's classes of common equity, as of the latest practicable date. There were 25,557,210 common stock shares and 29,713 preferred shared convertible to common at a 1:1 ratio, par value \$0.001, as of March 31, 2008.

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Note Regarding 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," "strategies," "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 Part Item 2 of this Report, the section entitled "MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION and Part II Item 1a Risk Factors." 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. In addition, readers should carefully review the factors described in other documents the Company files from time to time with the Securities and Exchange Commission.

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## Part I - FINANCIAL INFORMATION

## Item 1. Financial Statements and Supplementary Information

In the opinion of management, the accompanying unaudited financial statements included in this Form 10-Q/A reflect all adjustments necessary for a fair presentation of the results of operations for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

CYIOS Corporation and Subsidiaries  
Consolidated Balance Sheet (Unaudited)

	As of March 31, 2008	As of December 31, 2007
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$82,858	\$45,498
Accounts Receivable	10,800	46,398
Prepaid Consulting	31,916	-
Other Current Assets	9,800	4,900
<b>TOTAL CURRENT ASSETS</b>	<b>135,374</b>	<b>96,796</b>
<b>OTHER ASSETS</b>		
Loan to Shareholder	211,133	172,406
<b>TOTAL OTHER ASSETS</b>	<b>211,133</b>	<b>172,406</b>
<b>FIXED ASSETS</b>		
Computer Equipment	3,918	3,918
Accumulated Depreciation	(326 )	(130 )
<b>TOTAL FIXED ASSETS</b>	<b>3,592</b>	<b>3,788</b>
<b>TOTAL ASSETS</b>	<b>\$350,099</b>	<b>\$272,990</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>LIABILITIES</b>		
Current Liabilities:		
Line of Credit	\$99,906	\$98,817
Payroll Taxes Payable	12,674	9,703
Accrued Vacation Expense	27,817	27,817
Accounts Payable	17,068	24,622
Liabilities of Discontinued Operations	256,497	256,497
<b>TOTAL LIABILITIES</b>	<b>413,962</b>	<b>417,456</b>
<b>STOCKHOLDERS' DEFICIT</b>		
Convertible Preferred Stock (\$.001 par value, 5,000,000 authorized: 29,713 and 29,713 issued and outstanding)	30	30
Common Stock (\$.001 par value, 100,000,000 shares authorized: 25,557,210 and 25,354,210 shares issued and outstanding)	25,557	25,354
Additional Paid-in-Capital	23,859,633	23,886,536
Stock Subscription Receivable	(38,500 )	(136,000 )
Accumulated Deficit	(23,910,583)	(23,920,386)
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<b>(63,863 )</b>	<b>(144,466 )</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$350,099</b>	<b>\$272,990</b>

The accompanying notes are an integral part of these unaudited financial statements

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CYIOS Corporation and Subsidiaries  
Consolidated Statement of Operations (Unaudited)  
For the 3 months ended March 31, 2008 and 2007

	2008	2007
<b>SALES AND COST OF SALES</b>		
Sales	\$428,508	\$551,565
Cost of Sales	187,961	276,173
Gross Profit	240,547	275,392
<b>EXPENSES</b>		
Selling, general and administrative	33,575	47,287
Payroll Expense--Indirect Labor	147,035	163,873
Consulting Expense	26,801	5,153
Professional Fees	18,112	22,574
Interest	5,024	2,100
Depreciation and amortization	196	-
<b>TOTAL EXPENSES</b>	<b>230,743</b>	<b>240,987</b>
Net Income/(Loss) from Continuing Operations	9,804	34,405
Net income/(loss) per share--basic and fully diluted		
Continuing Operations	\$0.00	\$0.00
Weighted average shares outstanding--basic and fully diluted	25,329,516	21,716,445

The accompanying notes are an integral part of these unaudited financial statements

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CYIOS Corporation and Subsidiaries  
Consolidated Statement of Stockholders' Deficit (Unaudited)

	Common Shares (000's)	\$ Common Stock	Preferred Shares (000's)	Preferred Stock \$	Additional Paid-in Capital	Retained Deficit
Balances, December 31, 2006	23,380,210	\$23,380	27,913	\$30	\$23,740,310	\$(24,180,186)
Issuance of shares	2,074,000	2,074	-	-	146,326	-
Shares cancelled	(100,000 )	(100 )	-	-	(100 )	-
Net Income (loss) for the year	-	-	-	-	-	259,800
Balances, December 31, 2007	25,354,210	\$25,354	27,913	\$30	\$23,886,536	\$(23,920,386)
Shares returned	(500,000 )	(500 )	-	-	(74,500 )	-
Shares issued	53,000	53	-	-	5,247	-
Shares issued for consulting services	650,000	650	-	-	42,350	-
Net Income (loss) for the 1st quarter	-	-	-	-	-	9,803
Balances, March 31, 2008	25,557,210	25,557	27,913	30	23,859,633	(23,910,583)

The accompanying notes are an integral part of these unaudited financial statements



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CYIOS Corporation and Subsidiaries  
 Consolidated Statements of Cash Flows (Unaudited)  
 For the three months ended March 31, 2008 and 2007

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income/(loss)	\$9,803	\$34,405
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	196	-
Value of Shares Issued for consulting services	11,084	-
Changes in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	35,598	21,206
(Increase)/Decrease in Other Assets	(4,900 )	14,063
Increase/(Decrease) In Taxes Payable	-	(191 )
Increase/(Decrease) In Payroll Taxes Payable	2,971	-
Increase/(Decrease) in Accounts Payable	(7,554 )	(12,242 )
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>47,198</b>	<b>57,241</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Increase)/Decrease in Shareholder's Loan Receivable	(38,727 )	(30,004 )
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(38,727 )</b>	<b>(30,004 )</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Issuance of Common Stock	5,300	8,236
Payments received on Stock Subscription Receivable	22,500	-
Borrowings on Line of Credit	1,089	-
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>28,889</b>	<b>8,236</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>37,360</b>	<b>35,473</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of Period	45,498	25,305
End of Period	\$82,858	\$60,778
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
<b>CASH PAID DURING THE PERIOD FOR:</b>		
Interest	\$5,024	\$2,100
Taxes	\$-	\$-
<b>NON CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Stock Issued for Prepaid Consulting Services	\$43,000	\$-
Return of 500,000 shares and reduction in related Stock Receivable	\$75,000	

The accompanying notes are an integral part of these unaudited financial statements



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CYIOS CORPORATION, AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2008

(Unaudited)

NOTE A - ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The interim financial statements and summarized notes included herein were prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, pursuant to rules and regulations of the Securities and Exchange Commission. Because certain information and notes normally included in complete financial statements prepared in accordance with accounting principles generally accepted in the United States of America were condensed or omitted pursuant to such rules and regulations, it is suggested that these financial statements be read in conjunction with the Consolidated Financial Statements and the Notes thereto, included in CYIOS Corporations 1010-K/A filed March 31, 2008. These interim financial statements and notes hereto reflect all adjustments that are, in the opinion of management, necessary for a fair statement of results for the interim periods presented. Such financial results should not be construed as necessarily indicative of future results

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments, including cash, receivables and other current assets, are carried at amounts that approximate fair value. Accounts payable, loans and notes payable and other liabilities are carried at amounts that approximate fair value.

PROPERTY AND EQUIPMENT

The Company provides for depreciation of equipment using accelerated and straight-line methods based on estimated useful lives of five to seven years. Depreciation expense was \$196 and \$0 respectively for the three months ended March 31, 2008 and 2007.

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REVENUE RECOGNITION/CONTRACTS

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

Our revenues are primarily recognized using the percentage-of-completion method as discussed in Statement of Position 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." Under the percentage-of-completion method, revenues are recognized based on progress towards completion, with performance measured by the cost-to-cost method, efforts-expended method or units-of-delivery method, all of which require estimating total costs at completion. Estimating costs at completion on our long-term contracts, particularly due to the technical nature of the services being performed, is complex and involves significant judgment. Factors that must be considered in making estimates include labor productivity and availability, the nature and technical complexity of the work to be performed, potential performance delays, the availability and timing of funding from the customer, the progress toward completion and the recoverability of claims. Adjustments to original estimates are often required as work progresses, experience is gained and additional information becomes known, even though the scope of the work required under the contract may not change. Any adjustment as a result of a change in estimates is made when facts develop, events become known or an adjustment is otherwise warranted, such as in the case of a contract modification. When estimates indicate that we will experience a loss on the contract, we recognize the estimated loss at the time it is determined. Additional information may subsequently indicate that the loss is more or less than initially recognized, which would require further adjustment in our financial statements. We have procedures and processes in place to monitor the actual progress of a project against estimates and our estimates are updated quarterly or more frequently if circumstances warrant.

Although our primary revenue recognition policy is the percentage-of-completion method, we do have contracts for which we use other acceptable methods to record revenue. Selecting the appropriate revenue recognition method involves judgment based on the contract and can be complex depending upon the structure and terms and conditions of the contract.

Costs incurred on projects accounted for under the percentage-of-completion method may be recognized as pre-contract costs and deferred as assets when we have been requested by the customer to begin work under a new arrangement. We record pre-contract costs when formal contracts have not yet been executed, and it is probable that we will recover the costs through the issuance of a contract. When the formal contract has been executed, the costs are recorded to the contract and revenue is recognized based on the percentage-of-completion method of accounting.

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

NET LOSS PER COMMON SHARE

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

to net loss for the period presented in the computation of diluted earnings per share.

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ADVERTISING COSTS

Advertising costs are expensed as incurred. For the 3 months ended March 31, 2008 and 2007, the company incurred \$3,182 and \$1,700 respectively.

INCOME TAXES

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

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

IMPAIRMENT OF LONG-LIVED ASSETS

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

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115". This statement permits entities to choose to measure many financial instruments and certain other items at value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. Effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FASB Statement No. 157, Fair Value Measurements. No entity is permitted to apply the Statement retrospectively to fiscal years preceding the effective date unless the entity chooses early adoption. Early adoption of this standard is not expected to have a material effect on the Company's results of operations or its financial position, but the Company is evaluating the Statement to determine what impact, if any, it will have on the Company.

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In December 2007, the FASB issued SFAS 141(revised 2007), Business Combinations (“SFAS 141R”). SFAS 141R will significantly change the accounting for business combinations in a number of areas including the treatment of contingent consideration, contingencies, acquisition costs, IPR&D and restructuring costs. In addition, under SFAS 141R, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will impact income tax expense. SFAS 141R is effective for fiscal years beginning after December 15, 2008. The Company has not yet determined the impact, if any, of SFAS 141R on its consolidated financial statements.

In December 2007, the FASB issued SFAS 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 (“SFAS 160”). SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests (NCI) and classified as a component of equity. This new consolidation method will significantly change the account with minority interest holders. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company has not yet determined the impact, if any, of SFAS 160 on its consolidated financial statements.

**ACCOUNTS RECEIVABLE**

Accounts deemed uncollectible are written off in the year they become uncollectible. As of March 31, 2008, the Accounts Receivable balance was \$10,800 and the amount deemed uncollectible was \$0.

**PREFERRED STOCK**

As of March 31, 2008, the outstanding preferred stock is 29,713.

**COMMON STOCK**

The following table recaps the capital account transactions occurring during the 1st quarter of 2008:

Month/Description of transaction	Number of shares	Price per share	Total Value
January--stock issued for consulting services	400,000	\$0.045	\$18,000
January--stock sold	53,000	0.100	5,300
March--stock issued for consulting services	250,000	0.100	25,000
March--shares returned *	(500,000 )	0.150	(75,000 )
<b>Total</b>	<b>203,000</b>		<b>\$(26,700 )</b>

\*These shares were returned by the individual in lieu of payment on the amount owed for the outstanding balance of the Stock Subscription Receivable.

**STOCK-BASED COMPENSATION**

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

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STOCK OPTIONS AND WARRANTS

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

On April 21, 2006 the Company filed a registration statement on Form S-8 with the SEC registering 3,000,000 shares of common stock for issuance upon exercise of options granted pursuant to the 2006 Plan. As of December 31, 2007, options to acquire 1,812,300 shares of common stock were granted and exercised and there are 1,187,700 shares available for issuance under the 2006 Plan.

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



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## STOCK OPTIONS AND WARRANTS (CONT'D)

On November 29, 2006 the Company filed a registration statement on Form S-8 with the SEC registering 3,500,000 shares of common stock for issuance upon exercise of options granted and exercised pursuant to the 2007 Plan. As of December 31, 2007, options to acquire 2,054,000 shares of common stock were granted and exercised and there are 1,446,000 shares available for issuance under the 2007 Plan.

Outstanding stock options and warrants as of March 31, 2008 are as follows:

CYIOS Corporation, Inc.

Options and Warrants outstanding

As of March 31, 2008

	Options	Weighted average price per share	Weighted Average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at December 31, 2006	3,354,000	\$0.18	8.00	\$603,720
For the year ended December 31, 2007				
Granted	1,974,000	0.26		513,240
Exercised from 2006	(4,000 )	0.18		(720 )
Forfeited in 2007	(600,000 )	0.18		(108,000 )
Exercised in 2007	(1,974,000)	0.26		(513,240 )
Outstanding at December 31, 2007	2,750,000		7.00	495,000
For the period ended March 31, 2008				
Granted	703,000	0.08		52,725
Forfeited as of March 31, 2008	(183,929 )	0.18		(33,107 )
Exercised in 2008	(703,000 )	0.08		(52,725 )
Outstanding at March 31, 2008	2,566,071		6.75	461,893

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Vesting stock award activity for the 1st quarter ended March 31, 2008 is as follows:

	Shares of stock under stock awards	Weighted average grant-date fair value
Unvested at December 31, 2006	4,000	0.18
Awards granted	1,974,000	0.26
Awards forfeited	-	-
Awards vested	(1,978,000)	0.26
Unvested at December 31, 2007	-	-
Awards granted	703,000	0.08
Awards forfeited	-	-
Awards vested	(703,000 )	0.08
Unvested at March 31, 2008	-	-

## NOTE B—INCOME TAXES

Due to the prior years' operating losses and the inability to recognize an income tax benefit therefrom, there is no provision for current or deferred federal or state income taxes for the year ended December 31, 2007.

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

The Company's total deferred tax asset, calculated using federal and state effective tax rates, as of December 31, 2007 is as follows:

Total Deferred Tax Asset	\$2,281,257
Valuation Allowance	(2,281,257)
Net Deferred Tax Asset	\$-

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## NOTE B—INCOME TAXES (CONT'D)

The reconciliation of income taxes computed at the federal statutory income tax rate to total income taxes for the year ended December 31, 2007 is as follows:

	2007		2006	
Income tax computed at the federal statutory rate	34	%	34	%
State income tax, net of federal tax benefit	0	%	0	%
Total	34	%	34	%
Valuation allowance	-34	%	-34	%
Total deferred tax asset	0	%	0	%

Because of the Company's lack of earnings history, the deferred tax asset has been fully offset by a valuation allowance. The valuation allowance increased (decreased) by \$(88,332) and \$298,484 in 2007 and 2006, respectively. No tax benefits have been recorded for the nondeductible (tax) expenses (including stock for services) totaling \$17,281,983.

As of December 31, 2007, the Company had federal and state net operating loss carryforwards as follows of \$6,709,578 which will expire at various times through the year 2027.

## NOTE C—CONCENTRATION

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

## NOTE D—SEGMENT REPORTING

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

## Net Sales by Segment

	CYIOS				Totals
	CYIOS	Group	CKO	WorldTeq	
Sales, net	\$ 428,508	\$ -	\$ -	\$ -	\$ 428,508
Cost of Sales	182,661	-	-	-	182,661
Gross Profit	\$ 245,847	\$ -	\$ -	\$ -	\$ 245,847

## Profit/(Loss) by Segment

	CYIOS				Totals
	CYIOS	Group	CKO	WorldTeq	
Net Operating Profit/(Loss)	\$ 13,499	\$ -	\$ (3,696 )	\$ -	\$ 9,803
Net (Loss)	\$ 13,499	\$ -	\$ (3,696 )	\$ 69,305	\$ 79,108

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NOTE C—PENSION PLAN

The Company has a 401(k) plan which is administered by a third-party administrator. Individuals who have been employed for one month and reached the age of 21 years are eligible to participate. Employees may contribute up to the legal amount allowed by law. The Company matches one-half of the employee’s contribution up to a maximum of 4% of the employee’s wages. Employees are vested in the Company’s contribution 25% a year and are fully vested after four years. The Company’s contributions for the 3 months ended March 31, 2008 and 2007 were \$7,252 and \$6,231 respectively.

NOTE D—COMMITMENTS/LEASES

The Company entered into a lease agreement on July 8, 2005 for office space. The current lease agreement is in effect from August 2007 to August 2008, and at that time is up for renewal. Monthly fees are \$1,040. The Company’s estimated future yearly minimum lease obligations are as follows:

2008 \$17,628

Total rent expense for the 3 months ended March 31, 2008 and 2007 was \$4,542 and \$4,412 respectively.

NOTE E—RELATED PARTIES

The Company has a Note Receivable with one of its officers and major shareholders. The note is payable on demand and bears no interest. The outstanding balance as of March 31, 2008 is \$192,920.

NOTE F—ACCOUNTS PAYABLE

The breakdown of Accounts Payable as of March 31, 2008 is as follows categorized by subsidiary:

WTEQ	17,068
CYIOS	-
	\$17,068

NOTE G—PAYROLL TAXES PAYABLE

As of March 31, 2008, the Company’s subsidiaries owed the following in payroll taxes:

WTEQ	9,368
CYIOS	3,306
	\$12,674

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NOTE H—LIABILITIES OF DISCONTINUED OPERATIONS

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

Our basis for taking \$185,173 of the payables balance into income in 2007 was based upon management's estimation and determination that these particular amounts had fallen into one of three categories:

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

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

NOTE I—STOCK SUBSCRIPTION RECEIVABLE

The Company had \$38,500 in Stock Subscription Receivable which represents stock that was purchased. The Stock Subscription Receivable has been classified as a Stock Subscription Receivable (Contra Equity account) in the amount of \$38,500 which represents the amount still outstanding in the 1st quarter of 2008.

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

The Company's reconciliation of the numerators and denominators of the basic and fully diluted income per shares is as follows for the 3 months ended March 31, 2008 and 2007 are as follows:

	For the 3 months ended March 31, 2008		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net Income/(Loss)	\$79,109		
Basic EPS			
Income available to common stockholders	79,109	25,299,803	\$0.00
Effect of Dilutive Securities			
Warrants			
Convertible preferred stock		29,713	
Diluted EPS			
Net Income/(Loss)	79,109	25,329,516	\$0.00
	For the 3 Months Ended March 31, 2007		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net Income/(Loss)	\$34,405		
Basic EPS			
Income available to common stockholders	34,405	21,686,732	\$0.00
Effect of Dilutive Securities			
Warrants			
Convertible preferred stock		29,713	
Diluted EPS			
Net Income/(Loss)	34,405	21,716,445	\$0.00

## NOTE K—GOING CONCERN

During 2007, we had a net income of \$259,800, a net deficiency of \$23,920,386 and a net working capital deficit of \$133,254. For the three months ended March 31, 2008, we showed a net profit of \$79,108 as compared to a net profit of \$34,405 for the same period in 2007.

Management believes that actions presently being taken to raise equity capital, seek strategic relationships and alliances, and build its marketing efforts to generate positive cash flow provide the means for us to continue as a going concern. The unaudited financial statements included with this 10-Q/A do not include any adjustments that might result from the outcome of this uncertainty.

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## Item 2. Management's Discussion and Analysis

The following discussion should be read in conjunction with the Financial Statements and related notes thereto included elsewhere in this report.

## INTRODUCTION

CYIOS Corporation and its subsidiaries are collectively referred to as CYIOS. The following Management Discussion and Analysis of Financial Condition and Results of Operations was prepared by management and discusses material changes in the financial condition and results of operations and cash flows for 1st quarter ended March 31, 2008 and 2007 for CYIOS. Such discussion and comments on the liquidity and capital resources should be read in conjunction with the information contained in the accompanying unaudited consolidated financial statements prepared in accordance with U.S. GAAP.

The discussion and comments contained hereunder include both historical information and forward-looking information. The forward-looking information, which generally is information stated to be anticipated, expected, or projected by management, involves known and unknown risks, uncertainties and other factors that may cause the actual results and performance to be materially different from any future results and performance expressed or implied by such forward-looking information. Potential risks and uncertainties include risks and uncertainties set forth under the heading "Risk Factors" and elsewhere in this Form 10-Q/A.

## CORPORATE OVERVIEW

CYIOS Corporation operates two subsidiaries. The first two, CYIOS Corporation and CKO Incorporated, are the two vehicles where the company operates its business. The company, through its services subsidiary, CYIOS Corporation, provides innovative Business Transformation and Information Technology solutions to the United States Army, Department of Defense (DoD), and other prospective U.S. Government agencies. CYIOS supports its customers through a variety of current contract vehicles including prime contracts, subcontracts, sole source, blanket purchase agreements, and multiple award task orders extending as far out as 2010. CYIOS has received many commendations for its outstanding customer service and support in systems integration and application development, knowledge management and business transformation, and program and project management. As a certified Small Business, CYIOS provides its services within the following North American Industry Classification System (NAICS) codes:

518112	WEB SEARCH PORTALS
518210	DATA PROCESSING, HOSTING AND RELATED SERVICES
519100	OTHER INFORMATION SERVICES
519190	ALL OTHER INFORMATION SERVICES
541510	COMPUTER SYSTEMS DESIGN AND RELATED SERVICES
541511	CUSTOM COMPUTER PROGRAMMING SERVICES
541512	COMPUTER SYSTEMS DESIGN SERVICES
541513	COMPUTER FACILITIES MANAGEMENT SERVICES
541519	OTHER COMPUTER RELATED SERVICES
541611	ADMIN. MANAGEMENT AND GENERAL MGMT CONSULTING SERVICES
541618	OTHER MANAGEMENT CONSULTING SERVICES
541690	OTHER SCIENTIFIC AND TECHNICAL CONSULTING SERVICES

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CKO Incorporated is CYIOS' subsidiary, which offers the product CYIPRO; a business transformation tool that utilizes the first project based operating system (OS). This new project OS is the nucleus of why CYIPRO can transform your people, processes and information into a productive, effective and rich environment. CYIPRO securely brings the latest concepts of business transformation and technology to fruition. CYIOS built the prototype for the U.S. Army named AKO, which now serves over 1.8 million Army users worldwide and has built CYIPRO to complement knowledge management and business transformation for agencies and commercial business. CYIPRO was developed as an agency-level business transformation solution in response to Government initiatives in teleworking led by OPM and GSA; the President's Management Agenda and its focus on retaining human capital; FISMA, HSPD-12 and PKI for secure communications through common access cards; Lean Six Sigma to improve workflow and reduce redundancies; and the Clinger-Cohen Act to improve efficiencies in technology. CYIPRO has been positioned to work in conjunction with the AKO model to sell as a customized product to Federal, State and Local Governments. This, in turn, can lead to growth in service contracts for business transformation and modernization solutions.

RECENT DEVELOPMENTS

This section has two parts, contracts and ongoing strategy for partnerships and our product CYIPRO.

In May of 2007, after a month of discussions, CYIOS began working, in a type of sub-contracting environment, with a large Federal Government contractor - Verizon, to place CYIOS personnel on already existing Government contracts. We currently are in progress with filling some positions, this will show immediate revenue. , CYIOS has been asked to fill over a dozen different Top Secret positions, ranging from system administrators and application developers to UNIX and CISCO engineers. This is an ongoing effort to work on this contract.

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. We have conducted our pre-audit and are in the final stages to complete the audit. It is standard for DCAA to perform audits of contractors before work can commence. Although due to issues out of our control, this has been a lengthy process. We have teamed with SERCO and are reviewing task order to bid.

In December of 2007, 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 for 1 year w/ four options for possible 5 years until 2012.

In January 2008, CYIOS teamed with CACI for work on the U.S. Army ITES2 contract. We are still in negotiations for the subcontract and expect to have it completed end of May 2008.

About our product CYIPRO, during the first quarter of 2007, CKO Inc. began converting its product into a .net environment with the main goal of allowing the product to work on Microsoft Mobile 5.0 and upcoming versions. We've accomplish this in January 2008. We are planning to have a beta ready at the end of the 2nd Quarter of 2008.

We are currently engaged with investors to raise capital for CYIOS and CKO. We have won contracts that need more management in order to grow to full potential. This has been ongoing since January 2008. We have the need for more programmers, marketing material and advertising in order for CYIPRO to be fully launched.



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The following discussion should be read in conjunction with the Financial Statements and related notes thereto included elsewhere in this report.

### FINANCIAL CONDITION

We currently have financial resources to support its operational (overhead) staff and our product, CYIPRO. We are profitable and have outstanding bids waiting to be awarded. Over the last quarter, we have sustained profit for first quarter of 2008 and anticipate the second through the fourth quarters as being profitable as well. We are looking and engaged with investors to raise capital for growth and to establish our advisory board.

### 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 months ended March 31, 2008 and 2007, CYIOS received no revenue from CYIPRO.

### RESULTS OF OPERATIONS

**Revenue:** Total sales for the 1st quarter 2008 were \$428,508 as compared to \$551,565 for the 1st quarter 2007, a decrease of approximately 22%. The decrease in sales was due to loss of contracting staff on subcontracts.

**Cost of Sales:** Cost of sales for the 1st quarter ended March 31, 2008 were \$187,961, resulting in a gross profit of \$240,547 (56% gross profit margin) compared to cost of revenues for the 1st quarter ended March 31, 2007 of \$276,173, resulting in a gross profit margin of \$275,392 (50% gross profit margin). 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 decreased by \$16,838 or approximately 10% to \$147,035 for the 1st quarter ended March 31, 2008 from \$163,873 for the 1st quarter ended March 31, 2007.

**Consulting and Professional Fees:** Consulting and professional fees for the 1st quarter ended March 31, 2008 was \$44,913 as compared to \$27,727 for the 1st quarter ended March 31, 2007, resulting in an increase of \$17,186 or approximately 62%. Consulting fees for the 1st quarter ended March 31, 2008 includes stock based compensation in the amount of \$5,083.

**Depreciation and Interest Expense:** Interest expense for the 1st quarter ended March 31, 2008 was \$5,024 as compared to \$2,100 for the 1st quarter ended March 31, 2007—an increase of \$2,924 or approximately 58%. Depreciation expense for the 1st quarter ended March 31, 2008 was \$196 as compared to \$0 for the same quarter ended March 31, 2007. We purchased new computer equipment during 2007.

**Selling, General, and Administrative:** Selling, general and administrative expenses for the 1st quarter ended March 31, 2008 was \$33,575 as compared to \$47,287 for the 1st quarter ended March 31, 2007—a decrease of \$13,712 or approximately 29%. Selling, general, and administrative expenses consist primarily of advertising, conference fees, fees, insurance, office supplies, rent, and travel and entertainment expenses. The reduction in selling, general, and administrative expenses is due to the reduction in travel and entertainment expenses and fees.



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Net Income from Operations: Net income for the 1st quarter ended March 31, 2008 was \$9,804 as compared to \$34,305 for the 1st quarter ended March 31, 2007—a decrease of \$24,601 or approximately 71%. The decrease is primarily due to the fact that sales were down for the 1st quarter ended March 31, 2008 as compared to the same quarter for 2007. Total expenses including cost of sales did decrease for the 1st quarter ended March 31, 2008 as compared to the same quarter ended March 31, 2007, so we believe we are making progress to keep expenses down as we continue to have strong, steady sales, thus realizing continued net profits.

We are continuing to be successful with our strategy and remain profitable.

Net Income from Discontinued Operations: Net income from discontinued operations in the amount of \$69,305 for the 1st quarter ended March 31, 2008 is the results of the write-off of debts for the liabilities associated with our subsidiary with discontinued operations Worldteq (WTC). We have determined that these debts have exceeded the statute of limitations per the State of Delaware's rules regarding the statute of limitations for collection of outstanding debts. The amount to be written of each quarter will be approximately \$69,305.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity: At March 31, 2008, CYIOS had cash and cash equivalents of \$82,858, compared with \$45,498 at December 31, 2007, an increase of \$37,360.

During the quarter ended March 31, 2008, cash provided by operating activities was \$47,198, consisting primarily of the net income for the quarter of \$ 9,803 offset by non-cash charges to:

- Depreciation charges of \$196;
- Stock based compensation in the amount of \$11,084;
- Working capital changes of \$26,115, consisting of a net decrease of \$30,698 in Accounts Receivable and Other Assets and a net decrease of \$4,583 in Payroll Taxes Payable, Liabilities in Discontinued Operations, and Accounts Payable.

Investing activities for the 1st quarter ended March 31, 2007 used cash in the amount of \$38,727, consisting of an increase in the Shareholder's Loan Receivable.

Financing activities for the 1st quarter ended March 31, 2008 provided cash in the amount of \$28,889, consisting of proceeds from the sale of stock in the amount of \$5,300 offset by:

- A decrease in Stockholder Receivable in the amount of \$22,500;
- An increase in the borrowing on the Line of Credit in the amount of \$1,089.

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.

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Off-Balance Sheet Arrangements: The Company does not have any off-balance sheet arrangements with any party.

Critical Accounting Estimates: There have been no material changes in our critical accounting policies or critical accounting estimates since 2000 nor have we adopted an accounting policy that has or will have a material impact on our consolidated financial statements.

"Summary of Significant Accounting Policies" in this Quarterly Report on Form 10-Q/A and the Notes to Consolidated Financial Statements in our Annual Report on Form 1010-K/A for the fiscal year ended December 31, 2007.

OUTSTANDING SHARE DATA

The outstanding share data as of March 31, 2008 and 2007 is as follows:

	Number of shares outstanding	
	2008	2007
Common Shares	25,557,210	23,529,210
Preferred Shares	27,913	27,913

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We have interest rate exposure relating to certain long-term obligations. &