SONOCO PRODUCTS CO
Form S-3ASR
July 31, 2009

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REGISTRATION NO. 333-__________

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

FORM S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

SONOCO PRODUCTS COMPANY
(Exact name of registrant as specified in its charter)

SOUTH CAROLINA (State or other jurisdiction of incorporation or organization)	57-0248420 (I.R.S. Employer Identification no.)

One North Second Street
Post Office Box 160
Hartsville, South Carolina 29551
Telephone: 843-383-7000
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

	Copies to:
CHARLES J. HUPFER Senior Vice President and Chief Financial Officer SONOCO PRODUCTS COMPANY One North Second Street Post Office Box 160 Hartsville, South Carolina 29551 Telephone: 843-383-7000 (Name, address, including zip code, and telephone number, including area code, of agent for service)	GEORGE S. KING, JR., ESQ. SUZANNE HULST CLAWSON, ESQ. HAYNSWORTH SINKLER BOYD, P.A 1201 Main Street, 22nd Floor Columbia, South Carolina 29201 (803) 779-3080 Facsimile (803) 765-1243

Approximate date of commencement of proposed sale to public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

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, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. þ

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

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

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. þ

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

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. (Check one):

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per unit(1)	Proposed maximum aggregate offering price(1)	Amount of registration fee (1)
Debt securities				
Preferred stock (no par value)				
Common stock (no par value)				
Total				

(1) There are being registered hereunder an unspecified amount of Debt Securities, Preferred Shares (no par value) and Common Shares (no par value). The Registrant is relying on Rule 456(b) and Rule 457(r) under the Securities Act of 1933. The proposed maximum offering price per unit will be determined, from time to time, by the Registrant in connection with the issuance by the Registrant of the securities registered hereunder.

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SONOCO PRODUCTS COMPANY

[LOGO] (R)

Debt Securities
Preferred Stock
Common Stock

We may offer from time to time debt securities, preferred stock and common stock. We will describe the specific amounts and terms of the securities we offer in supplements to this prospectus. You should read this prospectus and the accompanying prospectus supplement carefully before you invest.

The debt securities that we may offer may consist of debentures, notes and/or other unsecured evidences of indebtedness in one or more series. The securities offered under this prospectus may be offered separately, together or in separate series and in amounts, at prices and on terms to be determined at the time of sale. A prospectus supplement that will set forth the amount and terms of the offering of any securities will accompany this prospectus.

Our common stock is traded on the New York Stock Exchange under the symbol SON.

Our address is: Sonoco Products Company, One North Second Street, P. O. Box 160, Hartsville, South Carolina 29551-0160; and our telephone number is: (843) 383-7000.

We may sell the securities directly to you, through agents we select, or through underwriters and dealers we select. If we use agents, underwriters or dealers to sell the securities, we will name them in a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus is July 31, 2009.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (SEC) using a shelf registration process. Under this shelf registration process, we are registering an unspecified amount of debt securities, preferred stock and common stock. We may sell in one or more offerings any combination of debt securities, preferred stock and common stock.

This prospectus provides you with a general description of the securities we may sell. Each time we sell securities, we will provide a prospectus supplement or file a current or periodic report with the SEC that will contain specific information about the terms of that offering. The prospectus supplement or current or periodic report filed with the SEC also may add to, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any applicable prospectus supplement, you should rely on the information in the applicable prospectus supplement. You should read both this prospectus and any applicable prospectus supplement, together with the additional information described under the heading Where You Can Find More Information and Incorporation by Reference.

The registration statement containing this prospectus, including the exhibits to the registration statement, provides additional information about us and the securities to be offered. The registration statement, including the exhibits, can be read at the SEC s web site or at the SEC s offices mentioned under the heading Where You Can Find More Information and Incorporation by Reference.

WHERE YOU CAN FIND MORE INFORMATION AND INCORPORATION BY REFERENCE

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC s website at http://www.sec.gov. We also make these filings available free of charge on our website, www.sonoco.com, as soon as reasonably practical after electronic filing of such material with the SEC. Please note that the SEC s website (www.sec.gov) and our website (www.sonoco.com) are included in this prospectus as inactive textual references only. Neither the information contained on the SEC s website nor the information contained on our website is incorporated by reference into this prospectus and such information should not be considered to be part of this prospectus. You may also read and copy any document we file with the SEC at its Public Reference Room at 100 F Street, N. E., Washington, D.C. 20549. You can also obtain copies of the documents at prescribed rates by writing to the Public Reference Room of the SEC at the address above. You may call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our SEC filings are also available at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

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We incorporate by reference into this prospectus some of the information we file with the SEC, which means that we can disclose important business and financial information to you by referring you to those documents without delivering them to you with this prospectus. The information incorporated by reference is an important part of this prospectus, and information that we subsequently file with the SEC will automatically update and supersede information in this prospectus and in our other filings with the SEC. We incorporate by reference the documents listed below, which we have already filed with the SEC, and any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) until all securities covered by this prospectus have been sold or the registration of such securities under the Securities Act of 1933 has been terminated. We incorporate by reference:

- our annual report on Form 10-K for the fiscal year ended December 31, 2008;
- our quarterly reports on Form 10-Q for the fiscal quarters ended March 29, 2009 and June 28, 2009;
- our current reports on Form 8-K, filed on February 5, 2009, February 9, 2009, April 16, 2009 and July 16, 2009; and
- the description of our common stock contained in our registration statement on Form 8-A, as amended (file no. 002-64529), and any further amendments or reports filed for the purpose of updating such description.

We will provide you free copies of these filings, other than exhibits to filings unless the exhibits are specifically incorporated by reference into a filing, if you write or call us at:

Sonoco Products Company
Attn: Charles J. Hupfer, Senior Vice President and Chief Financial Officer
One North Second Street
P.O. Box 160
Hartsville, South Carolina 29551-0160
Telephone: (843) 383-7000

We have also filed a registration statement with the SEC relating to the securities described in this prospectus. This prospectus is part of the registration statement. You may obtain from the SEC a copy of the registration statement and exhibits that we filed with the SEC when we registered the securities. The registration statement contains additional information that may be important to you.

You should rely only on the information contained or incorporated by reference in this prospectus or any applicable prospectus supplement. We have not authorized anyone else to provide you with additional or different information. We are only offering these securities in states where the offer is permitted. You should not assume that the information in this prospectus, any applicable prospectus supplement or any document incorporated by reference is accurate as of any date other than the dates on the front of those documents, unless the information specifically indicates that another date applies.

Unless the context requires otherwise, references to we, us, and our mean Sonoco Products Company and its subsidiaries.

SONOCO PRODUCTS COMPANY

We are a South Carolina corporation founded in Hartsville, South Carolina in 1899. We are a major global manufacturer of paperboard-based and other industrial and consumer packaging products. We are also vertically integrated into paperboard production and recovered paper collection, which means that the paperboard used in our packaging products is produced substantially from recovered paper our subsidiaries collect. We operate an extensive network of plants in the United States and have subsidiaries in Asia, Europe, Canada, Mexico, South America,

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Australia, and New Zealand, and affiliates in numerous locations around the world. We have made a number of acquisitions, and we expect to acquire additional companies that we believe provide meaningful opportunities in industrial and consumer markets. We may also dispose of operations when we believe that doing so is consistent with our overall goals and strategies. Our principal executive offices are located at One North Second Street, P.O. Box 160, Hartsville, South Carolina 29551-0160, telephone number (843) 383-7000.

FORWARD-LOOKING STATEMENTS

This prospectus includes and incorporates by reference forward-looking statements. All statements that are not historical in nature, are intended to be, and are hereby identified as forward-looking statements. The words estimate, project, intend, expect, believe, consider, plan, anticipate, objective, goal, guidance, outlook, and similar expressions identify forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding offsetting high raw material costs; improved productivity and cost containment; adequacy of income tax provisions; refinancing of debt; adequacy of cash flows; anticipated amounts and uses of cash flows; effects of acquisitions and dispositions; adequacy of provisions for environmental liabilities; financial strategies and the results expected from them; continued payments of dividends; stock repurchases; producing improvements in earnings; financial results for future periods; and creation of long-term value for shareholders.

These forward-looking statements are based on current expectations, estimates and projections about our industry, management s beliefs, and assumptions made by management. Such information includes, without limitation, discussions as to guidance and other estimates, expectations, beliefs, plans, strategies, and objectives concerning our future financial and operating performance. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from those expressed or forecasted in such forward-looking statements. The risks and uncertainties include, without limitation:

- availability and pricing of raw materials;
- success of new product development and introduction;
- ability to maintain or increase productivity levels and contain or reduce costs;
- international, national and local economic and market conditions;
- availability of credit to us, our customers and/or suppliers in needed amounts and/or on reasonable terms;
- fluctuations in obligations and earnings of pension and postretirement benefit plans;
- ability to maintain market share;
- pricing pressures and demand for products;
- continued strength of our paperboard-based tubes and cores and composite can operations;
- anticipated results of restructuring activities;
- resolution of income tax contingencies;
- ability to successfully integrate newly acquired businesses into the Company s operations;

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rate of growth in foreign markets;

foreign currency, interest rate and commodity price risk and the effectiveness of related hedges;

actions of government agencies and changes in laws and regulations affecting the Company;

use of financial instruments to hedge foreign currency, interest rate and commodity price risk;

liability for and anticipated costs of remediation of environmental liabilities;

ability to weather the current economic downturn;

loss of consumer or investor confidence; and

economic disruptions resulting from terrorist activities.

We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus and incorporated by reference herein might not occur.

USE OF PROCEEDS

Except as we otherwise set forth in a prospectus supplement or in a periodic or current report filed with the SEC, we intend to use the net proceeds from the sale of the securities for general corporate purposes, including working capital, capital expenditures and the repayment or reduction of bank indebtedness and commercial paper obligations.

RATIO OF EARNINGS TO FIXED CHARGES

The following table shows our ratio of earnings to fixed charges and to fixed charges and preferred stock dividends for the periods indicated:

	Six Months Ended June 28,	Years Ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**	**2004**
Ratio of Earnings to Fixed Charges[1]	3.74x	3.88x	4.29x	5.13x	4.52x	4.36x
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends	3.74x	3.88x	4.29x	5.13x	4.52x	4.36x

(1) Six months ended June 28, 2009 and years ended December 31, 2008, 2007, 2006, 2005, and 2004 ratios reflect net pretax restructuring/asset impairment charges of

approximately
$18 million,
$100 million,
$36 million,
$26 million,
$21 million, and
$19 million,
respectively.

For purposes of these calculations, earnings consists of income before income taxes, distributed income from affiliates, fixed charges and amortization of capitalized interest, less capitalized interest. Earnings does not include gains or losses on assets held for sale. Fixed charges consists of interest on all indebtedness, capitalized interest, amortization of bond discounts and premiums and the portion of rental expense considered to be representative of the interest factor. During these periods no preferred stock dividends were being paid as there were no shares of preferred stock outstanding.

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DESCRIPTION OF THE SECURITIES

We may offer from time to time debt securities, preferred stock and common stock. We will describe the specific amounts, terms and characteristics of the securities offered in supplements to this prospectus.

PLAN OF DISTRIBUTION

We may offer the securities in amounts, at prices and on terms determined at the time of offering. We may sell the securities directly to you, through agents we select, or through underwriters and dealers we select. If we use agents, underwriters or dealers to sell the securities, we will name them and describe their compensation in a prospectus supplement.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The financial statements and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Report on Internal Control over Financial Reporting) incorporated in this Prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2008 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

With respect to the unaudited financial information of Sonoco Products Company for the six-month periods ended June 28, 2009 and June 29, 2008, incorporated by reference in this Prospectus, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated July 28, 2009 incorporated by reference herein, states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their report on the unaudited financial information because that report is not a report or a part of the registration statement prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Act.

VALIDITY OF THE SECURITIES

The validity of the securities offered under this prospectus will be passed upon for us by Haynsworth Sinkler Boyd, P.A., Columbia, South Carolina, our general counsel, and for any underwriter, dealer or agent by counsel to such underwriter, dealer or agent named in the Prospectus Supplement. In rendering their opinions, underwriters counsel may rely on Haynsworth Sinkler Boyd, P.A., as to certain matters of South Carolina law. Various attorneys in the firm of Haynsworth Sinkler Boyd, P.A., and members of their immediate families own or have beneficial interests in shares of our common stock.

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PART II. INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

Expenses in connection with the issuance of the securities being registered hereby are estimated as follows:

Registration Fee	
Trustee s fees and expenses	
Printing and engraving costs	
Rating Agencies fees	
Legal fees and expenses	
Accounting fees and expenses	
Blue Sky fees and expenses	
Miscellaneous	
TOTAL	

(To be added by amendment or in a report filed under the Securities Exchange Act of 1934 and incorporated herein by reference.)

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Article VIII of the By-laws of the Company provides for the indemnification by the Company of any present or former director, officer or employee of the Company, or any person, who, at the request of the Company, may have served as director or officer of another corporation in which it owns shares or of which it is a creditor. Any such person shall be entitled to reimbursement of expenses and other liabilities, to the maximum extent permitted by the laws of the State of South Carolina or by order of any court having jurisdiction in any action or proceeding to which he is a party by reason of being or having been a director, officer or employee.

Article 9 of the Restated Articles of Incorporation of the Company states that no director of the Company shall be personally liable to the Company or to its shareholders for monetary damages for breach of fiduciary duty as director, except to the extent such exemption from liability or limitation thereof is not permitted under the laws of South Carolina, as presently in effect or as the same may hereafter be amended.

Under Article 5 of Chapter 8 of the South Carolina Business Corporation Act of 1988 (the Corporation Act), a corporation has the power to indemnify directors and officers who meet the standards of good faith and reasonable belief that conduct was lawful and in the corporate interest (or not opposed thereto) set forth in the Corporation Act. The Corporation Act also empowers a corporation to provide insurance for directors and officers against liability arising out of their positions even though the insurance coverage is broader than the power of the corporation to indemnify. Under the Corporation Act, unless limited by its articles of incorporation, a corporation must indemnify a director or officer who is wholly successful, on the merits or otherwise, in the defense of any proceeding to which he was a party because he is or was a director or officer against reasonable expenses incurred by him in connection with the proceeding. The registrant s Restated Articles of Incorporation do not provide otherwise.

In addition, the Company maintains directors and officers liability insurance for the benefit of its directors and officers.

It is anticipated that any underwriting agreement to be included as Exhibit 1.1 or 1.2 hereto will provide for indemnification of directors, certain officers and controlling persons of the Company against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the Act).

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Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provisions (other than insurance), the Company has been informed that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

ITEM 16. EXHIBITS

*	1.1	Form of Underwriting Agreement with respect to Equity Securities
*	1.2	Form of Underwriting Agreement with respect to Debt Securities
	4.1	Indenture, dated as of June 15, 1991, between the Company and the Trustee. (incorporated by reference to Exhibit 4.2 to the Company s Registration Statement on Form S-3 (File No. 33-50503))
	4.2	First Supplemental Indenture, dated as of June 23, 2004, between the Company and the Trustee
	4.3	Form of Note for 5.625% Notes due 2016 (incorporated by reference to Form S-4 (File Number 333-119863))
	4.4	Form of Note for 6.50% Notes due November 15, 2013
	4.5	Articles of Incorporation, as amended
	4.6	By-Laws, as amended (incorporated by reference to Form 8-K filed December 6, 2007)
	4.7	Amended and Restated Credit Agreement (incorporated by reference to Form 10-Q for the quarter ended June 25, 2006)
	5.1	Opinion (including consent) of Haynsworth Sinkler Boyd, P.A.
	12	Computation of ratio of earnings to fixed charges
	15	Accountants letter re: unaudited interim financial information
	23.1	Consent of Haynsworth Sinkler Boyd, P.A. (included in Exhibit 5)
	23.2	Consent of PricewaterhouseCoopers LLP
	24	Power of Attorney (included on Signature Page)
*	25	Statement of eligibility of the Trustee on Form T-1

* To be filed either by amendment or as an exhibit to a report filed under the Securities Exchange Act

of 1934 and
incorporated
herein by
reference.

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes:

(a)(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

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Provided however, that:

(A) Not applicable.

(B) Paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) do not apply if the registration statement is on Form S-3 or Form F-3 and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(C) Paragraphs (a)(1)(i) and (a)(1)(ii) above do not apply if the registration statement is for an offering of asset-backed securities on Form S-1 or Form S-3, and the information required to be included in a post-effective amendment is provided pursuant to Item 1100(c) of Regulation AB.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) Not applicable.

(5) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) If the registrant is relying on Rule 430B:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; or

(ii) If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(6) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(h) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(i) In connection with any offering of securities made in reliance upon Rule 430A, the undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be

deemed to be the initial bona fide offering thereof.

(j) The undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of section 310 of the Trust Indenture Act (Act) in accordance with the rules and regulations prescribed by the Commission under section 305(b)(2) of the Act.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Hartsville, State of South Carolina, on July 31, 2009.

SONOCO PRODUCTS COMPANY

By: /s/ H. E. DeLoach, Jr.
H. E. DeLoach, Jr.
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities indicated on July 31, 2009.

/s/ Charles J. Hupfer
Charles J. Hupfer
Senior Vice President and Chief Financial Officer (principal financial officer)

/s/ Barry L. Saunders
Barry L. Saunders
Vice President and Corporate Controller
(principal accounting officer)

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints H. E. DeLoach, Jr. and Charles J. Hupfer, and each of them, the true and lawful attorneys-in-fact and agents of the undersigned, with full power of substitution and resubstitution, for and in the name, place and stead of the undersigned, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, as well as any related registration statement (or amendment thereto) filed pursuant to Rule 462(b) promulgated under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Name	Position	Date
/s/ James L. Coker		
James L. Coker	Director	July 15, 2009
/s/ Pamela L. Davies		
Pamela L. Davies	Director	July 15, 2009
/s/ Harris E. DeLoach, Jr.		
Harris E. DeLoach, Jr.	Director, Chairman, President and Chief Executive Officer	July 15, 2009
/s/ Caleb C. Fort		
Caleb C. Fort	Director	July 15, 2009
/s/ Edgar H. Lawton, III		
Edgar H. Lawton, III	Director	July 15, 2009
/s/ John E. Linville		
John E. Linville	Director	July 15, 2009
/s/ James M. Micali		
James M. Micali	Director	July 15, 2009
/s/ John H. Mullin, III		
John H. Mullin, III	Director	July 15, 2009
/s/ Lloyd W. Newton		
Lloyd W. Newton	Director	July 15, 2009
/s/ Marc D. Oken		
Marc D. Oken	Director	July 15, 2009
/s/ Phillippe R. Rollier		
Phillippe R. Rollier	Director	July 15, 2009
/s/ Thomas E. Whiddon		

Thomas E. Whiddon	Director	July 15, 2009

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EXHIBIT INDEX

EXHIBIT	DESCRIPTION
* 1.1	Form of Underwriting Agreement with respect to Equity Securities
* 1.2	Form of Underwriting Agreement with respect to Debt Securities
4.1	Indenture, dated as of June 15, 1991, between the Company and the Trustee. (incorporated by reference to Exhibit 4.2 to the Company s Registration Statement on Form S-3 (File No. 33-50503))
4.2	First Supplemental Indenture, dated as of June 23, 2004, between the Company and the Trustee
4.3	Form of Note for 5.625% Notes due 2016 (incorporated by reference to Form S-4 (File Number 333-119863))
4.4	Form of Note for 6.50% Notes due November 15, 2013
4.5	Articles of Incorporation, as amended
4.6	By-Laws, as amended (incorporated by reference to Form 8-K filed December 6, 2007)
4.7	Amended and Restated Credit Agreement (incorporated by reference to Form 10-Q for the quarter ended June 25, 2006)
5.1	Opinion (including consent) of Haynsworth Sinkler Boyd, P.A.
12	Computation of ratio of earnings to fixed charges
15	Accountants letter re: unaudited interim financial information
23.1	Consent of Haynsworth Sinkler Boyd, P.A. (included in Exhibit 5)
23.2	Consent of PricewaterhouseCoopers LLP
24	Power of Attorney (included on Signature Page)
* 25	Statement of eligibility of the Trustee on Form T-1

* To be filed either by amendment or as an exhibit to a report filed under the Securities Exchange Act of 1934 and incorporated

herein by
reference.

ost 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, 2010, 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, 2010, we have entered into no confidentiality and/or non-disclosure agreements with our employees, consultants or advisors.

Employees

As of December 31, 2010, we had 17.5 full-time employees & consultants, with 1.5 in executive management and administration, 2 in product development and technical operations, and 14 on service contracts on either prime or subcontracted contracts with the United States federal government.

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

Environmental Laws

We have not incurred and do not anticipate incurring any expenses associated with environmental laws.

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 $390 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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements, related notes, and other detailed information included elsewhere in this 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 for the years ended December 31, 2010 and 2009

We are a leading systems integrator and knowledge management solutions provider presently with the U.S. Department of Defense and we have one of the largest knowledge management systems. We have been working to expand into the non-governmental sector by marketing our product CYIPROTM in hopes to generate revenue. This product is in the CKO Inc. subsidiary company and has generated no income during the process of building the product. We intend on offering the product for sale in the middle of 4th quarter in hopes that this product will make us a leading systems integrator and knowledge management solutions provider in the non-governmental market. All of our revenue is derived from the services provided pursuant to single and multiple year awards to different U.S. Army and federal government agencies. CKO, Inc., one of our operating subsidiaries, provides a designed online office management product which is known as CYIPRO™. For the years ended December 31, 2010 and 2009, we received no revenue from CYIPRO™.

Results of Operations

Sales/Net Profit

The total sales for our active subsidiary, CYIOS Corporation, a District of Columbia corporation, for the fiscal year ended December 31, 2010, were $1,849,804 compared to $1,881,897 for the fiscal year ended December 31, 2009; a decrease in sales of $32,093 or 1.71%. Our other active subsidiary, CKO, Inc., a District of Columbia corporation, produced no revenue for the fiscal years ended December 31, 2010 and 2009. Operating net loss for the year ended December 31, 2010 was $394,051, a net operating loss per share of $.01, compared to a net operating loss for the fiscal year ended December 31, 2009 of $21,044, or a net operating loss per share of $.00. Net income from discontinued operations was $0 for the year ended December 31, 2010 and $17,068 for the year ended December 31, 2009. Total net loss for the year ended December 31, 2010 was $394,051 or a net loss per share of $.01 as compared to total net loss for the year ended December 31, 2009 in the amount of $3,976 or a net loss per share of $.00. Included in the net loss for the year ended December 31, 2010 is a non-cash expense for stock compensation in the amount of $416,167. This non-cash expense in the amount of $416,167 is the aggregate market value for the issuance of stock to the President and CEO in the amount of $350,000 for a bonus for past performance and the remaining $66,167 was issued to consultants for their services performed during 2010.

In 2006, management made the decision to expand our operations by attempting to increase our business with the Department of Defense and the rest of the federal government. In order to achieve this goal, we have actively bid on request for proposals by different departments and their agencies. We have, and will continue to invest all of our earnings into additional personnel to help achieve this goal. We believe that our efforts in working to achieve the aforementioned goals will help turn our operating losses into a net profit in the future fiscal years and beyond. We are also aggressively marketing the sale of our product CYIPRO™ to Department of Defense, government and small businesses.

In the latter part of 2010 and in early 2011 we have launched a new marketing campaign to inform the public about our product CYIPRO™.

Cost of Sales

Cost of sales for the fiscal year ended December 31, 2010 was $1,078,841compared to cost of sales for the fiscal year ended December 31, 2009 in the amount of $1,094,786; a decrease of $15,945 or approximately 1.46%.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fiscal years ended December 31, 2010 and 2009 were $94,933 and $68,885, respectively; an increase of $26,048 or 38%.

Other Expenses/Stock Compensation

Total other expenses for the fiscal years ended December 31, 2010 and 2009 were $663,557 and $654,918, respectively; an increase of $8,638 or 1.32%. The total other expenses of $663,557 in the fiscal year ended December 31, 2010 consisted primarily of $595,592 in indirect labor and $67,965 in professional service and consulting fees and depreciation. The total other expenses of $654,918 for the fiscal year ended December 31, 2009 consisted primarily of $598,225 in indirect labor and $56,693 in professional services fees and depreciation.

Total Stock Compensation for the fiscal years ended December 31, 2010 and 2009 were $416,167 and $81,208, respectively. The total stock compensation in December 31, 2010 consisted of a $350,000 stock bonus granted to the President and CEO and stock for compensation for marketing consultants in the amount of $66,167. The total stock compensation in December 31, 2009 consisted of $81,208 paid to consultants for marketing services.

Liquidity and Capital Resources

At December 31, 2010, we had cash and cash equivalents of $27,603, compared to $76,448 at December 31, 2009, a decrease of $14,066.

During the fiscal year ended December 31, 2010, cash used in operating activities was $78,475, consisting primarily of the Net Loss of $399,401 offset by:

· Non-cash charges related to Depreciation charges of $784, Valuation of Shares issued for consulting services of $387,500, Valuation of Shares issued for a reduction in the Convertible Note Payable of $14,000; and

· Working capital changes of $81,358, consisting primarily of a net increase in Accounts Receivable, Other Assets in the amount of $52,177 offset by a net decrease in Payroll Taxes Payable, Accounts Payable, and Accruals in the amount of $29,181.

Cash provided by investing activities for the fiscal year ended December 31, 2010 was $15,000 for the payments received on the Related Party Loan.

Cash provided by financing activities for the fiscal year ended December 31, 2010 was $14,630; consisting primarily of:

· Proceeds from the issuance of a Convertible Note Payable in the amount of $50,000; and

· Principal Reduction on Convertible Note Payable in the amount of $14,000; and

· Payments made on the Line of Credit in the amount of $21,370.

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. We are not aware of any known trends or demands, commitments, events or uncertainties that will result in or will reasonably likely result in our liquidity increasing or decreasing in a material way. We do not have any material commitments for capital expenditures as of the fiscal year end December 31, 2010. And, we are not aware of any material trends favorable/unfavorable in our capital resources that may materially change our equity or debt. We do not believe that changes in the spending policies of the U.S. government, such as potential decreases in the budgets of federal agencies, including the Department of Defense, or delays in the passage of the U.S. Government budget to be uncertainties that are reasonably likely to have a **material** impact on our liquidity and results of operations. Many budget cuts have been made since 2001 and we have not been materially impacted at all by those budget changes.

Off-Balance Sheet Arrangements

As of the fiscal year ended December 31, 2010, we did not have any off-balance sheet arrangements as defined in Item 303(c)(2) of Regulation S-B.

Overview for the three and six months ending June 30, 2011 and 2010

We are a leading systems integrator and knowledge management solutions provider presently with the U.S. Department of Defense and we have one of the largest knowledge management systems. We have been working to expand into the non-governmental sector by marketing our product CYIPROTM in hopes to generate revenue. This product is in the CKO Inc. subsidiary company and has generated no income during the process of building the product. We intend on offering the product for sale in the middle of 4th quarter in hopes that this product will make us a leading systems integrator and knowledge management solutions provider in the non-governmental market. All of our revenue is derived from the services provided pursuant to single and multiple year awards to different U.S. Army and federal government agencies. CKO, Inc., one of our operating subsidiaries, provides a designed online office management product which is known as CYIPRO™. For the three months ended June 30, 2011 and 2010, CYIOS received no revenue from CYIPRO. For the six months ended June 30, 2011 and 2010, CYIOS received no revenue from CYIPRO.

Results of Operations for the three and six months ending June 30, 2011 and 2010

Revenue:

Total sales for the 2nd quarter 2011 were $495,029 as compared to $457,679 in sales for the 2nd quarter 2010, an increase of approximately 7.69%. Total sales for the 1st and 2nd quarters 2011 were $970,138 as compared to $905,955 for the 1st and 2nd quarters 2010, an of increase of 7.08%.

Cost of Sales:

Cost of sales for the 2nd quarter 2011 were $215,606, resulting in a gross profit of $279,443 (56.45% gross profit margin) compared to cost of sales for the 2nd quarter 2010 of $264,142, resulting in a gross profit of $195,537 (42.54% gross profit margin). Cost of sales for the 1st and 2nd quarters 2011 were $487,257, resulting in a gross profit of $482,881 (49.77% gross profit margin). Cost of sales for the 1st and 2nd quarters 2010 were $530,441, resulting in a gross profit of $375,514 (41.45% gross profit margin). Cost of sales have decreased slightly for the first half of 2011 as compared to 2010 by approximately 8% 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 decreased by $6,447 or approximately 4.35% to $141,732 for the 2nd quarter ended 2011 from $148,179 for the 2nd quarter ended 2010. Indirect labor expense decreased by $22,860 or approximately 7.46% to $283,389 for the 1st and 2nd quarters ended 2011 from $306,249 for the 1st and 2nd quarters 2010. A stock bonus was paid to our CEO and president during the 1st quarter of 2010, the company's board authorized the issuance of 5,000,000 shares valued at $.05 per share or $350,000 in total.

Consulting and Professional Fees:

Consulting and professional fees for the 2nd quarter ended 2011 was $34,100 as compared to $18,876 for the 2nd quarter ended 2010, resulting in an increase of $15,224. Consulting and professional fees for the 1st and 2nd quarters ended 2011 were $68,426 as compared to $47,256 for the 1st and 2nd quarters ended 2010, resulting in an increase of $21,170. The overall increase from 2011 to 2010 was a result of incurring additional expense for use of consultants' services to assist with hiring and placing new staff.

Depreciation and Interest Expense:

Interest expense for the 2nd quarter ended 2011 was $2,514, as compared to $2,635 for the 2nd quarter ended 2010. Interest expense for the 1st and 2nd quarters ended 2011 was $3,405, as compared to $5,282 for the 1st and 2nd quarters ended 2010. Depreciation expense for the 2nd quarter ended 2011 and 2010 was $0 and $196, respectively. Depreciation expense for the 1st and 2nd quarters ended 2011 and 2010 was $0 and $393, respectively. The Company disposed of computer equipment during the 1st quarter 2011 resulting in a loss on disposal in the amount of $1,437.

Selling, General, and Administrative:

Selling, general and administrative expenses for the 2nd quarter ended of 2011 was $28,994 as compared to $25,048 for the 2nd quarter ended 2010—an increase of $3,946 or approximately 15.75%. Selling, general and administrative expenses for the 1st and 2nd quarters ended 2011 was $44,611 as compared to $53,300 for the 1st and 2nd quarters ended 2010—a decrease of 8,689 or approximately 16.30%. 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 income for the 2nd quarter ended 2011 was $74,238 as compared to a net loss of $(16,390) for the 2nd quarter ended 2010—an increase of $90,628. Net income for the 1st and 2nd quarters ended 2011 was 122,206 as compared to a net loss of $(416,818) for the 1st and 2nd quarters ended 2010—an increase of $539,024. Sales were up for the 1st quarter of 2011 and expenses were down during the 1st quarter 2011.

LIQUIDITY AND CAPITAL RESOURCES AS OF JUNE 30, 2010

Liquidity:

At June 30, 2011, CYIOS had cash and cash equivalents of $44,568, compared with $94,217 at June 30, 2010, a decrease of $49,649.

During the six months ending June 30, 2011, cash provided by operating activities was $63,162, consisting primarily of the net income for the six months ended June 30, 2011 of $122,206 offset by non-cash charges to:

· Loss on Disposal of Computer Equipment in the amount of 1,436;

· Value of Shares of Common Stock returned in the amount of $98,000;

· Working capital changes of $37,520, consisting of a net decrease of $48,670 in Accounts Receivable Related Party Interest Receivable and Other Assets and a decrease of $11,150 in Accrued Expenses, Payroll Taxes Payable, and Accounts Payable.

Financing activities for the six months ended June 30, 2011 used cash in the amount of $46,198, consisting of:

· Payments made on the Line of Credit in the amount of $10,198.

· Payoff of the principal on Convertible Note Payable in the amount of $36,000.

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. We are not aware of any known trends or demands, commitments, events or uncertainties that will result in or will reasonably likely result in our liquidity increasing or decreasing in a material way. We do not have any material commitments for capital expenditures as of the fiscal year end December 31, 2010. And, we are not aware of any material trends favorable/unfavorable in our capital resources that may materially change our equity or debt. We do not believe that changes in the spending policies of the U.S. government, such as potential decreases in the budgets of federal agencies, including the Department of Defense, or delays in the passage of the U.S. Government budget to be uncertainties that are reasonably likely to have a material impact on our liquidity and results of operations. Many budget cuts have been made since 2001 and we have not been materially impacted at all by those budget changes.

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

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.

Certain Relationships and Related Transactions

Except as follows, none of the following parties has, since our date of incorporation, had any material interest, direct or indirect, in any transaction with us or in any presently proposed transaction that has or will materially affect us:

· Any of our directors or officers;

· Any person proposed as a nominee for election as a director;

· Any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to our outstanding shares of common stock;

· Any of our promoters;

· Any relative or spouse of any of the foregoing persons who has the same house address as such person.

We have determined that our sole director, Timothy Carnahan, is not independent based on an analysis of the standards for independence set forth in Section 121A of the American Stock Exchange Company Guide. Mr. Carnahan has an outstanding promissory note with the Company in the amount of $219,284. This promissory note existed prior to the Company going public and the terms of the promissory note are described in Note J of the notes to the audited financial statements.

Market for Common Equity and Related Stockholder Matters

Market Information

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.

Year Ended December 31, 2010

Year Ended December 31, 2011

High

Low

High

Low

First Quarter

$ 0.05

$ 0.04

	$ 0.03
	$ 0.02
Second Quarter	
	$ 0.05
	$ 0.04
	$ 0.03
	$ 0.02
Third Quarter	
	$ 0.11
	$ 0.13
	$ 0.08
	$ 0.06
Fourth Quarter	
	$ 0.09
	$ 0.12
	$ 0.07
	$ 0.05

As of the fiscal year ended December 31, 2011 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).

Penny Stock

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a market 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. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) 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 laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type size and format, as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) 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 (d) a monthly account statement 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 acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity for our common stock. Therefore, stockholders may have difficulty selling our securities.

Stock Option Grants

To date, we have not granted any stock options.

Registration Rights

Pursuant to our Registration Rights Agreement with Auctus, we have agreed to file a registration statement with the SEC registering the resale of the shares of common stock to be purchased from us by the selling shareholder. We will use our best efforts to maintain the effectiveness of the resale registration statement from the effective date through and until all securities registered under the registration statement have been sold or are otherwise able to be sold pursuant to Rule 144(k).

Dividends

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where after giving effect to the distribution of the dividend:

1. we would not be able to pay our debts as they become due in the usual course of business, or;

2. our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

We have not declared any dividends and we do not plan to declare any dividends in the foreseeable future.

Executive Compensation

Summary Compensation Table

The table below summarizes all compensation awarded to, earned by, or paid to both to our officers and to our directors for all services rendered in all capacities to us for our fiscal years ended December 31, 2010.

Summary Compensation Table

Name and principal position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Non-qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total Compensation ($)
Timothy Carnahan, Chief Executive Officer	2010	$200,013	$350,000 (A)	$0	$0	$0	$0	$0	$550,013

(A) This stock award was paid to the CEO for his outstanding performance during the year in obtaining and retaining key contracts. He was issued 5,000,000 shares of the Company's Common Stock at $.07 per share which was the market price at the date of issuance of the shares.

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, 2010.

Outstanding Equity Awards at Fiscal Year-End

Option Awards

Stock Awards

Name

Number of securities underlying unexercised options (#) Exercisable

Number of securities underlying unexercised options (#)

Unexercisable

Equity Incentive Plan Awards: Number of Securities underlying unexercised unearned options (#)

Option 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 (#)

Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($)

Timothy Carnahan, Chief Executive Officer

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Director Compensation

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

Stock Option Grants

We have not granted any stock options to the executive officers or directors.

Stock Option Plans

We did not have a stock option plan as of December 31, 2010.

Financial Statements

Index to Financial Statements:

CYIOS Corporation and Subsidiaries

Consolidated Balance Sheet

	As of June 30, 2011 (unaudited)	As of December 31, 2010 (audited)
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 44,568	$ 27,603
Accounts Receivable	191,674	172,937

Interest Receivable--Related Party	34,663	25,903
Prepaid and Other Current Assets	550	76,717
TOTAL CURRENT ASSETS	271,454	303,160
FIXED ASSETS, NET	-	1,436
OTHER ASSETS		
Related Party Loan	219,284	219,284
TOTAL OTHER ASSETS	219,284	219,284
TOTAL ASSETS	$ 490,739	$ 523,880
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities:		
Line of Credit		

	$ 41,270	$ 51,467
Convertible Note Payable	-	36,000
Accounts Payable	-	9,452
Accruals and Other Payables	59,190	60,888
TOTAL LIABILITIES	100,460	157,808
STOCKHOLDERS' EQUITY		
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: 36,311,640 and 37,711,640 shares issued and outstanding)	36,311	37,711
Additional Paid-in-Capital	24,496,376	24,592,976
Accumulated Deficit		

(24,142,438)

(24,264,645)

TOTAL STOCKHOLDERS' EQUITY

390,279

366,072

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

$ 490,739

$ 523,880

See accompanying notes to financial statements.

CYIOS Corporation and Subsidiaries

Consolidated Statement of Operations--(unaudited)

For the three months ended June 30,

For the six months ended June 30,

2011

2010

2011

2010

SALES AND COST OF SALES

Sales

$ 495,049

$ 459,679

$ 970,138

$ 905,955

Cost of Sales

215,606

264,142

487,257

530,441

Gross Profit

279,443

195,537

482,881

375,514

EXPENSES

Selling, general and administrative

28,994

25,048

44,611

53,300

Payroll Expense--Indirect Labor

141,732

148,179

283,389

306,249

Consulting and Professional Fees Expense

34,100

18,876

68,426

47,256

Payroll Expense--Stock Compensation

-

-

-

350,000

Consulting Expense--Stock Compensation

2,250

21,667

(31,833)

35,833

Depreciation

-

196

-

393

TOTAL EXPENSES

207,076

213,966

364,593

793,031

Net Income/(Loss) from Operations

72,367

(18,429)

118,288

(417,517)

OTHER INCOME/(EXPENSE)

Interest Income--Related Party

4,386

4,674

8,760

5,981

Interest Expense

(2,514)

(2,635)

(3,405)

(5,282)

Loss on Disposal of Equipment

-

-

(1,437)

-

NET OTHER INCOME/(EXPENSE)

1,872

2,039

3,918

699

PROVISION FOR INCOME TAXES

-

-

-

-

NET INCOME/(LOSS) FROM CONTINUING OPERATIONS

74,238

(16,390)

122,206

(416,818)

Net Income/(Loss)

$ 74,238

$ (16,390)

$ 122,206

$ (416,818)

Net income/(loss) per share--basic and fully diluted

$ 0.00

$ (0.00)

$ 0.00

$ (0.01)

Weighted average shares outstanding--basic and fully diluted

36,341,353

35,728,690

36,341,353

35,728,590

See accompanying notes to financial statements.

CYIOS Corporation and Subsidiaries

Consolidated Statement of Stockholders' Deficit (Unaudited)

Additional

Preferred Stock

Common Stock

Paid-in

Accumulated

Shares

Stock

Shares

Stock

Capital

Deficit

Totals

Balances, December 31, 2009

29,713

$ 30

30,148,877

$ 30,149

$ 24,199,038

$ (23,870,594)

$ 358,623

Shares issued for consulting services

-

-

1,000,000

1,000

36,500

-

37,500

Shares issued to executive officer as a bonus

-

-

5,000,000

5,000

345,000

-

350,000

Portion of Note Payable converted to Shares

-

-

1,562,763

1,562

12,438

-

14,000

Net Income (loss)

-

-

-

-

-

(394,051)

(394,051)

Balances, December 31, 2010

29,713

$ 30

37,711,640

$ 37,711

$ 24,592,976

$ (24,264,645)

$ 366,072

Return of Shares issued for consulting services

-

-

(1,400,000)

(1,400)

(96,600)

-

(98,000)

Net Income (loss)

-

-

-

-

-

122,206

122,206

Balances, June 30, 2011

29,713

$ 30

36,311,640

$ 36,311

$ 24,496,376

$ (24,142,439)

$ 390,278

See accompanying notes to financial statements.

CYIOS Corporation and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)

	For the six months ended June 30, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income/(loss)	$ 122,206	$ (416,818)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	-	392
Loss on Disposal of Computer Equipment	1,436	-
Value of Shares returned for services not performed	(98,000)	374,000
Changes in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	(18,737)	9,306
(Increase) in Interest Receivable--Related Party		

	(8,760)	-
Decrease in Prepaid and Other Current Assets	76,167	5,854
Increase in Accruals and Other Payables	(1,698)	4,733
(Decrease) in Accounts Payable	(9,452)	(50)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	63,162	(22,583)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Issuance of Convertible Note Payable	-	50,000
Payoff of Convertible Note Payable	(36,000)	-
Principal Payments Made on line of Credit	(10,197)	(9,648)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(46,197)	

40,352

NET INCREASE IN CASH AND

CASH EQUIVALENTS

16,965

17,769

CASH AND CASH EQUIVALENTS:

Beginning of Period

27,603

76,448

End of Period

$ 44,568

$ 94,217

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

CASH PAID DURING THE PERIOD FOR:

Interest

$ 2,514

$ 2,635

Taxes

$ -

$ -

NON CASH INVESTING AND FINANCING ACTIVITIES:

Shares of Common Stock Returned for Consulting Services not Performed

$ (98,000)

$ -

Shares of Common Stock Issued for Prepaid Consulting Services

$ -

$ 18,000

Stock Issued for Consulting Services/Employee Bonus

$ -

$ 356,000

See accompanying notes to financial statements.

CYIOS CORPORATION. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011

(Unaudited)

NOTE A - ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The interim consolidated financial statements and summarized notes included herein were prepared in accordance with accounting principles generally accepted in the United States of America for interim consolidated financial information, pursuant to rules and regulations of the Securities and Exchange Commission. Because certain information and notes normally included in complete consolidated 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 consolidated financial statements be read in conjunction with the Consolidated Financial Statements and the Notes thereto, included in CYIOS Corporations 10-K filed April 15, 2011. These interim consolidated 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 consolidated 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 consolidated 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, line of credit, 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 $0 and $196 respectively for the three months ended June 30, 2011 and 2010. Depreciation expense was $0 and $393 respectively for the six months ended June 30, 2011 and 2010. The Company disposed of its computer equipment during the 1st Quarter 2011 and booked a loss of $1,437.

REVENUE RECOGNITION/CONTRACTS

The Company derives revenue primarily from the sale and service of information technology services to the government. 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.

Revenue from the contracts is recognized using the specific performance method. Revenue on fixed-price contracts pursuant to which a client pays the Company 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. The Company bids on governmental contracts which are generally long-term for a fixed-price per contract. Once the company wins a contract and begins the project, the company bills on a monthly basis for the labor hours worked at the agreed upon price per hour—based on the contract. The company then recognizes the revenue on those actual hours that have been billed to the customer.

Net Income/ (Loss) per Common Share

The Company‘s current earnings per share (EPS) are shown in 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.

Advertising Costs

Advertising costs are expensed as incurred. For the three months ended June 30, 2011 and 2010, the company incurred advertising expense of $3,757 and $1,875, respectively. For the six months ended June 30, 2011 and 2010, the company incurred advertising expense of $5,437 and $5,129, respectively.

Income Taxes

We account for income taxes using the asset and liability method, which results in recognizing income tax expense based on the amount of income taxes payable or refundable for the current year. Additionally, we evaluate regularly the tax positions taken or expected to be taken resulting from financial statement recognition of certain items. Based on our evaluation, we have concluded that there are no significant uncertain tax positions.

Impairment 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 July 2010, the FASB issued Accounting Standard Update No. 2010-20 (ASU No. 2010-20) “Receivables” (Topic 310). ASU No. 2010-20 provides financial statement users with greater transparency about an entity’s allowance for credit losses and the credit quality of its financing receivables. This update is intended to provide additional information to assist financial statement users in assessing an entity’s credit risk exposures and evaluating the adequacy of its allowance for credit losses. The amendments in this update apply to both public and nonpublic entities with financing receivables, excluding short-term trade accounts receivable or receivables measured at fair value or lower of cost or fair value. The objective of the amendments in ASU No. 2010-20 is for an entity to provide disclosures that facilitate financial statement users’ evaluation of (1) the nature of credit risk inherent in the entity’s portfolio of financing receivables, (2) How that risk is analyzed and assessed in arriving at the allowance for credit losses and (3) The changes and reasons for those changes in the allowance for credit losses. The entity must provide disclosures about its financing receivables on a disaggregated basis. For public entities ASU No. 2010-20 is effective for interim and annual reporting periods ending on or after December 15, 2010. For nonpublic entities ASU No. 2010-20 will become effective for annual reporting periods ending on or after December 15, 2011. The Company is evaluating the impact ASU No. 2010-20 will have on the financial statements.

In August 2010, the FASB issued Accounting Standard Updates No. 2010-21 (ASU No. 2010-21) “Accounting for Technical Amendments to Various SEC Rules and Schedules” and No. 2010-22 (ASU No. 2010-22) “Accounting for Various Topics – Technical Corrections to SEC Paragraphs”. ASU No 2010-21 amends various SEC paragraphs pursuant to the issuance of Release no. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies. ASU No. 2010-22 amends various SEC paragraphs based on external comments received and the issuance of SAB 112, which amends or rescinds portions of certain SAB topics. Both ASU No. 2010-21 and ASU No. 2010-22 are effective upon issuance. The amendments in ASU No. 2010-21 and No. 2010-22 will not have a material impact on the Company’s financial statements.

Accounts Receivable

Accounts receivable are reported at net realizable value. The Company establishes an allowance for doubtful accounts based upon factors pertaining to the credit risk of specific customers, historical trends, and other information. Delinquent accounts are written off when it’s determined that the amounts are uncollectible. The Company did not have a balance in the allowance for doubtful accounts as of June 30, 2011 and 2010.

PREFERRED STOCK

As of June 30, 2011, the outstanding shares of preferred stock are 29,713.

COMMON STOCK

The following table recaps the capital account transactions occurring during the 1st and 2nd quarters of 2010:

Month/Description of transaction	Number of shares	Price per share

	Total Value
March--Stock issued to Executive Officer as bonus	
	5,000,000
	$ 0.07
	$ 350,000
March--Stock issued for Consulting Services	
	100,000
	$ 0.06
	$ 6,000
March--Stock issued for Consulting Services	
	450,000
	$ 0.04
	$ 18,000
Total	
	5,550,000
	$ 374,000

No activity in the 2nd quarter 2010.

The following table recaps the capital account transactions occurring during the 1st and 2nd quarters 2011:

Month/Description of transaction	
	Number of shares
	Price per share
	Total Value
January--Stock issued for Consulting Services was returned	
	1,400,000
	$ 0.07
	$ 98,000

Total	1,400,000	$ 98,000

The above shares were returned to the Company as the Consultant contracted to perform services for the company during 2010 through 2011 and beyond did not perform the agreed upon services and was in breach of contract.

No activity in the 2nd quarter 2011.

STOCK-BASED COMPENSATION

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. Any stock options granted were immediately exercised upon grant.

STOCK OPTIONS AND WARRANTS

As of June 30, 2011, the Company does not have any outstanding stock options or warrants as shown in the following table:

	Stock/Options	*Weighted average price per share*	*Aggregate intrinsic value*
For the year ended December 31, 2010			
Granted	-	-	-
Exercised	-	-	-
Outstanding at December 31, 2010	**-**		

-

-

For the period ended June 30, 2011

Granted

-

-

-

Exercised

-

-

-

Outstanding at June 30, 2011

-

-

-

NOTE B—INCOME TAXES

Due to the prior years' operating losses and the inability to recognize an income tax benefit, there is no provision for current or deferred federal or state income taxes for the tax year ended December 31, 2010.

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, 2010 is as follows:

Total Deferred Tax Asset	**$ 2,257,748**
Valuation Allowance	(2,257,748)
Net Deferred Tax Asset	

-

The reconciliation of income taxes computed at the federal statutory income tax rate to total income taxes for the six months ended June 30, 2011 and 2010 is as follows:

	2010	2009
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 $(6,579) and $1,352 in 2010 and 2009, respectively. No tax benefits have been recorded for the nondeductible (tax) expenses (including stock for services) totaling $17,624,208.

As of December 31, 2010, the Company had federal and state net operating loss carryforwards as follows of $6,640,437 which will expire at various times through the year 2030.

NOTE C—CONCENTRATION

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

NOTE D—SEGMENT REPORTING

Net sales and Profit/ (Loss) by Segment for the three months ended June 30, 2011 and 2010 are broken down as follows:

Net Sales by Segment

For the 3 months ended June 30, 2011

	CYIOS	**CYIOS Group**	**CKO**	**Totals**
Sales, net	$ 495,049	$ -	$ -	$ 495,049
Cost of Sales	215,606	-	-	215,606
Gross Profit	$ 279,443	$ -	$ -	$ 279,443

Profit/(Loss) by Segment

For the 3 months ended June 30, 2011

	CYIOS	**CYIOS Group**	**CKO**	**Totals**
Net (Loss)	$ 76,797	$ (297)	$ (2,263)	$ 74,238

Net Sales by Segment

For the 3 months ended June 30, 2010

	CYIOS	**CYIOS Group**	**CKO**	**Totals**
Sales, net	$ 459,679	$ -	$ -	$ 459,679
Cost of Sales	264,142	-	-	264,142

Gross Profit

$ 195,537

$ -

$ -

$ 195,537

Profit/(Loss) by Segment

For the 3 months ended June 30, 2010

CYIOS

CYIOS Group

CKO

Totals

Net (Loss)

$ (14,682)

$ -

$ (1,708)

$ (16,390)

Net sales and Profit/ (Loss) by Segment for the six months ended June 30, 2011 and 2010 are broken down as follows:

Net Sales by Segment

For the 6 months ended June 30, 2011

CYIOS

CYIOS Group

CKO

Totals

Sales, net

$ 970,138

$ -

$ -

$ 970,138

Cost of Sales

$ 487,257

-

-

487,257

Gross Profit

$ 482,881

$ -

$ -

$ 482,881

Profit/(Loss) by Segment

For the 6 months ended June 30, 2011

CYIOS

CYIOS Group

CKO

Totals

Net (Loss)

$ 125,783

$ (673)

$ (2,903)

$ 122,206

Net Sales by Segment

For the 6 months ended June 30, 2010

	CYIOS	CYIOS Group	CKO	Totals
Sales, net	$ 905,955	$ -	$ -	$ 905,955
Cost of Sales	530,441	-	-	530,441
Gross Profit	$ 375,514	$ -	$ -	$ 375,514

Profit/(Loss) by Segment

For the 6 months ended June 30, 2010

	CYIOS	CYIOS Group	CKO	Totals
Net (Loss)				

$ (413,406)

$ -

$ (3,412)

$ (416,818)

NOTE E—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 quarter 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 three months ended June 30, 2011 and 2010 were $3.527 and $3,855, respectively. The Company's contribution for the six months ended June 30, 2011 and 2010 were $7,713 and $7,090, respectively.

NOTE F—COMMITMENTS/LEASES

The Company entered into a new lease agreement on September 20, 2010 for office space. The lease agreement is a month to month agreement that will automatically renew for consecutive periods of one month, for up to twelve months. The monthly fees range between $275 and $450. Total future payments through December 31, 2011 are $3,300.

Total rent expense for the three months ended June 30, 2011 and 2010 was $1,047 and $4,456, respectively. Total rent expense for the six months ended June 30, 2011 and 2010 was $2,297 and $8,852.

NOTE G—RELATED PARTIES

The Company has a Note Receivable with one of its officers and major shareholders. The note is payable on demand and bears 8% interest per annum. The outstanding balance as of June 30, 2011 is $219,284.

Outstanding Interest Receivable as of June 30, 2011 is $34,663.

The above Related Party Loan is secured by 8,000,000 shares of stock owned by the related party.

NOTE H—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 three months ended June 30, 2011 and 2010 are as follows:

For the 3 months ended June 30, 2011

For the 3 Months Ended June 30, 2010

Income

Shares

Per-Share

Income

Shares

Per-Share

(Numerator)

(Denominator)

Amount

(Numerator)

(Denominator)

Amount

Net Income/(Loss)

$ 74,238

$ (16,390)

Basic EPS

Income available to common stockholders

74,238

36,311,640

$ 0.00

(16,390)

35,698,977

$ 0.00

Effect of Dilutive Securities

Warrants

Convertible preferred stock

29,713

29,713

Diluted EPS

Net Income/(Loss)

74,238

36,341,353

$ 0.00

(16,390)

35,728,690

$ 0.00

The Company's reconciliation of the numerators and denominators of the basic and fully diluted income per shares is as follows for the six months ended June 30, 2011 and 2010 are as follows:

For the 6 months ended June 30, 2011

For the 6 Months Ended June 30, 2010

Income

Shares

Per-Share

Income

Shares

Per-Share

(Numerator)

(Denominator)

Amount

(Numerator)

(Denominator)

Amount

Net Income/(Loss)

$ 122,206

$ (416,818)

Basic EPS

Income available to common stockholders

122,206

36,311,640

$ 0.00

(416,818)

35,698,877

$ 0.00

Effect of Dilutive Securities

Warrants

Convertible preferred stock

29,713

29,713

Diluted EPS

Net Income/(Loss)

122,206

36,341,353

$ 0.00

(416,818)

35,728,590

$ 0.00

NOTE I—LINE OF CREDIT

Two of the Company's subsidiaries have lines of credit with Bank of America. The line of credit for CKO is 14.75% interest and the line of credit for CYIOS Group (China Print) is 9.25%. The outstanding balances of the line of credit by Subsidiary as of June 30, 2011 are as follows:

CKO

$ 34,989

CYIOS Group

$ 6,282

$ 41,271

NOTE J—CONVERTIBLE NOTE PAYABLE

On January 5, 2010, the company received proceeds from a Note Payable (“Note”) due to an outside party in the amount of $50,000. A total of 4,761,905 shares have been placed in reserve if the Note Payable is converted. On August 20, 2010, $2,000 of the principal balance was converted into 133,333 common shares of CYIOS Corporation stock. On October 19, 2010, $4,000 of the principal balance was converted into 540,541 common shares of CYIOS Corporation stock. On December 13, 2010, $8,000 of the principal balance was converted into 888,889 common shares of CYIOS Corporation stock. As of December 31, 2010 the total Note Payable outstanding was $36,000.

The Company paid off the remaining principal balance of $36,000 on January 26, 2011 in full satisfaction of the outstanding Note Payable. The remaining shares not issued for conversion in the amount of 3,199,142 were removed from reserve.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

CYIOS Corporation

Washington, DC

We have audited the accompanying consolidated balance sheet of CYIOS Corporation (the *“Company”*) as of December 31, 2010, and the related consolidated statements of operations, stockholders’ equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of CYIOS Corp. as of and for the year ended December 31, 2009 were audited by other auditors whose report was dated February 23, 2010.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CYIOS Corporation as of December 31, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Silberstein Ungar, PLLC

Silberstein Ungar, PLLC

Bingham Farms, Michigan

April 15, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the board of directors and stockholders of Cyios Corporation

We have audited the accompanying consolidated balance sheet of Cyios Corporation as of December 31, 2009 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

/s/ Jewett, Schwartz, Wolfe and Associates

Hollywood, Florida

February 23, 2010

CYIOS Corporation and Subsidiaries

Consolidated Balance Sheets

As of

As of

	December 31, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 27,603	$ 76,448
Accounts Receivable	172,937	114,596
Prepaid and Other Current Assets	102,620	101,697
TOTAL CURRENT ASSETS	303,160	292,741
FIXED ASSETS, NET	1,436	2,220
OTHER ASSETS		
Related Party Loan	219,284	234,284
TOTAL OTHER ASSETS	219,284	234,284

TOTAL ASSETS	$ 523,880	$ 529,245
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities:		
Line of Credit	$ 51,467	$ 71,100
Convertible Note Payable	36,000	-
Accounts Payable	9,452	4,045
Accruals and Other Payables	60,888	95,476
TOTAL LIABILITIES	157,808	170,621
STOCKHOLDERS' EQUITY		
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: 37,711,640 and 30,148,877 shares issued and outstanding)

37,711

30,149

Additional Paid-in-Capital

24,592,976

24,199,038

Accumulated Deficit

(24,264,645)

(23,870,593)

TOTAL STOCKHOLDERS' DEFICIT

366,072

358,624

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT

$ 523,880

$ 529,245

See the accompanying notes

CYIOS Corporation and Subsidiaries

Consolidated Statements of Operations

For the years ended December 31,

2010

2009

SALES AND COST OF SALES

Sales

$ 1,849,804

$ 1,881,897

Cost of Sales	
	1,078,841
	1,094,786
Gross Profit	
	770,964
	787,111
EXPENSES	
Selling, general and administrative	
	94,933
	68,885
Payroll Expense--Indirect Labor	
	595,592
	598,225
Consulting and Professional Fees Expense	
	67,181
	55,909
Payroll Expense--Stock Compensation	
	350,000
	-
Consulting Expense--Stock Compensation	
	66,167
	81,208
Depreciation	
	784
	784
TOTAL EXPENSES	

	1,174,656
	805,011
Net Income/(Loss) from Operations	
	(403,692)
	(17,900)
OTHER INCOME/(EXPENSE)	
Interest Income--Related Party	
	17,741
	5,120
Interest Expense	
	(8,100)
	(8,264)
NET OTHER INCOME/(EXPENSE)	
	9,641
	(3,144)
PROVISION FOR INCOME TAXES	
	-
	-
NET INCOME/(LOSS) FROM CONTINUING OPERATIONS	
	(394,051)
	(21,044)
NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS	
	-
	17,068
Net Income/(Loss)	
	$ (394,051)

$ (3,976)

Net income/(loss) per share--basic and fully diluted

$ (0.01)

$ (0.00)

Weighted average shares outstanding--basic and fully diluted

36,836,542

27,828,635

See the accompanying notes

CYIOS Corporation and Subsidiaries

Consolidated Statement of Stockholders' Deficit

Additional

Preferred Stock

Common Stock

Paid-in

Accumulated

Shares

Amount

Shares

Amount

Capital

Deficit

Totals

Balances, December 31, 2008

29,713

$ 30

26,857,210

$ 26,857

$ 24,014,663

$ (23,866,618)

$ 174,932

Shares issued for consulting services

-

-

2,366,667

2,367

159,300

-

161,667

Shares issued to employees

-

-

125,000

125

5,875

-

6,000

Shares sold

-

-

800,000

800

19,200

-

20,000

Net Income (loss)

-

-

-

-

-

(3,976)

(3,976)

Balances, December 31, 2009

29,713

$ 30

30,148,877

$ 30,149

$ 24,199,038

$ (23,870,594)

$ 358,623

Shares issued for consulting services

-

-

1,000,000

1,000

36,500

-

37,500

Shares issued to executive officer as a bonus

-

-

5,000,000

5,000

345,000

-

350,000

Portion of Note Payable converted to Shares

-

-

1,562,763

1,562

12,438

-

14,000

Net Income (loss)

-

-

-

-

-

(394,051)

(394,051)

Balances, December 31, 2010

29,713

$ 30

37,711,640

$ 37,711

$ 24,592,976

$ (24,264,645)

$ 366,072

See the accompanying notes

CYIOS Corporation and Subsidiaries

Consolidated Statements of Cash Flows

	For the years ended December 31, 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income/(loss)		
From Continuing Operations	**$ (394,051)**	**$ (21,044)**
From Discontinued Operations	**-**	**17,068**
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	**784**	**784**

Value of Shares Issued for consulting/employee services	**387,500**	**167,667**
Note Payable Converted into Shares	**14,000**	**-**
Reduction in Liabilities from Discontinued Operations	**-**	**(17,068)**
Changes in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	**(58,341)**	**(91,415)**
(Increase)/Decrease in Prepaid and Other Current Assets	**(923)**	**(85,579)**
Increase/(Decrease) in Accruals and Other Payables	**(34,588)**	**73,029**
Increase/(Decrease) in Accounts Payable	**5,407**	**(25,000)**
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(80,212)**	**18,442**
CASH FLOWS FROM INVESTING ACTIVITIES:		

(Increase)/Decrease in Related Party Loan	**<u>15,000</u>**	**<u>28,228</u>**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**15,000**	**28,228**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Issuance of Common Stock	**-**	**20,000**
Proceeds Received from Payments made on Stock Subscription Receivable	**-**	**-**
Proceeds from Issuance of Convertible Note Payable	**50,000**	**-**
Principal Reduction on Convertible Note Payable--shares issued	**(14,000)**	
Principal Payments Made on line of Credit	**(19,633)**	**(17,292)**
Proceeds Received from Draw on Line of Credit	**<u>-</u>**	**<u>-</u>**
NET CASH PROVIDED BY FINANCING ACTIVITIES	**16,367**	

2,708

NET INCREASE/(DECREASE) IN CASH AND

CASH EQUIVALENTS

(48,845)

49,378

CASH AND CASH EQUIVALENTS:

Beginning of Period

76,448

27,070

End of Period

$ 27,603

$ 76,448

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

CASH PAID DURING THE PERIOD FOR:

Interest

$ 8,100

$ 8,264

Taxes

$ -

$ -

NON CASH INVESTING AND FINANCING ACTIVITIES:

Stock Issued for Prepaid Consulting Services

$ 37,500

$ 89,833

Stock Issued for Consulting Services/Employee Bonus

$ 356,000

$ 77,834

Stock Issued for a portion of Convertible Note Payable

$ 14,000

$ -

See the accompanying notes

Notes to Financial STATEMENTS

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity— The consolidated financial statements of CYIOS Corporation (The Company), includes its subsidiary by the same name CYIOS Corporation and CKO, Inc. The Company, through its subsidiary CYIOS Corporation does business as a leading systems integrator and Knowledge Management Solutions provider supporting the DoD and Government. The company contracts its services for single and multiple year awards to different DoD and US Government agencies. CKO Inc. owns a custom designed online office management product. The company launched this product in November of 2005 to the general public and commercial businesses.

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

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

Management's Use of Estimates—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

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

Comprehensive Income (Loss)—The Company adopted Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 130, *"Reporting Comprehensive Income"*, which establishes standards for the reporting and display of comprehensive income and its components in the consolidated financial statements. There were no items of comprehensive income (loss) applicable to the Company during the periods covered in the consolidated financial statements.

Advertising Costs—Advertising costs are expensed as incurred. For the years ended December 31, 2010 and 2009, the company incurred $9,690 and $9,784 respectively.

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

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

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

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

Accounts Receivable—Accounts deemed uncollectible are written off in the year they become uncollectible. For the years ended December 31, 2010 and 2009, the following amounts by subsidiary were deemed uncollectible and written off as bad debts. Outstanding Accounts Receivable as of December 31, 2010 was $172,937 (CYIOS Subsidiary) and as of December 31, 2009 was $114,596 (CYIOS Subsidiary).

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

Property and Equipment—Property and equipment is stated at cost. Depreciation is provided by the straight-line method over the estimated economic life of the property and equipment remaining from five to seven years. New computer equipment assets in the amount of $3,917 were purchased in 2007. These assets will be depreciated of their estimated useful life which the Company has determined to be 5 years. Total depreciation expense for the year ended December 31, 2010 was $784 and for the year ended December 31, 2009 was $784.

Recent Accounting Pronouncements— In July 2010, the FASB issued Accounting Standard Update No. 2010-20 (ASU No. 2010-20) "Receivables" (Topic 310). ASU No. 2010-20 provides financial statement users with greater transparency about an entity's allowance for credit losses and the credit quality of its financing receivables. This update is intended to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses. The amendments in this update apply to both public and nonpublic entities with financing receivables, excluding short-term trade accounts receivable or receivables measured at fair value or lower of cost or fair value. The objective of the amendments in ASU No. 2010-20 is for an entity to provide disclosures that facilitate financial statement users' evaluation of (1) the nature of credit risk inherent in the entity's portfolio of financing receivables, (2) How that risk is analyzed and assessed in arriving at the allowance for credit losses and (3) The changes and reasons for those changes in the allowance for credit losses. The entity must provide disclosures about its financing receivables on a disaggregated basis. For public entities ASU No. 2010-20 is effective for interim and annual reporting periods ending on or after December 15, 2010. For nonpublic entities ASU No. 2010-20 will become effective for annual reporting periods ending on or after December 15, 2011. The Company is evaluating the impact ASU No. 2010-20 will have on the financial statements.

In August 2010, the FASB issued Accounting Standard Updates No. 2010-21 (ASU No. 2010-21) "Accounting for Technical Amendments to Various SEC Rules and Schedules" and No. 2010-22 (ASU No. 2010-22) "Accounting for Various Topics – Technical Corrections to SEC Paragraphs". ASU No 2010-21 amends various SEC paragraphs pursuant to the issuance of Release no. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies. ASU No. 2010-22 amends various SEC paragraphs based on external comments received and the issuance of SAB 112, which amends or rescinds portions of certain SAB topics. Both ASU No. 2010-21 and ASU No. 2010-22 are effective upon issuance. The amendments in ASU No. 2010-21 and No. 2010-22 will not have a material impact on the Company's financial statements.

Other ASUs not effective until after September 30, 2010, are not expected to have a significant effect on the Company's consolidated financial position or results of operations.

NOTE B—FINANCING FACILITY

During the year ended December 31, 2003 the Company entered into an accounts receivable financing facility for a maximum of $500,000 with an unrelated third party. Collateral for the facility is a first security interest in all corporate assets and a personal guarantee of the Company's shareholder. The Company pays a 2% fee for each advance and interest accrues on all advances at a floating rate, at the prime rate published in the Wall Street Journal plus 2% (5.25% at December 31, 2010). The Company is advanced 90% of all government contract invoices. The advances are used for general corporate working capital. Residual, or holdback amounts, less fees and interest, are remitted to the Company when payments are received from the government. Substantially all of the Company's revenue stream and accounts receivables are factored through this facility.

NOTE C—INCOME TAXES

Due to the prior years' operating losses and the inability to recognize an income tax benefit therefrom, there is no provision for current or deferred federal or state income taxes for the year ended December 31, 2010.

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, 2010 is as follows:

Total Deferred Tax Asset	$ 2,257,748
Valuation Allowance	(2,257,748)

Net Deferred Tax Asset

-

The reconciliation of income taxes computed at the federal statutory income tax rate to total income taxes for the years ended December 31, 2010 and 2009 is as follows:

	2010	2009
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 $(4,760) and $1.352 in 2010 and 2009, respectively. No tax benefits have been recorded for the nondeductible (tax) expenses (including stock for services) totaling $17,624,208.

As of December 31, 2010, the Company had federal and state net operating loss carryforwards as follows of $6,645,787 which will expire at various times through the year 2030.

NOTE D—CONCENTRATION

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

NOTE E—SEGMENT REPORTING

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

Net Sales by Segment

For the year ended December 31, 2010

	CYIOS	CYIOS Group	CKO	Totals
Sales, net	$ 1,849,804	$ -	$ -	$ 1,849,804
Cost of Sales	$ 1,078,841	-	-	1,078,841
Gross Profit	$ 770,964	$ -	$ -	$ 770,964

Profit/(Loss) by Segment

For the year ended December 31, 2010

	CYIOS	**CYIOS Group**	**CKO**	**Totals**
Net (Loss)	$ (383,304)	$ (1,737)	$ (10,009)	$ (394,051)

Net Sales by Segment

For the year ended December 31, 2009

	CYIOS	**CYIOS Group**	**CKO**	**Totals**
Sales, net	$ 1,881,897	$ -	$ -	$ 1,881,897
Cost of Sales	1,094,786	-	-	1,094,786

Gross Profit

$ 787,111

$ -

$ -

$ 787,111

Profit/(Loss) by Segment

For the year ended December 31, 2009

	CYIOS	CYIOS Group	CKO	Totals
Net Operating Profit/(Loss)	$ (13,119)	$ 2,331	$ (10,256)	$ (21,044)
Net (Loss)	$ (13,119)	$ 19,399	$ (10,256)	$ (3,976)

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

NOTE F—EQUITY

Common Shares

The Company is authorized to issue 100,000,000 shares of $.001 par value stock and as of December 31, 2010 the Company had 37,711,640 shares outstanding. During 2010 and 2009, the Company issued the following shares of common stock:

During 2010, the Company issued 7,562,763 common shares to investors, employees, and consultants. The shares issued as stock compensation were valued at the fair market value price at date of issuance. The issuance of the shares and the value is detailed in the following table:

Month/Description of transaction	**Number of shares**	**Price per share**	**Total Value**
March 16, 2010—Officer Stock Bonus	5,000,000	$ 0.0700	$ 350,000
March 24, 2010—Consulting Services	100,000	$ 0.0600	$ 6,000
March 31, 2010—Consulting Services	450,000	$ 0.0400	$ 18,000
August 20, 2010—Debt Conversion	133,333	$ 0.0150	$ 2,000
October 19, 2010—Debt Conversion	540,541	$ 0.0074	

			$ 4,000
October 27, 2010—Consulting Services	450,000	$ 0.0300	$ 13,500
December 13, 2010—Debt Conversion	888,889	$ 0.0090	$ 8,000
Total	**7,562,763**		**$ 401,500**

During 2009, the Company issued 3,291,667 common shares to investors, employees, and consultants. The shares issued as stock compensation were valued at the fair market value price at date of issuance. The issuance of the shares and the value is detailed in the following table:

Month/Description of transaction	**Number of shares**	**Price per share**	**Total Value**
January 29, 2009—Employee Bonus	100,000	$ 0.05	$ 4,500
January 29, 2009—Consulting Services	550,000	$ 0.05	$ 27,500

February 9, 2009—Employee Bonus	25,000	$ 0.06	$ 1,500
May 1, 2009*--Consulting Services	100,000	$ 0.14	$ 14,000
May 13, 2009—Consulting Services	400,000	$ 0.05	$ 20,000
October 5, 2009—Consulting Services	1,400,000	$ 0.07	$ 98,000
October 28, 2009—Consulting Services	316,667	$ 0.07	$ 22,167
December 17, 2009*--Consulting Services	400,000	$ -	$ -
Total	**3,291,667**		

$ 187,667

*These shares were sold in May 2009.

Preferred Shares

The Company is authorized to issue 5,000,000 shares of $.001 par value, non-voting, convertible preferred shares. The preferred shares are convertible to common shares at a 1 to 1 ratio. As of December 31, 2010, the Company had 29,713 preferred shares outstanding. During 2010 and 2009, the Company did not issue any preferred shares of stock.

NOTE G—Stock options and warrants

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

On April 21, 2006 the Company filed a registration statement on Form S-8 with the SEC registering 3,000,000 shares of common stock for issuance upon exercise of options granted pursuant to the 2006 Plan. As of December 31, 2010, options to acquire 1,812,300 shares of common stock were granted and exercised and there are 1,187,700 shares available for issuance under the 2006 Plan.

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

On November 29, 2007 the Company filed a registration statement on Form S-8 with the SEC registering 3,500,000 shares of common stock for issuance upon exercise of options granted and exercised pursuant to the 2007 Plan. As of December 31, 2010, options to acquire 2,054,000 shares of common stock were granted and exercised and there are 1,210,700 shares available for issuance under the 2007 Plan.

Outstanding stock options granted as of December 31, 2010 are as follows:

Stock/Options

Weighted average price per share

Aggregate intrinsic value

Outstanding at December 31, 2008

2,014,284

0.13

261,857

For the year ended December 31, 2009

Granted

3,291,667

0.06

197,500

Options forfeited or expired

(2,014,284)

0.13

(261,857)

Exercised in 2009

(3,291,667)

0.06

(197,500)

Outstanding at December 31, 2009

-

0.13

-

For the period ended December 31, 2010

Granted

-

-

	-
Exercised	
	-
	-
	-
Outstanding at December 31, 2010	
	-
	-
	-

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

All of the options granted in each of the two years ended December 31, 2010 and 2009 were immediately vested upon grant and were immediately exercised upon grant too.

The weighted-average exercise prices for options outstanding at the beginning and end of the two years ended December 31, 2010 did not change. The method used to estimate the fair value of the awards granted under the share-based payment arrangements was the value of the stock at the date the stock option was granted because on this same date the options were exercised. The stock options granted and exercised were immediately vested.

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

For the years ended December 31, 2010 and 2009 included stock-based compensation of $387,500 and $167,667, respectively.

The Company does not have any unrecognized stock-based compensation expense at December 31, 2010.

NOTE H—PENSION PLAN

The Company has a 401(k) plan which is administered by a third-party administrator. Individuals who have been employed for one month and reached the age of 21 years are eligible to participate. Employees may contribute up to the legal amount allowed by law. The Company matches one-fourth of the employee's contribution up to a maximum of 4% of the employee's wages. Employees are vested in the Company's contribution 25% a year and are fully vested after four years. The Company's contributions for the years ended December 31, 2010 and 2009 were $14,768 and $13,294 respectively.

NOTE I—COMMITMENTS/LEASES

The Company entered into a lease agreement on July 8, 2005 for office space. The current lease agreement was signed in September 2010 and is in effect for 12 months. Under this new agreement the monthly fees have been reduced from approximately $1,000 per month to $450 per month. The Company's estimated future yearly minimum lease obligations are as follows:

Year	Amount
2011	$ 3,300
2012	3,630
2013	3,993
2014	4,392
2015	4,832
Total	20,147

Total rent expense for 2010 and 2009 was $15,150 and $17,715 respectively.

NOTE J—RELATED PARTIES

The Company has a Note Receivable with one of its officers and major shareholders. The note is payable on demand and bears 8% interest per annum. The outstanding balance as of December 31, 2010 is $219,284.

Annual payments including principal and interest are as follows:

Year	**Interest and Principle Payments**
2011	$ 31,926
2012	31,926

2013	31,926
2014	31,926
2015	31,926
2016 and thereafter	122,977
Total Interest and Principle Payments	$ 282,608

NOTE K—LINE OF CREDIT

Two of the Company's subsidiaries have lines of credit with Bank of America. The line of credit for CKO is 14.73% interest and the line of credit for China Print, Inc. is 9.25%. The outstanding balances of the line of credit by Subsidiary as of December 31, 2010 are as follows:

CKO (Timothy Carnahan is the guarantor)	$ 39,861
CYIOS Group	11,607
	$ 51,468

NOTE L—LIABILITIES OF DISCONTINUED OPERATIONS

In 2009, Management wrote off $17,068 in accounts payable that pertained to amounts owed by WorldTeq Corporation to various vendors. These amounts have been sitting on the books since 2003 and 2004 and no attempt has been made by the vendors to collect these amounts.

Management believes that these amounts were already paid and not written off the books prior to the merger in 2005.

The Income from Discontinued Operations (WorldTeq Corporation) was $0 and $17,068 for the years ended December 31, 2010 and 2009. The Company has closed out and dissolved WorldTeq Corporation as of December 31, 2009.

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

The Company's reconciliation of the numerators and denominators of the basic and fully diluted income per shares is as follows for the years ended December 31, 2010 and 2009 are as follows:

For the year ended December 31, 2010

For the year ended December 31, 2009

Income

Shares

Per-Share

Income

Shares

Per-Share

(Numerator)

(Denominator)

Amount

(Numerator)

(Denominator)

Amount

Net Income/(Loss)

$ (394,051)

$ (3,976)

Basic EPS

Income available to common stockholders

(394,051)

34,839,166

$ (0.01)

(3,976)

27,798,922

$ 0.00

Effect of Dilutive Securities

Warrants

Convertible preferred stock

29,713

29,713

Diluted EPS

Net Income/(Loss)

(394,051)

36,836,542

$ (0.01)

(3,976)

27,828,635

$ 0.00

NOTE N—CONVERTIBLE NOTE PAYABLE

On January 5, 2010, the company received proceeds from a Note Payable (“Note”) due to an outside party in the amount of $50,000. A total of 4,761,905 shares have been placed in reserve if the Note Payable is converted. On August 20, 2010, $2,000 of the principal balance was converted into 133,333 common shares of CYIOS Corporation stock. On October 19, 2010, $4,000 of the principal balance was converted into 540,541 common shares of CYIOS Corporation stock. On December 13, 2010, $8,000 of the principal balance was converted into 888,889 common shares of CYIOS Corporation stock. As of December 31, 2010 the total Note Payable outstanding was $36,000.

The Company subsequently paid off the remaining principal balance of $36,000 on January 26, 2011 in full satisfaction of the outstanding Note Payable. The remaining shares not issued for conversion in the amount of 3,199,142 were removed from reserve.

Changes In and Disagreements with Accountants

We have had no changes in or disagreements with our accountants.

Available Information

We have filed a registration statement on form S-1 under the Securities Act of 1933 with the Securities and Exchange Commission with respect to the shares of our common stock offered through this prospectus. This prospectus is filed as a part of that registration statement, but does not contain all of the information contained in the registration statement and exhibits. Statements made in the registration statement are summaries of the material terms of the referenced contracts, agreements or documents of the company. We refer you to our registration statement and each exhibit attached to it for a more detailed description of matters involving the company, and the statements we have made in this prospectus are qualified in their entirety by reference to these additional materials. You may inspect the registration statement, exhibits and schedules filed with the Securities and Exchange Commission at the Commission's principal office in Washington, D.C. Copies of all or any part of the registration statement may be obtained from the Public Reference Section of the Securities and Exchange Commission, 100 F. Street, N.E. Washington, D.C. 20549. Please Call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference rooms. The Securities and Exchange Commission also maintains a Web Site at http://www.sec.gov that contains reports, proxy Statements and information regarding registrants that files electronically with the Commission. Our registration statement and the referenced exhibits can also be found on this site.

If we are not required to provide an annual report to our security holders, we intend to still voluntarily do so when otherwise due, and will attach audited financial statements with such report.

Dealer Prospectus Delivery Obligation

Until ________________, all dealers that effect transactions in these securities whether or not participating in this offering may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Part II

Information Not Required In the Prospectus

Item 13. Other Expenses of Issuance and Distribution

The estimated costs of this offering are as follows:

Securities and Exchange Commission registration fee	$	29
Federal Taxes	$	0
State Taxes and Fees	$	0
Listing Fees	$	0

Printing and Engraving Fees	$	1,000
Transfer Agent Fees	$	1,000
Accounting fees and expenses	$	500
Legal fees and expenses	$	2,500
Total	$	5,029

All amounts are estimates.

We are paying all expenses of the offering listed above. No portion of these expenses will be borne by the selling shareholders. The selling shareholders, however, will pay any other expenses incurred in selling their common stock, including any brokerage commissions or costs of sale.

Item 14. Indemnification of Directors and Officers

Our officers and directors are indemnified as provided by the Nevada Revised Statutes and our bylaws.

Under the governing Nevada statutes, director immunity from liability to a company or its shareholders for monetary liabilities applies automatically unless it is specifically limited by a company's articles of incorporation. Our articles of incorporation do not contain any limiting language regarding director immunity from liability. Excepted from this immunity are:

1.

a willful failure to deal fairly with the company or its shareholders in connection with a matter in which the director has a material conflict of interest;

2.

a violation of criminal law (unless the director had reasonable cause to believe that his or her conduct was lawful or no reasonable cause to believe that his or her conduct was unlawful);

3.

a transaction from which the director derived an improper personal profit; and

4.

willful misconduct.

Our bylaws provide that we will indemnify our directors and officers to the fullest extent not prohibited by Nevada law; provided, however, that we may modify the extent of such indemnification by individual contracts with our directors and officers; and, provided, further, that we shall not be required to indemnify any director or officer in connection with any proceeding (or part thereof) initiated by such person unless:

1.

such indemnification is expressly required to be made by law;

2.

the proceeding was authorized by our Board of Directors;

3.

such indemnification is provided by us, in our sole discretion, pursuant to the powers vested us under Nevada law; or;

4.

such indemnification is required to be made pursuant to the bylaws.

Our bylaws provide that we will advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or officer, of the company, or is or was serving at the request of the company as a director or executive officer of another company, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefore, all expenses incurred by any director or officer in connection with such proceeding upon receipt of an undertaking by or on behalf of such person to repay said amounts if it should be determined ultimately that such person is not entitled to be indemnified under our bylaws or otherwise.

Our bylaws provide that no advance shall be made by us to an officer of the company, except by reason of the fact that such officer is or was a director of the company in which event this paragraph shall not apply, in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made: (a) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to the proceeding, or (b) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the company.

Item 15. Recent Sales of Unregistered Securities

There were no previously unreported sales of unregistered securities during the fiscal years ended December 31, 2010 and 2009 or for the three and six month periods ended June 30, 2011 and 2010. All sales of securities are outlined in notes to the audited financial statements and all of those sales were registered securities.

Item 16. Exhibits

Exhibit Number

Description

3.1

Articles of Incorporation, as amended (1)

3.2

By-Laws (1)

5.1

Opinion of Gersten Savage LLP (2)

10.1

Drawdown Equity Financing Agreement (1)

10.2

Registration Rights Agreement (1)

23.1

Consent of Silberstein Ungar, PLLC

23.2

Consent of Jewett, Schwartz, Wolfe and Associates

(1) Previously filed as an exhibit to the Registration Statement on Form S-1/A filed on July 14, 2010.

(2) Previously filed as an exhibit with the pre-effective amendment no. 4 to the Registration Statement on Form S-1/A filed on August 30, 2010.

Item 17. Undertakings

The undersigned registrant hereby undertakes:

(a) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(b) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) (§230.424(b) of this chapter) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement. ; and

(c) to include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in the registration statement.

2. That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

3. To remove from registration by means of a post-effective amendment any of the securities being registered hereby which remain unsold at the termination of the offering.

4. That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A (§230.430A of this chapter), shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

5. That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424 (§230.424 of this chapter);

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the provisions above, or otherwise, we been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, and is, therefore, unenforceable.

In the event that a claim for indemnification against such liabilities, other than the payment by us of expenses incurred or paid by one of our directors, officers, or controlling persons in the successful defense of any action, suit or proceeding, is asserted by one of our directors, officers, or controlling persons in connection with the securities being registered, we will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification is against public policy as expressed in the Securities Act of 1933, and we will be governed by the final adjudication of such issue.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and authorized this registration statement to be signed on its behalf by the undersigned, on November 10, 2011.

CYIOS Corporation

By: /s/ Timothy Carnahan

Timothy Carnahan

President, Chief Executive Officer,

Principal Financial Officer, Principal

Accounting Officer, Director

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates stated.

/s/ Timothy Carnahan

President, Chief Executive Officer,

Principal Financial Officer, Principal

Accounting Officer, Director

November 10, 2011