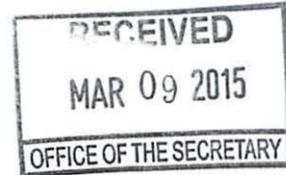


Administrative Proceeding
File No. 3.16386

In the Matter of

Traci J Anderson, CPA,
Timothy W. Carnahan,
And
CYIOS Corporation

Respondents



ORDER INSTITUTING
ADMINISTRATIVE, AND CEASE-
AND-DESIST PROCEEDINGS
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933,
SECTIONS 4C AND 21C OF THE
SECURITIES EXCHANGE ACT OF
1934, AND RULE 102(e) OF THE
COMMISSION'S RULES OF
PRACTICE

The following are answers as required pursuant to Rule 220 of the Commission's Rules of Practice:

SECTION II

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A. RESPONDENTS:

- (1) Note the Commission states that "Anderson consented in January 2012 to an order pursuant to which she forfeited her CPA license in North Carolina" is an incorrect statement. Anderson did in fact forfeit her license due to not filing her renewal paperwork for her license on time (Exhibit 1), but not due to the NC settlement order as stated by the SEC. The State of North Carolina and Anderson did in fact settle on an order whereas Anderson was still permitted to retain her CPA license with conditions that she not conduct audits or reviews of financial statements (Exhibit 2). Attached please find copies of Anderson's reason for forfeiture and Anderson's settled order with the state of North Carolina. See Exhibit 1 and 2.

B. ANDERSON WAS UNLAWFULLY ASSOCIATED WITH CYIOS AFTER THE PCAOB BARRED HER FROM ASSOCIATION WITH A REGISTERED PUBLIC ACCOUNTING FIRM:

(4 to 9) Responses:

First: The PCAOB's definition of "Registered Public Accounting Firm" (PCAOB Rule 1001(p)(1)—the terms "person associated with a public accounting firm" (or with a "registered public accounting firm" or "applicant") and "associated person of a public accounting firm" (or of a "registered public accounting firm" or "applicant") mean any individual proprietor, partner, shareholder, principal, accountant, or professional employee of a public accounting firm, or any independent contractor or entity that, in connection with the preparation or issuance of any audit report.

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Second: PCAOB did NOT sanction Traci Jo Anderson as below:

Section 105 (c)(4)(C)—temporary or permanent limitation on the activities, functions, or operations of such firm or person (other than in connection with required additional professional education or training)

Third: The SEC alleges that Traci Jo Anderson Section 105(c)(7)(B) stated as follows: "It shall be unlawful for any person that is suspended or barred from being associated with a registered public accounting firm under this subsection willfully to become or remain associated with any issuer, broker, or dealer in an accountancy or a financial management capacity, and for any issuer, broker, or dealer that knew, or in the exercise of

reasonable care should have known, of such suspension or bar, to permit such an association, without the consent of the Board or the Commission.”

Conclusion: Traci Jo Anderson is working and doing accounting work and other work as well for an issuer CYIOS Corporation. This is not a violation.

Our interpretation:

Section 105(c)(7)(B), the words "under this subsection" are meant to say in conjunction with an audit report (see PCAOB Rule 1001(p)(I)). PCAOB order to Traci Jo Anderson dated August 12, 2010 on page 18 did not order Section 105 (c)(4)(C) (see definition). Further, section 105(c)(7)(B) uses words "accountancy or a financial management capacity"—our interpretation of "capacity" is in the realm of this subsection thus being in conjunction to an audit report.

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Further, PCAOB General Rule 1001 (p)(ii) states that one must “play a Substantial Role in the Preparation or Furnishing of an Audit Report”. Clearly, Traci Jo Anderson performs "ZERO" percent in conjunction with the preparation or furnishing of an audit report.

In addition, the PCAOB did not include in the 2010 order that Traci was barred from being associated with CYIOS even though the PCAOB was aware of Traci’s association with CYIOS (see Exhibit 3). Exhibit 3, see item 7, was an affidavit signed and sent to the PCAOB during her settlement process prior to her order which states that Traci Jo Anderson is working for CYIOS. The PCAOB being aware of Traci Jo Anderson’s association with CYIOS gave their consent (implicitly) for her to continue to work for CYIOS.

C. CYIOS FAILED TO MAKE PERIODIC FILINGS REQUIRED UNDER SECTION
13(A) OF THE EXCHANGE ACT.

(10-11) Response:

CYIOS was having financial hardship and was not able to continue paying for auditors and lawyers for the filings so Timothy Carnahan did voluntarily file Form 15-12G as the appropriate paperwork last summer (2014) to revoke the '34 Act registration of the issuer.

D. CARNAHAN FAILED TO ASSES INTERNAL CONTROLS

i. Legal Requirements

(12-15) Response:

Carnahan did provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Carnahan and CYIOS maintain "evidential matter, including documentation" that provides "reasonable support for management's assessment of the effectiveness of the registrant's internal control over financial reporting". Carnahan signed the required certifications for each form 10-K and 10-Q in good faith and he used reasonable care in "certifying that the reports did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, not misleading with respect to the period covered by the reports".

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ii. Carnahan's Assessments of Internal Control over Financial Reporting

(16-19) Response:

Again, Carnahan and CYIOS did in fact evaluate ICFR for each 10-K and 10-Q. Carnahan and CYIOS do maintain documentation of management's assessments of ICFR. As Carnahan discussed with the SEC back in July 2014, CYIOS does maintain "evidential matter, including documentation to provide reasonable support for management's assessment of the effectiveness" of CYIOS' internal control over financial reporting—the CYIPRO program based operating system that Carnahan created was built with ICFR in mind. Carnahan's certifications that CYIOS had assessed ICFR are true.

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F. OFFERS AND SALES OF SECURITIES

(20) The issuance of common shares in reliance on 2009 filings (10-K) was done in good faith and with no intent to mislead. Thus, the Form S-8's reliance upon this filing and the 2010 10-Q's are accurate.

E. VIOLATIONS

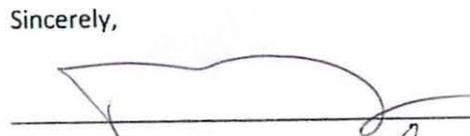
(21) Anderson did not willfully violate, CYIOS did not violate and Carnahan did not cause violations of, Section 17(a)(2) and 17(a)(3) of the Securities Act. All respondents acted in good faith and with reasonable care and with no intent to mislead the public and users of the financial statements and other information. All respondents were aware of the PCAOB bar and Anderson was permitted to work in an accounting in a clerical capacity and not in preparation of an audit report. Anderson did not and does not work in the capacity of auditor or in the role of auditing.

- (22) Per the explanation above and responses to other allegations throughout this document, CYIOS did not violate and Carnahan did not cause CYIOS' violations of, Sections 17(a)(2) and 17(a)(3) of the Securities Act. CYIOS and Carnahan acted in good faith and with reasonable care and with no intent to mislead the purchaser. Thus, neither CYIOS nor Carnahan engaged in any transaction, practice, or course of business with the intent to operate as a fraud or deceive the purchaser.
- (23) CYIOS and Carnahan did not violate Section 13(a), and Rules 13a-1 and 13a-13. CYIOS and Carnahan filed Form 15-12G in order to remedy the filing requirements and to revoke CYIOS' registration. Filing the aforementioned form is permissible and acceptable by the SEC as CYIOS has fewer than 300 shareholders on record. Due to the financial burden set forth by keeping up with the filing requirements, Carnahan felt it to be in the best interest of the company to revoke the registration of CYIOS.
- (24) Carnahan did not violate Rule 13a-14 of the Exchange Act. Carnahan accurately attested to the statement that the company's "report does not contain any untrue statement of material fact". As CYIOS' principal executive and principal financial officer, Carnahan acted in good faith and exercised reasonable care and without intent to mislead when he attested to the above statement.
- (25) Carnahan did not violate Rule 13a-15(c) of the Exchange Act. Carnahan as principal executive and principal financial officer performed evaluations of the company's ICFR as of the end of each fiscal year.

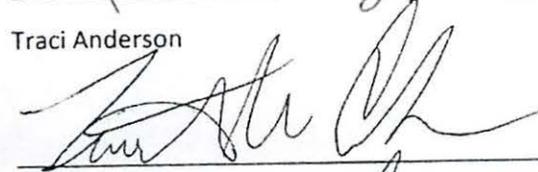
This is the conclusion of our responses to the allegations contained in the Order. Anderson, Carnahan and CYIOS do not agree with the any of the allegations and we request that the Administrative Proceeding against us collectively be dismissed.

We look forward to discussing this matter further with you.

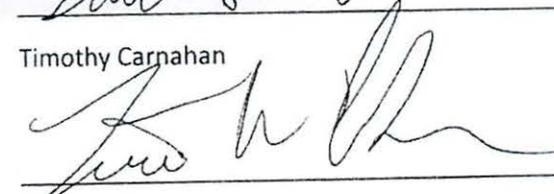
Sincerely,



Traci Anderson (date) 3/4/2015



Timothy Carnahan (date) 3/4/2015



Timothy Carnahan, CEO and President of CYIOS (date) 3/4/2015

COPY



North Carolina State Board of Certified Public Accountant Examiners

1101 Oberlin Road, Suite 104 • PO Box 12827 • Raleigh NC 27605 • (919) 733-4222 • Fax (919) 733-4209 • www.nccpaboard.gov

April 8, 2010

Traci Jo Anderson, CPA #30009
14026 Cinnabar Place
Huntersville NC 28078

Dear Ms. Anderson:

Your firm renewal or termination request was postmarked, faxed, or emailed to the Board on March 2, 2010, which is less than 60 days late. Renewing or terminating a firm registration after the February 1, 2010, deadline violates G.S. 93-12(7b) and Title 21 of the North Carolina Administrative Code 08J .0108. Pursuant to 21 NCAC 08J .0111(1), the penalty for noncompliance of less than 60 days is a conditional license.

Unless you contact us showing us that you did timely comply with 21 NCAC 08J .0108, we plan to change your individual certificate status from active to conditional for the one-year period ending March 23, 2011. If you do contest this matter, you are entitled to a public hearing. If you do not wish to contest this matter, no further action is required on your part.

Pursuant to NCGS 150B-40(d), if you request a hearing you may not communicate, directly or indirectly, regarding this matter with any individual member of the Board. If you have pertinent evidence showing that you renewed by February 1, 2010, you may contact us with your new information and ask that the matter be reconsidered. The deadline for submitting any new information or contesting this matter is **April 30, 2010**.

If you have any questions, please let me know. Thank you.

Sincerely,

Buck Winslow
Manager of Licensing

/bw

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Certified Mail # 7160 3820 3530 0715 3567
RETURN RECEIPT REQUESTED

NORTH CAROLINA
WAKE COUNTY

BEFORE THE NORTH CAROLINA STATE BOARD OF
CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
CASE #s: C2010169-1 and C2010169-2

IN THE MATTER OF:
Traci Jo Anderson, #30009
Traci J. Anderson, CPA
Respondents

CONSENT ORDER

THIS CAUSE, coming before the North Carolina State Board of CPA Examiners ("Board") at its offices at 1101 Oberlin Road, Raleigh, Wake County, North Carolina, with a quorum present. Pursuant to N. C. Gen. Stat. § 150B-41, the Board and Respondents stipulate the following Findings:

1. Traci Jo Anderson (hereinafter "Respondent Anderson") is the holder of North Carolina certificate number 30009 as a Certified Public Accountant.
2. Respondent Traci J. Anderson, CPA (hereinafter "Respondent Firm"), is a registered certified public accounting firm in North Carolina.
3. Effective August 12, 2010, the Public Company Accounting Oversight Board (PCAOB) barred Respondent Anderson and Respondent Firm from being an associated person of a registered public accounting firm on the basis of its findings concerning Respondent Anderson and Respondent Firm's violations of PCAOB rules and auditing standards in auditing the financial statements of three issuer clients from 2007 to 2009.
4. As a result of the sanctions imposed by the PCAOB, the American Institute of Certified Public Accountants (AICPA) terminated Respondent Anderson's AICPA membership effective September 17, 2010.
5. Respondents wish to resolve this matter by consent and agree that the Board staff and counsel may discuss this Consent Order with the Board *ex parte*, whether or not the Board accepts this Consent Order as written. Respondents understand and agree that this Consent Order is subject to review and approval by the Board and is not effective until approved by the Board at a duly constituted Board Meeting.



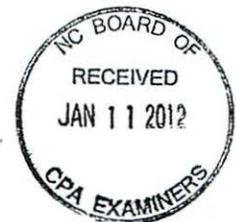
Consent Order - 2
Traci Jo Anderson
Traci J. Anderson, CPA

BASED upon the foregoing, the Board makes the following Conclusions of Law:

1. Respondents are subject to the provisions of Chapter 93 of the North Carolina General Statutes and Title 21, Chapter 8 of the North Carolina Administrative Code (NCAC), including the Rules of Professional Ethics and Conduct promulgated and adopted therein by the Board.
2. Respondents' actions as set out above constitute violations of 21 NCAC 08N .0201, .0204, .0209, .0212 and .0403.
3. Per N.C. Gen. Stat. § 93-12(9) and also by virtue of Respondents' consent to this order, Respondents are subject to the discipline set forth below.

BASED on the foregoing and in lieu of further proceedings, the Board and Respondent agree to the following Order:

1. For a period of at least five (5) years following the date of the execution of this Consent Order and until the PCAOB has lifted its bar, Respondent Anderson may not engage in any attest of assurance services except as set forth in paragraph 2, below.
2. Respondents may issue compilations. However, Respondents shall obtain pre-issuance reviews of the working papers of all compilation engagements performed by Respondents until such time as the Board considers such pre-issuance reviews to no longer be necessary. The pre-issuance reviewer shall be approved by the Board prior to performing said reviews. Respondents shall authorize and cause the pre-issuance reviewer to provide the Board with a copy of each pre-issuance review report upon its issuance.
3. Respondents shall reimburse the Board for its administrative costs incurred as a result of monitoring Respondents' compliance with the pre-issuance review requirements.
4. Respondents shall remit to the Board a one thousand dollar \$1,000.00 civil monetary penalty at the time of the execution of this Consent Order.



Consent Order - 3
Traci Jo Anderson
Traci J. Anderson, CPA

CONSENTED TO THIS THE 9th DAY OF January, ²⁰¹²~~2011~~.

[Signature]
Respondent

APPROVED BY THE BOARD THIS THE 23 DAY OF JANUARY,
2012.
12

NORTH CAROLINA STATE BOARD OF CERTIFIED
PUBLIC ACCOUNTANT EXAMINERS



BY: [Signature]
President

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DECLARATION OF TRACI JO ANDERSON

Traci Jo Anderson, File No. 105-OFI-2009-009

I, Traci Jo Anderson, state as follows:

1. I issued audit opinions for Houseraising, Inc., Envirosafe Corp., and UpSnap, Inc. for various fiscal years between 2005 and 2008.
2. During this period, I had a professional relationship with Joel Baum concerning approximately 12 issuers, including (but not limited to) Houseraising, Inc., Envirosafe Corp., and UpSnap, Inc. Among other things, I asked Mr. Baum to perform concurring reviews of my audits of these issuers' financial statements. I believed that Mr. Baum had orally agreed to perform such reviews.
3. To assist Mr. Baum in his work, I faxed workpapers and checklists to him. I generally recall discussing issues relating to my audits of Houseraising, Inc., Envirosafe Corp., and UpSnap, Inc. with Mr. Baum.
4. I placed Mr. Baum's initials on workpapers to reflect my understanding and belief that he had in fact performed concurring reviews. I did not intend to create the impression that Mr. Baum himself had initialed the workpapers.
5. Mr. Baum never invoiced me for his services. On an irregular basis, he simply requested that I pay him certain amounts. My records do not indicate which audit client(s) relate to particular payments made by my firm to Mr. Baum, or the nature of professional services that he performed in relation to such payments.

6. Based on my further review of relevant documents, including but not limited to my financial records and workpapers, I am now unsure whether Mr. Baum actually performed concurring reviews regarding Houseraising, Inc., Envirosafe Corp., and UpSnap. Inc.

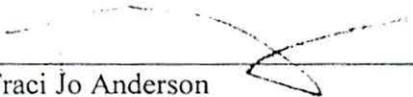
7. Recently, I had a dispute with Mr. Baum in relation to his performance of audit services for a company for which I am the chief financial officer, CYIOS Corp. My client needed his consent regarding his 2008 audit's inclusion with the company's registration statement on Form S-1. Mr. Baum unreasonably made it very difficult for me to obtain this consent. Based on this dispute, I believe that Mr. Baum has a motive to inaccurately describe the nature and scope of professional services he performed in prior years, as well as the nature and content of communications between us.

8. My father died unexpectedly in January 2007. My mother previously had died when I was in college. By the spring of 2007, I was suffering from undiagnosed depression. By the end of 2007, I also began to experience marital difficulties. Since January 2008, I have been seeing a psychologist to help me cope with my grieving for the loss of both parents and the impending loss of my marriage and resulting impact on my two children.

9. I believe that my professional work suffered as a result of my personal problems in 2007 and 2008. I further believe that, with the assistance of psychological counseling, I no longer suffer from depression, and my personal problems no longer impact the quality of my work.

10. To the extent the statements contained herein are inconsistent with the statements made during my previous testimony the Public Company Accounting Oversight Board staff, I hereby withdraw my prior statements.

Executed this 15th day of June, 2010, in Huntersville, North Carolina.



Traci Jo Anderson

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