

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION



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

TRACI J ANDERSON, CPA, TIMOTHY W. CARNAHAN, AND CYIOS CORPORATION
MOTION FOR SUMMARY DISPOSITION OF SEC'S CLAIMS FOR VIOLATIONS AS
STATED IN FILE 3.16386 OF THE SECURITIES ACT OF 1933 AND 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.

Pursuant to Rule 250(a) of the U.S. Securities and Exchange Commission's ("SEC" or "Commission") Rules of Practice, Respondents Traci J Anderson, Timothy W. Carnahan and CYIOS Corporation (collectively, "CYIOS Respondents") respectfully submit this motion for summary disposition of the SEC's claims that CYIOS Respondents violated (i) Traci J. Anderson, CPA ("Anderson") pursuant to Sections 4C1 and 21C of the Securities Exchange Act of 1934 ("Exchange Act") and 102(e)(1)(iii)2 of the Commission's Rules of Practice; and (ii) Timothy W. Carnahan ("Carnahan") and CYIOS Corporation ("CYIOS") pursuant to Section 8A of the Securities Act of 1933 ("Securities Act") and Section 21C of the Exchange Act. This motion is supported by undisputed facts and the allegations contained in the SEC's Order Instituting Proceedings dated February 15, 2015, and the CYIOS's response dated March 4th, 2015.

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I. PRELIMINARY STATEMENT

As CYIOS respondents read any SEC law and abide by it and supporting case law, CYIOS respondents' case hinges upon whether Traci Anderson should have been working with CYIOS Corporation after she was barred in 2010. The SEC has capriciously and arbitrary stated that Traci was in violation of the PCAOB order dated August, 2010.. The fact is that Traci was NOT in violation of the PCAOB order. As for the other violations the SEC has alleged against Timothy W. Carnahan and CYIOS Corporation, the SEC is attempted to again arbitrary and capriciously concatenate one violation with another like dominoes game. The SEC has shown that there is NO intent to scienter from the CYIOS respondents.

Pursuant to Rule 250(a), a respondent may "make a motion for summary of disposition of any or all allegations of the order instituting proceeding." 17C.F.R § 201.250(a). The motion should be granted when "there is no genuine issue with regard to any material fact and the party making the motion is entitled to a summary disposition as a matter of law." 17 C.F.R. § 201.250(b).

2. LEGAL DISCUSSION:

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)(I)—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.**

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.

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”.

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.

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.

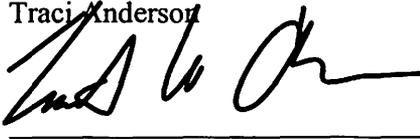
3. CONCLUSION - REQUEST to DISMISS CLAIMS

Based upon above, CYIOS respondents request for dismissal of the Administrative Proceeding against us collectively.

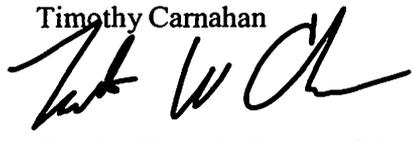
Vr,


_____ 5/1/2015

Traci Anderson (date)


_____ 5/1/2015

Timothy Carnahan (date)


_____ 5/1/2015

Timothy Carnahan, CEO and President of CYIOS (date)