

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

FORM 10-Q

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

For the quarterly period ended September 30, 2010

OR

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

For the transition period from ____ to ____

Commission file number **000-53391**

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.

(Exact Name of Small Business Issuer as Specified in its Charter)

Colorado
(State or other jurisdiction
of incorporation or organization)

26-3161860
I.R.S. Employer
Identification number

9800 Mt. Pyramid Court # 250
Englewood, CO 80112
(Address of Principal Executive Offices)
Issuer's telephone number: (303) 653-0100

Former name, former address, and former fiscal year, if changed since last report

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

Securities registered under Section 12(g) of the Exchange Act: Common Stock, \$.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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

subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act (check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The issuer had 32,082,398 shares of its common stock issued and outstanding as of November 5, 2010, the latest practicable date before the filing of this report.

Biomedical Technology Solutions Holdings, Inc and Subsidiaries
FORM 10-Q
FOR THE FISCAL QUARTER ENDED SEPTEMBER 30, 2010
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BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
Consolidated Balance Sheets
September 30, 2010 and December 31, 2009

	<u>9/30/2010</u>	<u>12/31/2009</u>
	(unaudited)	(derived from audited financial statements)
Assets		
Current assets:		
Cash	\$ 58,444	\$ 6,643
Accounts receivable, net of allowance for doubtful accounts	169,724	261,619
Inventory	207,911	247,263
Prepaid expenses	<u>46,894</u>	<u>44,661</u>
Total current assets	482,973	560,186
Property and equipment, net of accumulated depreciation	24,554	43,308
Intangible assets, net of accumulated amortization	278,894	306,085
Land held for development or sale	615,000	615,000
Long term Accounts receivable	5,699	9,197
Deposits	<u>5,000</u>	<u>5,000</u>
Total Assets	\$ <u>1,412,119</u>	\$ <u>1,538,776</u>
Liabilities and shareholders' (deficit)		
Current liabilities:		
Accounts payable	\$ 391,761	\$ 396,563
Notes payable	329,446	222,241
Notes payable to related parties	144,410	144,410
Accrued payroll and other liabilities	485,353	348,862
Deferred income	<u>56,300</u>	<u>52,249</u>
Total current liabilities	<u>1,407,270</u>	<u>1,164,325</u>
Long-term debt	<u>471,495</u>	<u>471,495</u>
Total Liabilities	<u>1,878,765</u>	<u>1,635,820</u>
Shareholders' (deficit)		
Series A Convertible Preferred Stock, \$0.001 par value 10,000,000 authorized, 40,000 and 40,000 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	40	40
Common stock, \$0.001 par value 100,000,000 shares authorized, 32,082,398 and 28,846,315 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	32,082	28,846
Additional paid in capital	6,211,662	5,592,026
Accumulated deficit	<u>(6,710,430)</u>	<u>(5,717,956)</u>
Total Shareholders' (deficit)	<u>(466,646)</u>	<u>(97,044)</u>
Total Liabilities and Shareholders' Equity	\$ <u>1,412,119</u>	\$ <u>1,538,776</u>

See accompanying notes to these consolidated financial statements

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
Consolidated Statements of Operations
Three Months and Nine Months Ended September 30, 2010 and 2009 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net sales	\$ 238,298	\$ 115,019	\$ 539,988	\$ 839,535
Cost of sales	<u>124,127</u>	<u>45,930</u>	<u>288,613</u>	<u>321,504</u>
Gross profit	114,171	69,089	251,375	518,031
Other costs and expenses:				
Selling, general and administrative	313,199	503,624	1,128,899	1,396,106
Research and development expenses	<u>22,367</u>	<u>55,793</u>	<u>76,888</u>	<u>191,857</u>
Total operating expenses	<u>335,566</u>	<u>559,417</u>	<u>1,205,787</u>	<u>1,587,963</u>
Loss before non-operating income and expense and income taxes	(221,394)	(490,328)	(954,411)	(1,069,932)
Other income and (expense):				
Non-operating income	-	-	-	-
Other Income	-	-	18	6,384
Interest expense	<u>(8,427)</u>	<u>(8,508)</u>	<u>(35,089)</u>	<u>(29,666)</u>
Interest (net)	<u>(8,427)</u>	<u>(8,508)</u>	<u>(35,071)</u>	<u>(23,282)</u>
Net loss before income taxes	<u>(229,822)</u>	<u>(498,836)</u>	<u>(989,483)</u>	<u>(1,093,214)</u>
Income tax provision	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accretion of beneficial conversion feature, Preferred Stock		(30,000)		(30,000)
Preferred Stock Dividend	<u>(1008)</u>	<u>(1,366)</u>	<u>(2,992)</u>	<u>(4,691)</u>
Net loss attributable to common stockholders	<u>\$ (230,829)</u>	<u>\$ (530,202)</u>	<u>\$ (992,474)</u>	<u>\$ (1,127,905)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>
Weighted average common shares outstanding	<u>31,915,731</u>	<u>28,963,385</u>	<u>30,690,250</u>	<u>28,214,249</u>

See accompanying notes to these consolidated financial statements

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
Consolidated Statement of Changes in Shareholders' (deficit)
(Unaudited)

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Par Value</u>	<u>Shares</u>	<u>Par Value</u>	<u>Paid-in</u> <u>Capital</u>	<u>Deficit</u>	
Balance at December 31, 2009	<u>40,000</u>	<u>\$ 40</u>	<u>28,846,315</u>	<u>\$ 28,846</u>	<u>5,592,026</u>	<u>\$ (5,717,956)</u>	<u>\$ (97,044)</u>
Shares issued for compensation	—	—	1,260,000	1,260	246,441	—	247,701
Shares issued to repay 12/31/09 payable	—	—	18,750	19	7,481	—	7,500
Charges for vesting options/warrants	—	—	—	—	35,392	—	35,392
Sales of Common Stock less \$3,720 of offering costs	—	—	1,957,333	1,957	330,322	—	332,279
Net loss	—	—	—	—	—	(992,474)	(992,474)
Balance at September 30, 2010	<u>40,000</u>	<u>\$ 40</u>	<u>32,082,398</u>	<u>\$ 32,082</u>	<u>6,211,662</u>	<u>\$ (6,710,430)</u>	<u>\$ (466,646)</u>

See accompanying notes to these consolidated financial statements

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2010 and 2009 (Unaudited)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net loss	\$(992,474)	(1,127,905)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	58,426	69,229
Stock issued in lieu of Deferred Compensation	-	50,000
Stock based compensation expense	290,592	64,305
Beneficial Conversion Feature – Series A Convertible Preferred Stock		30,000
Series A interest earned and converted to shares of Common Stock		2,166
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	91,895	(145,730)
Decrease (increase) in prepaid expenses and other current assets	(2,233)	31,261
Decrease (increase) in Note Receivable	-	146,000
Decrease (increase) in inventories	39,352	158,650
Decrease (increase) in long term accounts receivable	3,498	-
Increase (decrease) in accounts payable	(4,802)	4,201
Increase in accrued expenses	136,491	291,814
Increase (decrease) in other liabilities	<u>4,051</u>	<u>3,003</u>
Net cash (used in)operating activities	(375,204)	(423,006)
Cash flows from investing activities:		
Acquisition of intangible assets	<u>(12,479)</u>	(20,944)
Acquisition of property and equipment	-	<u>(17,018)</u>
Net cash (used in) investing activities	<u>(12,479)</u>	<u>(37,962)</u>
Cash flows from financing activities:		
Proceeds from sale of Series A Convertible Preferred Stock, net	-	426,667
Proceeds from sale of Common Stock, net of offering expenses	332,279	-
Proceeds from notes payable	191,637	48,210
Proceeds from notes payable – related parties	-	(31,045)
Repayment of notes payable	(84,432)	-
Repayment of notes payable – related parties	<u>-</u>	<u>-</u>
Net cash provided by financing activities	<u>439,484</u>	<u>443,832</u>
Increase (decrease) in cash and cash equivalents, beginning of period	51,801	(17,136)
Cash and cash equivalents, end of year	<u>\$ 58,444</u>	<u>\$ 12,151</u>

	<u>2010</u>	<u>2009</u>
Supplemental cash flow information:		
Cash paid for income taxes	\$ 2,000	\$ -
Cash paid for interest	\$ 16,830	\$ 11,214

See accompanying notes to these consolidated financial statements

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
Notes to Financial Statements (Unaudited)

Note 1: Nature of Operations

We market the Demolizer® II System. The Demolizer® II System is a tabletop device that converts infectious biomedical waste into non-biohazardous material. The Demolizer® II System also includes components that have been upgraded to incorporate enhanced process controls, safety features, and integrated quality systems. We earn revenue by selling or leasing our products to our customers. BMTS targets medical clinics, nursing homes, dentists, pharmacies, veterinarians, professional sports teams, colleges, and defense industries, which make up the estimated 1,000,000 low-medium volume infectious waste generators in the U.S. Additionally, we are in development of a portable product suitable for use by in home care providers and individuals who require safe and convenient disposal of their personal biomedical waste. The Company's offices are located in Englewood, Colorado.

Note 2: Basis of Presentation

The balance sheet at December 31, 2009 has been derived from financial statements audited by Cordovano and Honeck, LLP as indicated by its report included by the Form 10-K. The accompanying unaudited financial statements at September 30, 2010 have been prepared from the records of the Company, in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, the accompanying unaudited financial statements contain all adjustments (consisting of only recurring accruals) necessary to present fairly the financial position as of September 30, 2010, the results of operations for the three and nine months ended September 30, 2010 and 2009, and cash flows for the nine months ended September 30, 2010 and 2009. These financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Company's annual report on Form 10-K for the year ended December 31, 2009.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The results of operations for the three and nine month period ended September 30, 2010 are not necessarily indicative of the results to be expected for the full year ending December 31, 2010.

The consolidated financial statements include the accounts of BioMedical Technology Solutions Holdings, Inc. ("the Company") and its wholly owned subsidiaries, BioMedical Technology Solutions, Inc. ("BMTS"), BMTS Properties, Inc. and Healthcare Sales Professionals, Inc. All significant intercompany accounts and transactions have been eliminated.

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
Notes to Financial Statements (Unaudited)

Note 3: Significant Accounting Policies

Fair Value of Financial Instruments:

In 2009, the Company adopted changes issued by the FASB to fair value disclosures of financial instruments. These changes require a publicly traded company to include disclosures about the fair value of its financial instruments whenever it issues summarized financial information for interim reporting periods. Such disclosures include the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position; the related carrying amount of these financial instruments; and the method (s) and significant assumptions used to estimate fair value. Other than the required disclosures the adoption of these changes had no impact on the financial statements.

The Company has determined, based upon available market information and appropriate valuation methodologies, the fair value of its financial instruments' approximate carrying values. The carrying values of cash, accounts receivable, payables, and other current and long term liabilities at September 30, 2010 and December 31, 2009 approximate fair value.

Property and Equipment:

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	1.5 years
Computer equipment	3 years
Office equipment	3 years
Furniture and fixtures	5 years
Molds and tools	5 years

Expenditure for repairs and maintenance is expensed as incurred. When assets are retired or sold, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the results of operations.

Revenue Recognition:

Revenues from product sales are recognized at the time the goods are shipped to the ordering customer.

Revenues from leasing products are recognized under the Operating Method. Under this method, we record each rental receipt as rental revenue. We depreciate the leased product in the normal manner with depreciation expense of the period matched against the rental revenue. The amount of revenue recognized in each accounting period is a level amount (straight-line basis) representing the time period in which our customer derives benefits from our product. Revenues from leasing products were immaterial in the third quarter of 2010 and 2009.

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
Notes to Financial Statements (Unaudited)

Stock-Based Compensation:

The fair value of stock options and purchase rights pursuant to the 2008 Equity Incentive Plan is estimated using the Black-Scholes valuation model. This model required input of highly subjective assumptions, including expected life of the award and expected stock price volatility. The fair value of the grant is determined based upon a marked up value above the closing stock price on the grant date. The fair value of stock based awards expected to vest is amortized over the service period, typically the vesting period, of the award on a straight-line basis. Our estimate of forfeitures is based upon our historical activity, which we believe is indicative of expected forfeitures. In subsequent periods, if the actual rate of forfeitures differs from our estimate, the forfeiture rates may be revised, as necessary. Changes in the estimated forfeiture rates can have a significant effect on share-based compensation expense since the effect of adjusting the rate is recognized in the period the forfeiture is changed. Our stock based compensation was \$290,592 and \$64,305 for the nine months ended September 30, 2010 and 2009, respectively.

Related Parties:

Parties, which can be a corporation or individual, are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

Note 4: Accounting for Income Taxes

The Company accounts for income taxes under ASC 740, which requires the use of the liability method. ASC 740 provides that deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in the periods in which the deferred tax assets and liabilities are expected to be settled or realized.

This method gives consideration to the future tax consequences of deferred income or expense items immediately recognized changes in income tax laws upon enactment. The statement of operations effect is generally derived from changes in deferred income taxes, net of valuation allowances, on the balance sheet as measured by differences in the book and tax bases of our assets and liabilities. We have significant tax loss carry forwards, which are recorded as deferred tax assets. Deferred tax assets realizable in future periods are recorded net of a valuation allowance based upon an assessment of our ability to generate sufficient taxable income within an appropriate period. Based upon our historical taxable losses and projections for future taxable income over periods in which the deferred income tax assets are deductible, management determines if we will realize the benefits of these deductible differences.

The Company has analyzed filing positions, in all of the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Company has identified its federal tax return and state tax return in Colorado as “major”

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
Notes to Financial Statements (Unaudited)

tax jurisdictions, as defined. We are not currently under examination by the Internal Revenue Service or any other any other jurisdiction. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on the Company's financial condition, results of operations, or cash flow. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740.

Note 5: Loss per Common Share:

ASC Topic (formerly SFAS 128), *Earnings per Share*, requires presentation of "basic" and "diluted" earnings per share on the face of the statements of operations for all entities with complex capital structures. Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted during the period. Dilutive securities having an anti-dilutive effect on diluted earnings per share are excluded from the calculation. At September 30, 2010, the Company has options, warrants and Series A Convertible Preferred Stock as converted outstanding that could be exercised representing a total of 3,749,616 additional shares. All have been excluded from the weighted average share calculation because they would be anti-dilutive.

Note 6: New Accounting Standards:

In 2009, the Company adopted changes issued by the Financial Accounting Standards Board ("FASB") to the authoritative hierarchy of GAAP. These changes establish the FASB Accounting Standards Codification ("Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead the FASB will issue Accounting Standards Updates. Accounting Standards Updates will not be authoritative in their own right as they will only serve to update the Codification. These changes and the Codification itself do not change GAAP. Other than the manner in which new accounting guidance is referenced, the adoption of these changes had no impact on the financial statements.

In May, 2009, the FASB issued SFAS No. 165, Subsequent Events ("SFAS 165"), which establishes principles and requirements for subsequent events. This statement defines the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, and the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in the financial statements. SFAS 165 also sets forth the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS 165 is effective for the interim or annual periods ending after June 15, 2009.

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
Notes to Financial Statements (Unaudited)

Note 7: Related Party Transactions

In February 2009, the Company issued a promissory note totaling \$75,000 with one related party and shareholder. The promissory note was extended to December 31, 2010, with a reduction in interest rate to 10%.

Additionally in June 2009, the Company issued a promissory note with a related party evidencing a loan in the amount of \$14,410 of which \$5,000 was repaid. The maturity date of the promissory note was extended to December 31, 2010, with a reduction in interest rate to 10%.

In February 2008, the Company issued a promissory note with a related party and shareholder evidencing a loan in the amount of \$60,000. The maturity date of the promissory note was extended to December 31, 2010, with a reduction in interest rate to 10%.

The Company expects to settle the obligations through cash or equity or a combination thereof.

Note 8: Balance Sheet Details

Accounts Receivable:

Accounts receivable consist primarily of amounts due to us from our normal business activities. Accounts receivable balances are determined to be past due when the amount is overdue based on the contractual terms with the customer. We maintain an allowance for doubtful accounts to reflect the expected uncollectibility of accounts receivable based on past collection history and specific risks identified among uncollected accounts. Accounts receivable are written off against the allowance for doubtful accounts when we have determined that the receivable will not be collected and/or when the account has been referred to a third party collection agency. In 2009, the Company recorded bad debt expenses totaling \$193,859 and currently has an allowance totaling \$17,146. Past due accounts (more than 90 days) totaled \$99,214 and \$199,218 at September 30, 2010 and December 31, 2009, respectively.

Inventory:

Inventories are valued at the lower of cost or market and are maintained on the first-in-first-out method. We perform periodic cycle counts of inventories and review the provision for potential losses from obsolete, excess or slow moving inventories. The inventory details as of September 30, 2010 and December 31, 2009 are as follows:

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
Notes to Financial Statements (Unaudited)

	September 30, <u>2010</u>	December 31, <u>2009</u>
Raw Materials	\$ 98,267	\$ 130,060
Work-in-process	44,380	36,581
Finished Goods	87,766	104,369
less: Allowance	<u>(22,502)</u>	<u>(23,747)</u>
	<u>\$ 207,911</u>	<u>\$ 247,263</u>

Property and Equipment:

Listed below are the major classes of property and equipment as of September 30, 2010 and December 31, 2009:

	September 30, <u>2010</u>	December 31, <u>2009</u>
Equipment leased to customers	\$ 24,495	\$ 24,495
Computer equipment	53,941	53,941
Office equipment	19,744	19,744
Furniture and fixtures	11,874	11,874
Molds and tools	71,605	71,605
Computer software	23,433	23,433
Leasehold improvements	<u>5,524</u>	<u>5,524</u>
	210,616	210,616
Less: accumulated depreciation	<u>(186,062)</u>	<u>(167,308)</u>
	<u>\$ 24,554</u>	<u>\$ 43,308</u>

Identifiable Intangibles:

Identifiable indefinite lived intangibles are not amortized, but are subject to an annual impairment test. Other intangible assets will continue to be amortized over their useful lives. We have determined that our customer relationships have a useful life of four years based upon the type of customer. We have patent intangibles with a useful life of five years. We have determined that our permits, trademarks and licenses have indefinite lives and accordingly, are not amortized.

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
Notes to Financial Statements (Unaudited)

	September 30, <u>2010</u>	December 31, <u>2009</u>
Limited-life intangibles		
Patent	\$ 87,220	\$ 83,256
Customer list	<u>15,000</u>	<u>15,000</u>
	102,220	98,256
Less: accumulated depreciation	<u>(94,829)</u>	<u>(83,555)</u>
	7,391	14,701
Patents Pending	119,512	139,371
Indefinite-life intangibles		
Trademark	46,992	47,013
Licenses and permits	<u>105,000</u>	<u>105,000</u>
	<u>151,992</u>	<u>152,013</u>
	<u>\$ 278,895</u>	<u>\$ 306,085</u>

Accrued Liabilities:

Accrued liabilities consisted of the following accounts at September 30, 2010 and December 31, 2009:

	September 30, <u>2010</u>	December 31, <u>2009</u>
Accrued Payroll	\$ 388,124	\$ 275,231
Accrued Interest Payable	35,541	17,059
Accrued Professional Fees	25,925	36,168
Accrued Other	<u>35,764</u>	<u>20,404</u>
	<u>\$ 485,353</u>	<u>\$ 348,862</u>

Notes Payable

At September 30, 2010, the Company was obligated under the terms of promissory notes, primarily issued for working capital, in the amount of \$100,000. Additionally in the third quarter ended September 30, 2010, the Company secured a note totaling \$50,000. The promissory notes are unsecured and carry an interest rate of 5% percent and mature on or before May 2011. In quarter ended September 30, 2010, a promissory note for \$30,000 that was issued in April 2010 was converted for 200,000 shares of common stock.

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
Notes to Financial Statements (Unaudited)

In May 2010, an outstanding \$200,000 note held by an unaffiliated third party was purchased by a current shareholder. The note was modified to bear interest at a rate of 6% per annum. The principal balance owing as of September 30, 2010 was \$145,000. The note matures on April 1, 2011 and is secured by a second Deed of Trust encumbering the Company's real property. The Company has executed a Settlement Agreement that provides, in part, that if it defaults in the required payments, the holder is entitled to take judgment.

Interest expense on short-term borrowings was \$35,541 and \$21,158 for the nine months ended September 30, 2010 and 2009, respectively.

Additionally, at September 30, 2010, the Company was obligated under short term insurance premium financing agreements totaling \$34,446, payable in installments totaling \$4,410 per month, including interest accruing at a rate between 8.45% and 9.9% per annum.

At the time of the reverse merger in August 2008, land previously held for development by CET and now by BMTS Properties, Inc., is carried at an amount considered to be its fair value based upon a current independent appraisal of its liquidating value. The long term note payable totaling \$471,495 is collateralized by the land parcel and is due upon the sale or transfer of the land. Interest is payable monthly at the rate of 2% per annum. The original note was secured in 2004, and has been extended twice with a current maturity of June 2011. The City of Aurora has verbally agreed to continue extending the loan on an annual basis until the land is developed or sold.

Note 9-Shareholders' Equity

Preferred Stock:

We are authorized to issue 10,000,000 shares of \$.001 par value preferred stock. The Company's Articles of Incorporation authorize the Company's Board of Directors to establish the number of preferred shares to be included in each series and to fix the designation and relative powers, including voting powers, preferences, relative participating, optional and other rights, qualifications, limitations and restrictions of each series.

In February, 2009, the Company began a private offering of unregistered securities comprised of Units, each Unit consisting of two shares of Series A Convertible Preferred Stock ("Series A Stock") and one Warrant at a private offering price of \$2.00 per Unit. The Series A Stock was valued at \$1.00 per share. Each Warrant holder has the right to purchase for a period of 18 months one additional share at a price of \$1.50 per share.

Under the terms of the private offering, each share of Series A Stock has the right to a number of votes equal to the number of shares of Common Stock then issuable upon conversion. The Series A Stock is entitled to receive a dividend equal to 10% per annum of the stated value of the shares, payable in arrears, with the Company's option to pay such dividend in shares of the Company's Common Stock valued at the 30 day VWAP, or in cash. Each Series A Share is convertible into an equal number of shares of Common Stock at the option of the Holder or will automatically convert under certain circumstances.

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
Notes to Financial Statements (Unaudited)

In 2009, we sold an aggregate of \$437,500 of such Units and at September 30, 2010 there were 40,000 shares of our Series A Convertible Preferred Stock outstanding.

Common Stock:

In the third quarter of 2010, the Company issued stock awards to employees and consultants of the Company totaling 250,000 shares of Common Stock. The shares were valued at a weighted average of \$0.21 per share, which was equal to 100% of the public trading bid price of the Common Stock on the particular date of grant, as quoted on the OTC Electronic Bulletin Board.

In addition, the Company sold to one investor 200,000 shares of Common Stock valued at \$0.25 per share, for a total consideration of \$50,000 and 300,000 warrants with a strike price of \$0.25 per share, with an expiration of July 2013. Additionally, a promissory note for \$30,000 that was issued in April 2010 was converted for 200,000 shares of Common Stock valued at \$0.15 per share, which was equal to the quoted market price of the Common Stock on the transaction date.

In the second quarter of 2010, the Company sold to one investor an aggregate of 1,333,333 shares of Common Stock valued at \$0.15 per share, for a total consideration of \$200,000. In May 2010, an existing \$200,000 note which was in default was purchased by a current shareholder. As part of the Settlement Agreement to restructure the note, the Company agreed to issue 250,000 shares of common stock valued at \$0.17 per share and 200,000 warrants with a strike price of \$0.25 per share, with an expiration of May 31, 2013.

In the first quarter of 2010, the Company sold to two investors an aggregate of 224,000 shares at \$0.25 per share, for a total consideration of \$56,000.

In March 2010, the Company entered into a Settlement Agreement and Release with various parties to resolve several issues in dispute. As part of that agreement:

- A Consultation Agreement with Malibu Holdings, LLC was modified to provide for the issuance of 300,000 shares for services rendered, rather than the 700,000 previously agreed upon;
- Sunrise Capital, LLC agreed to assign to William Dudziak (“Dudziak”), a shareholder of the Company, 2.0 million shares that Sunrise had purchased from Dudziak under a promissory note, in consideration of a cancellation of that note.
- The Company agreed to issue to Dudziak an additional 700,000 shares of common stock to resolve disputed claims.

Stock Based Compensation Expense:

Stock-based compensation was related to stock options and warrants that vested during 2010 and 2009. Additionally in 2010 and 2009, the Company granted stock awards to employees, directors and consultants resulting in stock based compensation expense. During the nine months ended September 30, 2010 and 2009, we recognized compensation expense of \$290,592 and \$64,305, respectively.

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
Notes to Financial Statements (Unaudited)

Stock Options and Warrants:

Options and warrants granted to officers and employees between 2007 and August 2008 vest from one to three years and have a maximum term not to exceed seven years. These options and warrants are not part of our Equity Incentive Plan.

In August 2008, the Company's Board of Directors authorized 2,000,000 shares of the Company's common stock for issuance under the 2008 Equity Incentive Plan. The 2008 Equity Incentive Plan policy is as follows: (1) the exercise price of each Incentive Stock Option shall not be less than one hundred percent (100%) of the fair market value of the stock subject to the Option on the date the Option is granted. The exercise price of each Nonstatutory Stock Option shall be any price set by the Board or Committee (2) the maximum term of an option granted may not exceed 10 years (3) three year vesting period, vesting ratably annually as long as the optionee remains an employee or a consultant to the Company.

In quarter ending September 30, 2010, Donald Cox, CEO, voluntarily surrendered to the Company for cancellation 500,000 warrants exercisable between \$.34 and \$1.50 per share.

Note 10 - Lease Commitments

We lease office and warehouse space under operating lease agreements, which expire at various dates over the next year. The leases for most of the properties contain renewal provisions.

At September 30, 2010, there were no minimum future rental payments under non-cancelable operating leases that have initial or remaining terms in excess of one year.

Rent expense was \$77,237 and \$90,576 for the nine months ended September 30, 2010 and 2009, respectively.

Note 11 - Going Concern

Our independent auditors have questioned our ability to continue as a going concern for the next twelve months. The financial statements do not include any adjustments that might result from this uncertainty.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

This discussion contains forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995), and information relating to the Company that is based on beliefs of management of the Company, as well as assumptions made by and information currently available to management of the Company. When used in this Form 10-Q, the words "estimate," "project," "believe," "could," "anticipate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Results of Operations

Three months ended September 30, compared to 2009:

Revenue. Revenues were \$238,298 in 2010, up from \$115,019 in 2009. The increase of (107%) was the result of successful sales campaigns launched with distributors.

Cost of Revenue. Cost of revenue for 2010 was \$124,127 up from \$45,930 in the same quarter of 2009. The increase (170%) is attributed to increased revenue. Our cost of sales as a percentage of revenue increased to 52% of revenue for the quarter ended September 30, 2010 up from 40% for 2009 due to product enhancements and national account pricing. We expect that this percentage will decrease in the near future due to decreases related to volume purchases of the materials that comprise our product.

Operating Expenses. Selling, General and Administrative costs were \$313,199 for the third quarter of 2010, compared to \$503,624 in 2009. The following table is a summary of certain of these expenses:

	Three Months Ended September 30	
	<u>2010</u>	<u>2009</u>
Selling expense	\$ 80,945	\$ 91,920
General office expense	151,290	218,488
Professional fees	19,142	126,695
Depreciation and amortization	7,885	22,098
Travel expense	1,938	7,048
Stock based compensation	<u>52,000</u>	<u>37,375</u>
	<u>\$ 313,199</u>	<u>\$ 503,624</u>

In the third quarter of 2010, overall operating expenses are lower due to the Company's cost cutting measures that were implemented in 2009, with the exception of stock based compensation.

In the third quarter of 2010, the Company issued stock awards to employees and consultants of the Company totaling 250,000 shares of Common Stock. The shares were valued at a weighted average of \$0.21 per share, which resulted in the Company booking stock based compensation expense of \$52,000

Research and Development:

Research and development costs are charged to earnings as incurred and were \$22,367 and \$55,793 respectively for the quarter ended September 30, 2010 and 2009. The decrease in costs in 2010 was the result of the Company's cost cutting measures.

Net Loss.

For the three months ended September 30, 2010, we incurred a net loss of \$230,829, compared to a net loss of \$530,202 for 2009, a decrease in net loss of \$299,373 or 57%. The decrease in net loss was primarily attributable to increase in revenues and decrease in operating expenses as noted above. The Company also accrued dividends on the shares of Series A Convertible Preferred Stock totaling \$1,008 and \$1,366 respectively for the quarter ended September 30, 2010 and 2009.

Nine months ended September 30, 2010 compared to 2009:

Revenue. Revenues were \$539,988 in 2010, down from \$839,535 in 2009. The decrease of (36%) is attributable to the large stocking orders that were received from Distributors in 2009, but not in 2010, which we believe was a result of the general economic conditions within the United States.

Cost of Revenue. Cost of revenue for 2010 was \$288,613, down from \$321,504 in the prior year. The decrease of 10% is attributed to decreased revenue. Our cost of sales as a percentage of revenue increased to 53% of revenue for the nine months ended September 30, 2010 from 38% for the comparable period in 2009, due to decreased revenue, product enhancements, and national account pricing. We expect that this percentage will decrease in the near future due to decreases related to volume purchases of the materials that comprise our product.

Operating Expenses. Selling, General and Administrative costs were \$1,128,899 for the nine months ended September 30, 2010, compared to \$1,396,106 in 2009. The following table is a summary of certain of these expenses:

	Nine Months Ended September 30	
	<u>2010</u>	<u>2009</u>
Selling expense	\$ 223,583	\$ 405,103
General office expense	472,025	542,738
Professional fees	83,624	268,069
Depreciation and amortization	54,750	59,229
Travel expense	4,326	46,662
Stock based compensation	<u>290,592</u>	<u>64,305</u>
	\$ <u>1,128,899</u>	\$ <u>1,396,106</u>

In the nine months ending September 30, 2010 overall operating expenses are lower due to the Company's cost cutting measures that were implemented at the end of 2009, with the exception of stock based compensation.

In the third quarter of 2010, the Company issued stock awards to employees and consultants of the Company totaling 250,000 shares of Common Stock. The shares were valued at a weighted average of \$0.21 per share, which resulted in the Company booking stock based compensation expense of \$52,000.

In May 2010, a note was purchased by a current shareholder whereas the Company executed a Settlement Agreement that provides for 250,000 of common stock valued at \$0.17 per share and 200,000 warrants with a strike price of \$0.25 per share, with an expiration of May 31, 2013. As a result the company booked stock based compensation totaling \$74,136.

In March 2010, the Company entered into a Settlement Agreement and Release with various parties to resolve several issues in dispute. As part of that agreement:

- A Consultation Agreement with Malibu Holdings, LLC was modified to provide for the issuance of 300,000 shares for services rendered, rather than the 700,000 previously agreed upon;
- Sunrise Capital, LLC agreed to assign to William Dudziak ("Dudziak"), a

- shareholder of the Company, 2.0 million shares that Sunrise had purchased from Dudziak under a promissory note, in consideration of a cancellation of that note.
- The Company agreed to issue to Dudziak an additional 700,000 shares of common stock to resolve disputed claims.

The Settlement Agreement and Release is executory and final performance is pending. Also as a result of this agreement, the Company booked a stock based compensation expense of \$133,000 in the first quarter of 2010.

Research and Development:

Research and development costs are charged to earnings as incurred and were \$76,888 and \$191,857 respectively for the nine months ending September 30, 2010 and 2009. The decrease in costs in 2010 were the result of the Company's cost cutting measures.

Net Loss.

For the nine months ended September 30, 2010, we incurred a net loss of \$992,474, compared to a net loss of \$1,127,905 for the nine months ending September 30, 2009, decrease in net loss of \$135,431, or 12%. The decrease in net loss was primarily attributable to decrease in operating expenses, due to Company's cost cutting measures.

Liquidity and Capital Resources

The Company's sources of liquidity and capital resources historically have been proceeds from offerings of equity securities. In the past, this source has been sufficient to meet its needs and finance the Company's business. The Company can give no assurance that the historical sources of liquidity and capital resources will be available for future development and acquisitions, and it may be required to seek alternative financing sources not necessarily favorable to the Company.

At September 30, 2010, we had a working capital deficit of (\$924,297), as compared to a working capital deficit of (\$604,139) at December 31, 2009. The decrease in working capital was due to decreased revenue, increase in deferred payroll, and an increase in notes payable. The Company continues to lower its overall operating expenses into 2010 and continues to focus on sales activities in order to improve its working capital. Net cash used in operating activities for the third quarter ended September 30, 2010 was \$(375,204) compared to \$(423,006) for the same period in 2009.

At September 30, 2010, the Company was obligated under the terms of promissory notes, primarily issued for working capital, in the amount of \$100,000. Additionally in the third quarter ended September 30, 2010, the Company secured a note totaling \$50,000. The promissory notes are unsecured and carry an interest rate of 5% percent and mature on or before May 2011. In addition, a promissory note for \$30,000 that was issued in April 2010 was converted for 200,000 shares of common stock.

In quarter ending September 30, 2010, the Company sold to one investor 200,000 shares of Common Stock valued at \$0.25 per share, for a total consideration of \$50,000.

In the second quarter of 2010, the Company sold to one investor an aggregate of 1,333,333 shares of Common Stock valued at \$0.15 per share, for a total consideration of \$200,000.

In the first quarter of 2010, the Company sold to two investors an aggregate of 224,000 shares at \$0.25 per share, for a total consideration of \$56,000.

Capital Commitments

The Company headquarters and administrative and production facilities are located at 9800 Mt. Pyramid Ct., Suite 250, Englewood, Colorado, in approximately 15,700 square feet of leased office space at a monthly rental of approximately \$10,000. The lease expired on March 31, 2010 and the Company is on a month-to-month basis.

Going Concern

Our independent auditors have questioned our ability to continue as a going concern for the next twelve months. The financial statements do not include any adjustments that might result from this uncertainty.

Off-Balance Sheet Transactions

The Company has no off-balance sheet transactions.

Common Stock Dividend Policy

We have not paid any cash dividends on our common stock, and we currently intend to retain any future earnings to fund the development and growth of our business. Any future determination to pay dividends on our common stock will depend upon our results of operations, financial condition and capital requirements, applicable restrictions under any credit facilities or other contractual arrangements and such other factors deemed relevant by our Board of Directors.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. The Company does not have any financial instruments held for trading or other speculative purposes and does not invest in derivative financial instruments, interest rate swaps or other investments that alter interest rate exposure. The Company does not have any credit facilities with variable interest rates.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

- a) The Company's Principal Executive Officer and Principal Financial Officer, have established and are currently maintaining disclosure controls and procedures for the Company. The disclosure controls and procedures have been designed to provide reasonable assurance that the information required to be disclosed by the Company in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

The Principal Executive Officer and Principal Financial Officer conducted a review and evaluation of the effectiveness of the Company's disclosure controls and procedures and have concluded, based on their evaluation as of the end of the period covered by this Report, that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and to ensure that the information required to be disclosed by the Company is accumulated and communicated to management, including our principal executive officer and our principal financial officer, to allow timely decisions regarding required disclosure.

- b) There has been no change in our internal control over financial reporting during the quarter ended September 30, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.
- c) Our Principal Executive and Principal Financial Officer do not expect that our disclosure controls or internal controls will prevent all error and all fraud. Although our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives and our principal executive and financial officer have determined that our disclosure controls and procedures are effective at doing so, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented if there exists in an individual a desire to do so. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

PART II- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None, except as previously disclosed.

ITEM 1A. RISK FACTORS

None, except as previously disclosed.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following sets forth the information required by Item 701 of Regulation S-K with respect to the unregistered sales of equity securities by BioMedical Technology Solutions Holdings, Inc., a Colorado corporation (the "Company") completed during the three month period ended September 30, 2010:

- a. Effective July 1, 2010, the Company issued to one investor, 200,000 shares of common stock, \$.001 par value, at a price of \$0.25 per share and Warrants exercisable to purchase an additional 300,000 shares of Common Stock for \$50,000 cash.
- b. The shares were issued exclusively to one person who qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act of 1933 as amended (the "Securities Act"). The shares issued were "restricted securities" under the Securities Act.
- c. The Company paid no fees or commissions in connection with the issuance of the Shares.
- d. The sale of the Securities was undertaken without registration under the Securities Act in reliance upon an exemption from the registration requirements of the Securities Act set forth in Sections 4(2) thereunder. The investor qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D. In addition, the Securities, which were taken for investment purposes and not for resale, were subject to restrictions on transfer. We did not engage in any public advertising or general solicitation in connection with this transaction, and we provided the investor with disclosure of all aspects of our business, including providing the investor with our reports filed with the Securities and Exchange Commission and other financial, business and corporate information. Based on our investigation, we believe that the accredited investor obtained all information regarding the Company that he requested, received answers to all questions posed and otherwise understood the risks of accepting our Securities for investment purposes.
- e. Not applicable.
- f. The proceeds received were used for general working capital.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Certification

Certification pursuant to 18 U.S.C. Section 1350

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned, thereunto duly authorized.

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.

Date: November 8, 2010

By: /s/ Donald G. Cox

Donald G. Cox

Chief Executive Officer

Interim Chief Financial Officer/President