

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

FORM 10-K

**ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**
For the year ended December 31, 2009

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of May 11, 2010, was \$4,663,850.

The number of shares outstanding of the registrant's common stock, as of May 11, 2010, are 29,149,065.

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (*e.g.*, Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes

Exhibits

See Part IV, Item 15.

Biomedical Technology Solutions Holdings, Inc and Subsidiaries
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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Unless the context requires otherwise, “we,” “us”, “our” or “the Company” refers to Biomedical Technology Solutions Holdings, Inc. and its subsidiaries on a consolidated basis. The Company’s subsidiaries include Biomedical Technology Solutions, Inc., BMTS Properties, Inc., BMTS Leasing, LLC and Healthcare Sales Professionals, Inc.

Certain statements contained herein are not statements of historical fact and constitute forward-looking statements. These statements include specifically identified forward-looking statements herein. Examples of forward-looking statements, include: (i) projections of revenues, income or loss, earnings or loss per share, the payment or non-payment of dividends, capital structure, and other financial items; (ii) statements of plans and objectives of Holdings, or any of its management or Boards of Directors; (iii) statements of future economic performance; and (iv) statements of assumptions underlying those statements. Words such as "believes," "anticipates," "expects," "intends," "targeted," "may," "will" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve risks and uncertainties which may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include: (i) the strength of foreign and U.S. economies in general and the strength of the local economies in which operations are conducted; (ii) the ability of Holdings to finance its planned operations; (iii) the ability of Holdings to hire and retain key personnel, (iv) the ability of Holdings to maintain as well as protect any underlying patents; (v) the ability of Holdings to compete with financially stronger competitors; (vi) the effects of and changes in trade, monetary and fiscal policies and laws; (vii) inflation, interest rates, market and monetary fluctuations and volatility; (viii) the timely development of and acceptance of new products and services and perceived overall value of these products and services by existing and potential customers; (ix) the dependence of Holdings on its key management personnel; (x) the ability to control expenses; (xi) the effect of changes in laws and regulations with which Holdings must comply; (xii) the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies as well as the Financial Accounting Standards Board; (xiii) changes in the organization and compensation plans of Holdings; (xiv) the costs and effects of litigation and of unexpected or adverse outcomes in litigation; and (xv) the success of Holdings at managing the above risks.

In light of the significant uncertainties inherent in the forward-looking statements made in this prospectus, particularly in view of our early stage of operations, the inclusion of this information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

BioMedical Technology Solutions, Inc., (“BMTS”) was formed in May 2005 as a Colorado corporation to market and distribute on-site, bio-medical waste treatment technology that had been developed, patented, and initially marketed by Thermal Waste Technologies, Inc., (“TWT”). Accordingly, BMTS acquired the intellectual property rights and existing customer base for the original and patented alternative infectious waste treatment system, the Demolizer®. Through extensive research and development over the past three years, the Demolizer® II System and consumable sharps and red bag collectors have been upgraded to incorporate enhanced process controls, safety features, and integrated quality systems.

BMTS is an environmental technology company that markets and sells efficient, environmentally safe, and cost effective, infectious waste treatment systems. BMTS believes that its infectious waste treatment system technology offers solutions for numerous users in the industrialized world as well as in the public health and environmental areas in developing world markets. The Company’s principal office is located at 9800 Mt. Pyramid Court, Suite 250, Englewood, Colorado 80112.

PRODUCTS

The Demolizer® II System sterilizes medical waste through a dry heat cycle. Health care providers replace their present sharps and red bag waste containers with BMTS’ Demolizer® collectors, which are used the exact same way. Once the Demolizer® collector is full, instead of placing it in a storage area for pickup by a third party hauler, the collector is placed in the Demolizer® II System for processing. The operator completes a simple key entry sequence and the collector is sterilized over a 2-2.5 hour cycle. After the completed process, the collector is labeled and disposed of as common trash. The contents of the collector are sterile and the sharps have been rendered non-reusable (through the melting of the plastic syringe components). The System has been designed to be odorless, noise-free, and safe, with all emissions demonstrated to be bacteria-free. To date, over 350,000 treatment cycles have been logged on the Demolizer® technology.

Key Elements of the Demolizer® Technology

The sterilization efficacy of the Demolizer® technology has been validated through numerous trials including studies at Kansas State University and Stanford University. The technology meets or exceeds all published standards for disinfection in the U.S., including recommendations from the U.S. EPA, the CDC, and various state Departments of Health and the Environment. In validation studies, the following organisms have been shown to be inactivated at a minimum level of 6 log₁₀ upon treatment using the Demolizer® technology:

Bacillus atropheaus (the USP indicator spore organism for dry heat processes, formerly *B. subtilis*)

Mycobacterium bovis
Mycobacterium fortuitum
Mycobacterium phlei
Staphylococcus aureus (including Methicillin resistant *S. aureus*)
Escherchia coli
Candida albicans
Psuedomonas aeruginosa

The recently upgraded Demolizer® II System incorporates smart systems to ensure that every treatment cycle completes successfully. The upgraded electronic systems continually monitor critical process parameters and only allow process certification labels to print and the door to unlock *if all the treatment parameters have been satisfied*. Memory devices store process data on-board for each cycle, as well as more comprehensive data on the most recently completed cycles. This allows periodic system performance testing and system diagnostics.

In the U.S., the Demolizer® II System is equipped with a modem that contacts the Demolizer® Quality Systems database monthly to download on-board memory.

The smart system is flexible and adaptable for international use:

- Features support other data management configurations
- LED displayed in any language
- Runs with either 110V or 220V standard electrical power
- CSA and CE rated against worldwide standards
- Labels can be printed in any language

MARKETS

The company's key markets/applications for its products are as follows:

1. Patient Care
 - Medical Offices
 - Dental Offices
 - Urgent Care Centers
 - Nursing Homes
 - Assisted Living Facilities
2. Health Care
 - School health Clinics
 - Public Health Facilities
 - First Aid Stations
 - Home Health Care
 - Pharmacies

- Military
 - Public Health: Airports, Hospitality, Cruise Ships, Train Stations, and Sports and Entertainment Arenas
 - Developing World Healthcare
3. Veterinary Care
- Veterinary Hospitals
 - Emergency Veterinary Care
 - Livestock Medicine
 - Equine Medicine
 - Zoos
 - Sanctuaries

SALES STRATEGY

The Company has identified several markets for its products which includes the following:

- Primary users of sharps and red bag waste such as medical practitioners, dentists, veterinarians and medical facilities providing long term care;
- Specialty markets that need to accommodate sharps and red bag disposal use by others as either invited guests such as hotels, sports facilities, government facilities and/or because the facility also treats personnel on the premises such as professional sports players, military personnel and the like. This segment also includes pharmacies with treatment clinics, emergency response (ambulance) companies as well as governmental and quasi governmental organizations and non-profits that make available certain treatments;
- Other medical waste disposal companies and/or companies in the waste management business;
- Home health care market;

The Company currently employs 2 salesmen who continually source leads in several of these identified markets and a President who works with large organizations and facilities on longer term and larger potential applications. Starting from late 2007 to date the Company has sold Demolizers in a wide range of applications including:

- Doctor, Dentist and Veterinarian offices and facilities mostly sold thru medical and dental equipment distributors.
- Public facilities such as Coors Field in Denver, CO, home to the Colorado Rockies professional major league baseball team for both public disposal in bathrooms and in the clinic.
- United States Military bases;
- Indian Reservations
- Multiple locations with an Ambulance Services Company
- Nursing Homes
- A Pharmacy in Krogers super market chains.

- Large health care organizations.

The Company has current agreements with Henry Schein, Patterson Dental and other medical and dental equipment supply distributors for distribution directly to medical and dental offices and facilities. The distribution arrangements are covered by written non-exclusive agreements with the various distributors which provide for varying terms ranging from one to three years with automatic renewals. However, each of the agreements is also terminable by either party upon 90 days' notice.

Subject to the Company's cash flow and working capital, we hope to expand our sales and marketing expenses over the next several quarters. These anticipated expenses will include but are not limited to, additional sales and marketing personnel, trade show expenses, marketing literature, etc.

RESEARCH AND DEVELOPMENT

Our research and development costs in 2009 and 2008 were \$251,357 and \$66,386, respectively. Subject to our future cash flows and working capital, we plan to expand our development efforts and anticipate the following product releases in 2010 and 2011:

- BMTS has started developing a green version of the Demolizer® technology, the Demolizer® II G. This upgraded model will allow for the complete recycling of the sharps waste load significantly limiting the amount of waste that is eventually deposited in a landfill.
- BMTS has started developing a low-cost version of our Demolizer® technology to address the needs of the growing Home Health/Consumer Market.
- BMTS also has plans to complete development of an international portable system in order to address third world health care needs in remote locations.

MANUFACTURING

In the past the final box assembly of the Demolizer® II System was conducted at qualified contract manufacturers. In the first quarter of 2009, we moved manufacturing activities in house. As a result of the Company transitioning manufacturing in house, operations and assembly personnel have been hired by the Company. Additional assembly personnel along with indirect manufacturing support personnel will be hired as demand for Demolizer products increase. Manufacturing personnel is readily available in the area. Over time, we may partner with additional manufacturers, if warranted, both domestic and overseas to ensure price competitiveness, high quality standards and overall production stability.

The component level parts required to manufacture the Demolizer generally have lead times of less than four weeks depending upon volumes.

INTELLUECTUAL PROPERTY

The original technology was patented in the U.S. and Australia in 1999. In 2006, we filed provisional patents on the newly designed collectors and the upgraded system. In 2007, we filed U.S. and international patents, broadly covering the world on both the collectors and the upgraded system. We have also secured trademarks for the Demolizer® and the Gazel. The Company's United States patents and trademarks are listed below:

Patent #5,972,291 for Demolizer technology

Trademark Registration #3,332,271 for DEMOLIZER II

Trademark Registration #3,205,687 for BMTS BIOMEDICAL TECHNOLOGY SOLUTIONS, INC.

Trademark Registration #3,205,688 for BMTS SOLUTION

Trademark Registration #3,193,459 for DEMOLIZER

Our trademarks and domain names play an important role in expanding the awareness of its products. While we have obtained or applied for registration of its trademarks and registered domain names in an effort to protect them, its efforts may be inadequate to prevent others from claiming violations of their marks and may be inadequate to protect our use of those names as unique. In addition, trademark protection and the uncertainty surrounding the legal protections of domain names may be unenforceable or limited in other countries, and the global nature of the internet makes it impossible to control the ultimate destination of our communications. The regulation of web addresses in the United States and in foreign countries is subject to change. As a result, we may not be able to acquire or maintain its web addresses in the future. Furthermore, the relationship between regulations governing such addresses and the laws protecting trademarks is unsettled. In addition, effective patent, trademark, copyright, domain names and trade secret protection may be unavailable, limited or not applied for in certain foreign countries.

We also seek to protect its proprietary intellectual property, including intellectual property that may not be patented or patentable, in part by confidentiality agreements and, if applicable, inventors' rights agreements with its subcontractors, vendors, suppliers, consultants, strategic partners and employees. We cannot provide any assurance that these agreements will not be breached, that it would have adequate remedies for any breach or that such persons or institutions would not assert rights to intellectual property arising out of these relationships.

Some of the additional limitations of intellectual property protection are:

- No assurance can be given that any patent will be issued or that the scope of any patent protection will exclude competitors or that any patent, if issued, will be held valid if subsequently challenged.

- When we apply for registration of trademarks and registered domain names in an effort to protect them, we cannot be sure of the nature or extent of the protection afforded, since trademark registration does not assure any enforceable rights under many circumstances and there exists significant uncertainty surrounding legal protections of domain names.
- There can be no assurance that any steps BMTS takes in this regard will be adequate to deter misappropriation of its proprietary rights or independent third parties developing functionally equivalent products. Despite precautions, unauthorized parties may attempt to engineer, reverse engineer, copy, or obtain and use BMTS's products or other information.
- Although management of BMTS believes that BMTS' products do not infringe on the intellectual property rights of others, there can be no assurance that an infringement claim will not be asserted in the future. The prosecution or defense of any intellectual property litigation can be extremely expensive and would place a material burden upon BMTS' working capital.

COMPETITION

Management of BMTS believes that most low to medium volume biomedical waste generators in the U.S. use either a local or national biomedical waste management services company to handle, transport, and dispose of their medical waste. The cost of this service fluctuates depending upon regulation, competition, and industry consolidation, leaving the customer extremely vulnerable to price increases. As a benchmark for a small to medium size medical office, monthly costs for transport and treatment services can range from \$200 to \$1,000 per month based on anecdotal information, before adding the cost of sharps containers and other consumables, based on the frequency of pickup and other competitive factors. It has been shown, through cost analysis and information collected from current Demolizer® customers, that the Demolizer® II System delivers significant monthly cost savings compared to third party treatment and hauling companies. BMTS believes that none of the commercially available competitive products meet the needs of low to medium volume generators in a cost effective manner.

COMPETITIVE ADVANTAGES OF BMTS

Based upon marketing research conducted by BMTS, we believe the Demolizer® II System is the *only* on-site, treatment technology that delivers all of the following major user benefits:

- Sterilizes and safely disposes of sharps *and* typical red bag waste;
- Completely sterilizes medical waste in a 2-2.5-hour cycle, including the destruction of pathogens, bacteria, spores, and viruses, with the processed collectors disposed of as common trash;
- Reduces biomedical waste hauling costs up to 100%;

- Meets all EPA, CDC and OSHA standards and is either formally approved or meets the requirements for medical waste treatment and disposal in 48 U.S. states after comprehensive review by 78 governmental agencies at the federal, state and local (city/county) level;
- Incorporates a one-of-a-kind, integrated quality control system that meets or exceeds all U.S. requirements for documentation and performance monitoring;
- Is easy to use with no special facility requirements; and
- Designed to operate in any country by virtue of its CE rating.

BMTS' technology also provides a number of environmental advantages, as follows:

- Reduces the amount of medical waste incinerated worldwide, helping to reduce the effects of global warming;
- Reduces dioxin and other hazardous emissions;
- Prevents dangerous reuse of sharps;
- Prevents accidental "needle sticks" from improper disposal; and
- Eliminates the disposal of bio-hazardous waste in landfills.

Further, management of BMTS believes that the Demolizer® technology is the only on-site alternative treatment technology that has passed an EPA microbial survivability test for medical waste incinerator emissions. (All airflow emitted from the unit was demonstrated to be free of bioaerosols). TWT also obtained FDA 510(k) pre-market clearance for commercial distribution of the Demolizer® sharps collectors to clinical and laboratory healthcare settings. BMTS is an FDA inspected facility and in April 2007 and November 2009, BMTS successfully completed an FDA audit of its quality systems.

REGULATORY

The Demolizer® System is either formally approved or meets the requirements for medical waste treatment and disposal in 48 U.S. states, involving exhaustive review by 78 government agencies at the federal, state, and local (county/city) level. Final approval is pending in the remaining states. The delays are primarily due to pending changes in state rules and limited personnel resources at the state level. Many of these approvals have been in place for nearly eight years.

Regulatory and environmental pressures on medical providers and the waste industry have increased substantially, particularly in the area of emissions from incineration operations, leading to the closure of incineration facilities nationwide. Management of BMTS believes there is a significant demand for alternative technologies to address the needs of bio-medical waste generators to meet OSHA regulations, EPA and state laws, and to manage the spread of infectious diseases such as AIDS and Hepatitis-B.

EMPLOYEES

The Company employs nine individuals on a full-time basis. We also rely on the consulting services for various part-time service functions such as IT, product and design review and marketing and public relations.

DEVELOPMENTS IN 2008

Effective August 21, 2008, CET Services, Inc. a California corporation ("CET") consummated an Agreement and Plan of Merger (the "Merger Agreement") between and among CET, CET Acquisition Corp., a wholly-owned subsidiary of the CET ("CETAC"), and what is now, as a result of the merger, our wholly-owned subsidiary, BioMedical Technology Solutions, Inc., a Colorado corporation ("BMTS"). Pursuant to the Merger Agreement, CETAC merged with and into BMTS and all outstanding shares of BMTS common stock and warrants were automatically converted into shares of common stock and warrants of CET. As a result of the transaction, BMTS became the wholly-owned subsidiary of CET.

Concurrently with the consummation of the merger transaction, CET effected a one-for-three (1-for-3) reverse split of all of its outstanding securities (the "Reverse Split"). The Reverse Split was approved by FINRA on September 3, 2008. In addition, CET effected a redomestication from the State of California to the State of Colorado and changed its name to "BioMedical Technology Solutions Holdings, Inc." Trading is conducted and quotation on the OTC Electronic Bulletin Board is under the ticker symbol "BMTL".

TERMS OF MERGER

The Merger Agreement provided for consummation of the following principal transactions, all of which were completed on August 21, 2008:

- CETAC merged with and into BMTS with BMTS being the surviving corporation and becoming a wholly-owned subsidiary of the Company.
- Upon consummation of the merger, all outstanding shares of BMTS common stock were converted automatically into an aggregate of 78,133,757 shares of common stock of CET and all BMTS warrants became exercisable to purchase an aggregate of approximately 10,022,404 shares of common stock of CET. The shares of common stock and warrants issued upon consummation of the merger represented immediately following the merger approximately ninety-four percent (94%) of the total issued and outstanding shares of common stock of the Company, on a fully diluted basis.

Sale of Certain Assets

Concurrently with the foregoing, CET sold to Steven Davis and Craig Barto, former Directors of the CET, all of its interest in its former wholly-owned subsidiary Community Builders, Inc. Community Builders was a controlled subsidiary that owned CET's remaining real property interests. In the transaction, Community Builders conveyed to BMTS its interest in property located at 1550 S. Idalia Court, Aurora, CO and retained its interest in property held by Arizona Avenue LLC and property located at 7335 Lowell Blvd. and 7215 Mead Street, both in Westminster, CO. Those properties are currently owned by BMTS Properties, Inc., a wholly-owned subsidiary, and are being held for development or resale. In consideration of the foregoing, Messrs. Davis and Barto paid to CET the sum of \$656,000, of which \$510,000 was paid at Closing and the balance of \$146,000 was evidenced by a Promissory Note in favor of BMTS guaranteed by Messrs. Davis and Barto, due and payable December 31, 2008. The Promissory Note was paid in full in January 2009.

Redomestication and Name Change

As part of the closing, CET completed a redomestication from the State of California to the State of Colorado. The redomestication was accomplished by the merger of CET with and into a newly-formed holding company, BioMedical Technology Solutions Holdings, Inc. which was formed and organized under the laws of the State of Colorado. As a consequence of the Merger, BioMedical Technology Solutions Holdings, Inc., as the surviving entity, now serves as the public holding company for BMTS.

Change in Officers and Directors

As part of the Merger and redomestication, all of the officers and directors of CET resigned and were replaced by the following affiliates of BMTS:

Board of Directors:

Donald G. Cox

Gex F. Richardson

William Sparks

Executive Officers:

Donald G. Cox, CEO & President

Jim Scheifly, Chief Financial Officer
(Resigned effective February 2009)

Gex F. Richardson, Secretary

ITEM 1A. RISK FACTORS

The Company is experiencing extreme financial challenges that may render it unable to continue operations.

* The Company is in dire financial condition, is unable to pay its obligations as they become due, and may be considered insolvent under generally accepted principles of insolvency. However, the Company is in the process of raising additional capital, which there can be no assurance.

* The Company has experienced significant losses from operations; and it is unlikely that future performance can or will improve in the near term.

* The Company has been unable to meet all but one of its 2010 payroll obligations. Additionally in 2009, the Company deferred compensation primarily for its CEO and CFO which resulted in outstanding payroll and payroll tax obligations which it is currently unable to satisfy. In addition, as a result of its current cash position and cost cutting measures, the Company's CFO has moved to a part-time basis.

* The Company is obligated to a third party under a secured promissory note in the principal amount of \$200,000. While we have entered into a settlement agreement providing for periodic payments, if we are unable to meet those commitments, the secured creditor is entitled to a confession of judgment. The secured promissory note is secured by a Second Deed of Trust on property valued on Company's books totaling \$615,000. If in the event the property cannot be sold, the third party would have the right to other company assets assuming monthly payments are not made in compliance with the settlement agreement.

Due to our history of operating losses our auditors are uncertain that we will be able to continue as a going concern.

Our consolidated financial statements have been prepared assuming that we will continue as a going concern. Due to our continuing operating losses and negative cash flows from our operations, the reports of our auditors issued in connection with our consolidated financial statements for the fiscal year ended December 31, 2009 contains an explanatory paragraph indicating that the foregoing matters raised substantial doubt about our ability to continue as a going concern. We cannot provide any assurance that we will be able to continue as a going concern.

Current economic conditions and in the global economy generally, including ongoing disruptions in the debt and equity capital markets, may adversely affect our business and results of operations, our ability to obtain financing.

The global economy is currently undergoing a slowdown, which some observers view as a deepening recession, and the future economic environment may continue to be less favorable than that of recent years. The retail industry has experienced and may continue to experience significant downturns in connection with, or in anticipation of, declines in general economic

conditions. The current economic downturn has been characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, leading to lowered demand for products and resulting in fewer customers visiting, and customers spending less, which could adversely affect our revenues. In addition, further declines in consumer and commercial spending may drive us and our competitors to reduce pricing, which would have a negative impact on our gross profit. We are unable to predict the likely duration and severity of the current disruptions in debt and equity capital markets and adverse economic conditions in the United States and other countries, which may continue to have an adverse effect on our business and results of operations, in part because we are dependent upon customer behavior and the impact on consumer spending that the continued market disruption may have.

The global stock and credit markets have recently experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many stocks to fluctuate substantially and the spreads on prospective and outstanding debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings materially less attractive, and in certain cases have resulted in the unavailability of certain types of financing. This volatility and illiquidity has negatively affected a broad range of mortgage and asset-backed and other fixed income securities. As a result, the market for fixed income securities has experienced decreased liquidity, increased price volatility, credit downgrade events, and increased defaults. Global equity markets have also been experiencing heightened volatility and turmoil, with issuers exposed to the credit markets particularly affected. These factors and the continuing market disruption have an adverse effect on us, in part because we, like many companies, from time to time may need to raise capital in debt and equity capital markets including in the asset-backed securities markets.

In addition, continued uncertainty in the stock and credit markets may negatively affect our ability to access additional short-term and long-term financing, including future securitization transactions, on reasonable terms or at all, which would negatively impact our liquidity and financial condition. In addition, if one or more of the financial institutions that support our future credit facilities fails, we may not be able to find a replacement, which would negatively impact our ability to borrow under the credit facilities. These disruptions in the financial markets also may adversely affect our credit rating and the market value of our common stock. If the current pressures on credit continue or worsen, we may not be able to refinance, if necessary, our outstanding debt when due, which could have a material adverse effect on our business. While we believe we have adequate sources of liquidity to meet our anticipated requirements for working capital, debt servicing and capital expenditures for the foreseeable future, if our operating results worsen significantly and our cash flow or capital resources prove inadequate, or if interest rates increase significantly, we could face liquidity problems that could materially and adversely affect our results of operations and financial condition.

The current crisis in the financial markets and contraction of the economy has weakened, and could further weaken, demand for our products, which could have a material adverse effect on our business, results of operations and financial condition.

U.S. and global financial markets have been experiencing extreme disruptions, including, among other things, extreme volatility in securities prices, as well as severely diminished liquidity and credit availability. U.S. and global economies have also contracted significantly in recent months and will likely continue to contract for the foreseeable future, reducing the amounts people spend on their businesses. If current economic conditions continue or worsen, they could have a material adverse effect on our business, results of operations, and financial condition.

We have a limited operating history upon which to evaluate our potential for future success.

We were formed in May 2005. To date, we have generated limited revenues and do not expect to generate significant revenues until we sell a larger number of our products. The likelihood of our success must be considered in light of the risks and uncertainties frequently encountered by companies like ours in an evolving market, primarily our significant capital requirements. If we are unsuccessful in addressing these risks and uncertainties, our business will be materially harmed.

Although the Demolizer® II system is fully developed and has received regulatory approval across the U.S., we may not be able to demonstrate true market value, and sustain profitability in the future.

As we strive to grow our business, we expect to spend significant funds for general corporate purposes, including working capital and marketing, and for research and development. To the extent that our revenues do not increase as quickly as these costs and expenditures, our results of operations and liquidity will be materially and adversely affected. If we experience slower than anticipated revenue growth or if our operating expenses exceed our expectations, we may never achieve profitability.

Our Demolizer® II systems may contain component, manufacturing or design defects or may not meet performance criteria established by customers, which could cause us to incur significant repair expenses, harm our customer relationships and industry reputation, and reduce our revenues and profitability.

We may experience manufacturing problems with our products. As a result of component, manufacturing or design defects, we may be required to repair or replace a substantial number of products, incurring significant expenses as a result. In addition, any component, manufacturing or design defect could cause us to lose customers or revenues or damage our customer relationships and industry reputation.

The Company's existing products may not be able in the future to meet changes in environmental laws and regulations regarding regulated medical waste.

The future of our business will depend on our ability to respond to any future changes in the federal, state and local regulatory environment. Since the Company does not itself generate

medical waste and is not itself in control of, nor does it handle, the medical waste but only sells its equipment to its customers, it is not itself currently subject to regulations with respect to the disposal of RMW; however, any change in this regulatory regime in the future could have a material adverse effect on the Company's operations.

We may not be able to deliver our Demolizer® II system's as quickly as customers may require, which could cause us to lose sales and would harm our reputation.

We may not be able to deliver our Demolizer® II systems to our customers at the times they require. Manufacturing delays and interruptions can occur for many reasons, including, but not limited to:

- the failure of a supplier to deliver needed components on a timely basis or with acceptable quality;
- lack of sufficient capacity;
- equipment failures;
- manufacturing personnel shortages;
- labor disputes;
- transportation disruptions;
- changes in import/export regulations;
- natural disasters;
- acts of terrorism; and
- political instability.

If we fail to deliver products in a timely fashion, our reputation may be harmed; existing orders may be jeopardized; and we may lose potential future sales.

We recently transferred our manufacturing of the Demolizer® II in house from a contract manufacturer.

In the past we relied upon contract manufacturers for the manufacture of the Demolizer® II. In 2009 Q1, we transferred manufacturing in house. With the recent transfer to in house manufacturing we could encounter delays and difficulties in the manufacturing of our products could substantially harm our product marketing efforts. There are limited sources of supply for some key Demolizer® II system components. Business disruptions, financial difficulties of the manufacturers or suppliers of these components, or raw material shortages could increase the cost of our goods sold or reduce the availability of these components. To date, we have been able to obtain adequate supplies of product. If sales accelerate, we may experience a rapid and substantial increase in our need for units. If we are unable to obtain a sufficient supply of required units, we could experience significant customer dissatisfaction, which could result in the loss of orders and customers, and could materially and adversely affect our business, financial condition and results of operations. If the cost of units increases, we may not be able to pass on price increases to our customers if we are to remain competitively priced. This would reduce profit, which in turn would reduce the value of your investment.

Our failure to obtain additional financing, if needed, would adversely affect our business results.

We will require additional financing to fund ongoing operations if our sales and revenue growth are insufficient to meet our operating costs. Financing for all of our activities to date has been provided by private sales of our securities and the merger with CET. Additional financing may not be available when needed or may not be available on terms acceptable to us. If additional funds are raised by issuing equity securities, shareholders may incur dilution, and this dilution may be substantial. If adequate funds are not available, we may be required to delay, scale back operations or otherwise limit our marketing and distribution efforts and/or the manufacture or sale of Demolizer® II systems, which may materially and adversely affect our business, results of operations and financial condition and reduce the value of your investment.

We rely heavily upon independent distributors to market our product. Those distributors also market other medical and health care products, including other products that may be competitive with ours. As a result, distributors over whom we exercise little control can significantly influence the degree to which consumers buy our products.

We distribute our products through a network of independent distributors for resale to ultimate end users. Accordingly, we are dependent upon these distributors to sell our product and to assist us in creating demand for, and promoting market acceptance of our products. There can be no assurance that our distributors will devote the resources necessary to provide effective sales and promotional support to us. Because our distributors also distribute other products, it is imperative that we undertake adequate efforts to train and motivate our distributors to promote our products over others. There can be no assurance that we will be successful in this effort. A disruption of our distributors or the termination by any major distributor could have a material adverse impact on our sales and results of operations.

While we have formal written distribution agreements with our distributors; most distribution arrangements can be terminated by the distributor on 90 days' notice. A down-turn in the performance or loss of a single distributor can have a material adverse impact on sales and, as a result, on our business, financial condition, and results of operations.

To the extent we engage in marketing and distribution activities outside the United States, we will be exposed to risks associated with exchange rate fluctuations, trade restrictions and political, economic and social instability.

To the extent we market and distribute the Demolizer® II in foreign markets, we will be subject to various risks associated with conducting business abroad. A foreign government may require us to obtain export licenses or may impose trade barriers or tariffs that could limit our ability to build our international presence. Our operations in some markets also may be adversely affected by political, economic and social instability in foreign countries, including terrorism. To the extent that we attempt to expand our sales efforts in international markets, we may also face difficulties in staffing and managing foreign operations, longer payment cycles and problems with collecting accounts receivable and increased risks of piracy and limits on our ability to enforce our intellectual property rights. We currently do not have any transactions denominated in foreign currencies. In the future, transactions

denominated in foreign currencies may not be hedged and therefore will be subject to the risk of changes in exchange rates. If we are unable to adequately address the risks of doing business abroad and build an international presence, our business, financial condition and results of operations may be harmed.

There may be claims made against us for personal injury and business losses which may subject us to litigation and related costs.

We anticipate that the Demolizer® II will be utilized in a variety of industrial and other settings and will be used to handle materials resulting from the generation of biomedical waste. The equipment will, therefore, be subject to risks of breakdowns and malfunctions, and it is possible that claims for personal injury and business losses arising out of these breakdowns and malfunctions will be made against us. While we have obtained product liability insurance, our insurance may be insufficient to provide coverage against all claims or for claims made for amounts substantially in excess of applicable policy limits. Such an event could have a material adverse effect on our business, financial condition and results of operations.

Failure to comply with government regulations will severely limit our sales opportunities and future revenues.

We and our customers may be required to comply with a number of federal, state, local and foreign laws and regulations in the areas of safety, health and environmental controls, including without limitation, the Resource Conservation and Recovery Act and the Occupational Safety and Health Act of 1970, which may require our prospective working partners or our customers to obtain permits or approvals to utilize the Demolizer® II and related equipment on job sites. Since we intend to market the Demolizer® II internationally, we will be required to comply with foreign laws and regulations and, when applicable, obtain permits in other countries. We cannot be certain that required permits and approvals will be obtained or that new environmental regulations will not be enacted or that if they are, we and our customers can meet stricter standards of operation or obtain additional operating permits or approvals. Furthermore, particularly in the environmental remediation market, we may be required to conduct performance and operating studies to assure government agencies that the Demolizer® II and its by-products are not environmental risks. There is no assurance that these studies will not be more costly or time-consuming than anticipated or will produce acceptable conclusions. Failure to obtain operating permits, or otherwise to comply with federal, state, local and foreign regulatory requirements, could affect our ability to market and sell our Demolizer® II and could substantially reduce the market price of our common stock.

Our operations and financial condition could be adversely affected by our failure or inability to protect our intellectual property.

Our success and the competitiveness of our products are heavily dependent upon our proprietary technology and our ability to protect our current and future technology. We rely on a combination of patents, copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect our proprietary rights. Such means of protecting our proprietary rights may not be adequate because such laws provide only limited

protection. Despite precautions that we take, it may be possible for unauthorized third parties to duplicate aspects of our technologies and manufacturing processes or the current or future products or technologies of our business and manufacturing processes or to obtain and use information that we regard as proprietary. This could harm our business, financial condition and results of operations and your investment. Additionally, our competitors may independently develop similar or superior technology. Policing unauthorized use of proprietary rights is difficult, and some international laws do not protect proprietary rights to the same extent as United States laws. Litigation periodically may be necessary to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Litigation is costly and may not be successful. Our failure to protect our proprietary technology or manufacturing processes could harm our business, financial condition and results of operations and your investment.

While we have one patent and several patent applications pending, there is no assurance that any existing patents will not be challenged or patent applications filed by us in the future will result in the issuance of any patents. Furthermore, there is no assurance as to the breadth and degree of protection any issued patents might afford our intellectual property. Disputes may arise between us and others as to the scope and validity of these or other patents. Any defense of the patents could prove costly and time consuming and there can be no assurance that we will be in a position, or will deem it advisable, to carry on such a defense. Patent applications in the United States are maintained in secrecy until patents are issued, and the publication of discoveries in the scientific literature tends to lag behind actual discoveries. Therefore, we cannot guarantee that we will be the first creator of future inventions for which we seek patents or the first to file patent applications for any of our inventions.

Patent applications filed in foreign countries are subject to laws, rules and procedures which differ from those of the United States. We cannot be certain that:

- patents will be issued from future applications;
- any future patents will be sufficient in scope or strength to provide meaningful protection or any commercial advantage to us;
- foreign intellectual property laws will protect our intellectual property; or
- others will not independently develop similar products, duplicate our products or design around any patents which may be issued to us.

Generally, we enter into confidentiality and non-disclosure of intellectual property agreements with our employees, consultants and many of our vendors and distributors, and generally control access to and distribution of our proprietary information. Notwithstanding these precautions, it may be possible for a third party to copy or otherwise obtain and use our proprietary information without authorization or to develop similar information independently. Policing unauthorized use of intellectual property is difficult. The laws of other countries may afford little or no effective protection of our technology. We cannot assure you that the steps taken by us will prevent misappropriation of our technology, which may cause us to lose customers and revenue opportunities. In addition, pursuing persons who might misappropriate our intellectual property could be costly and divert the attention of our management from the operation of our business.

Intellectual property infringement claims by third parties could adversely affect our operations and financial condition.

Other individuals and/or entities may have filed applications for, or may have been issued, patents and may obtain additional patents and other proprietary rights to technology used by us or otherwise potentially useful or necessary to us. The scope and validity of such patents, if any, the extent to which we may wish or need to acquire the rights to such patents, and the cost and availability of such rights are presently unknown. We may infringe upon the intellectual property rights of third parties, including third party rights in patents that have not yet been issued. If we do infringe, the holder of the patent may seek to cause us to cease using the technology subject to the patent, or require us to enter into a license or other similar agreement and pay for our use of the intellectual property. In either case, such event may have a material negative impact on our performance. Also, since we rely upon unpatented proprietary technology, there is no assurance that others may not acquire or independently develop the same or similar technology.

We do not believe that any of our technologies or products infringe upon the proprietary rights of third parties. Nevertheless, third parties may claim infringement with respect to our current or future technologies or products or products manufactured by others and incorporating our technologies. Responding to any such claims, whether or not they are found to have merit, could be time consuming, result in costly litigation, cause development delays, require us to enter into royalty or license agreements, or require us to cease using the technology that is the intellectual property of a third party. Royalty or license agreements may not be available on acceptable terms or at all. As a result, infringement claims could have a material adverse affect on our business, operating results, and financial condition.

We are dependent on key personnel and our business would be disrupted if we are unable to retain and expand our management team.

Our success is highly dependent on the continued service of Donald Cox, our founder, President and CEO, and on the ability to attract and retain, qualified engineering, technical, manufacturing, sales, marketing and senior management personnel. The loss of any key employees or principal members of management could have a material adverse effect on our business and operating results. Further, if we are unable to hire additional qualified personnel as needed, we may not be able to adequately manage and implement plans for our expansion and growth.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. DESCRIPTION OF PROPERTY

The Company occupies approximately 15,700 square feet of executive offices located in Englewood Colorado. The current term of the lease expires in March 2010 and the Company is in the process of extending the lease through December 31, 2010.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to claims of vendors, suppliers and other creditors. The Company hopes to achieve settlement agreements which include payment plans, although there can be no assurance that these efforts will be successful.

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

During the twelve months ended December 31, 2009, no matters were submitted by the Company to a vote of its shareholders through the solicitation of proxies or otherwise.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Since the completion of the reverse merger with CET on August 21, 2008 as noted in ITEM 1 above, the common stock of the Company has been quoted on the over-the-counter ("OTC") Bulletin Board under the symbol "BMTL". The table below sets forth the high and low closing prices on the OTC Bulletin Board since August 2008.

	Common Stock	
	High	Low
Year Ended December 31, 2008		
Third Quarter	\$1.75	\$0.48
Fourth Quarter	\$1.40	\$0.26
Year Ending December 31, 2009		
First Quarter	\$0.99	\$0.35
Second Quarter	\$1.10	\$0.39
Third Quarter	\$1.15	\$0.42
Fourth Quarter	\$0.53	\$0.30

The OTCBB prices are bid and ask prices which represent prices between broker-dealers and do not include retail mark-ups and mark-downs or any commissions to the broker-dealer. The prices do not reflect prices in actual transactions.

The OTC Bulletin Board is a registered quotation service that displays real-time quotes, last sale prices and volume information in over-the-counter (OTC) securities. An OTC equity security generally is any equity that is not listed or traded on NASDAQ or a national securities exchange. The OTCBB is not an issuer listing service, market or exchange. Although the OTCBB does not have any listing requirements, per se, to be eligible for quotation on the OTCBB, issuers must remain current in their filings with the SEC or applicable regulatory authority.

Trading in our common stock is subject to rules adopted by the Commission regulating

broker dealer practices in connection with transactions in "penny stocks." Those disclosure rules applicable to penny stocks require a broker dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the Commission. That disclosure document advises an investor that investment in penny stocks can be very risky and that the investor's salesperson or broker is not an impartial advisor but rather paid to sell the shares. The disclosure contains further warnings for the investor to exercise caution in connection with an investment in penny stocks, to independently investigate the security, as well as the salesperson with whom the investor is working and to understand the risky nature of an investment in this security. The broker dealer must also provide the customer with certain other information and must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. Further, the rules require that, following the proposed transaction, the broker provide the customer with monthly account statements containing market information about the prices of the securities.

Stockholders

At May 11, 2010 there were 29,149,065 shares of common stock issued and outstanding held by approximately 66 holders of record. The last reported sale of common stock on May 11, 2010 was \$0.16.

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.

Issuer Purchases of Equity Securities

The Company has no reportable purchases of equity securities.

Equity Compensation Plan Information

Information relating to compensation plans under which our equity securities are authorized for issuance is set forth in Item 12 of this report under "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Unregistered Sales of Equity Securities

In 2009, we issued to ten investors an aggregate of 218,750 Units consisting of 437,500 shares of our Series A Convertible Preferred Stock and 218,750 warrants in consideration of \$437,500. Eight of the Series A Convertible Preferred Shareholders elected to convert 397,500 of those shares into 532,889 shares of our Common Stock. The remaining two Series A Convertible Preferred shareholders currently hold 40,000 shares. Each investor executed a subscription agreement attesting that he/she/it qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act, or had such knowledge and experience in financial and business matters that they were capable of evaluating the merits and risks of the investment. The securities, which were taken for investment purposes and were subject to appropriate transfer restrictions and restrictive legend, were issued without registration under the Securities Act in reliance upon the exemption set forth in Section 4(2) of the Securities Act.

In 2008, we issued to nine investors an aggregate of 690,549 shares of common stock in consideration of \$475,000 in cash. Each investor executed a subscription agreement attesting that he/she/it qualified as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act, or had such knowledge and experience in financial and business matters that they were capable of evaluating the merits and risks of the investment. The securities, which were taken for investment purposes and were subject to appropriate transfer restrictions and restrictive legend, were issued without registration under the Securities Act in reliance upon the exemption set forth in Section 4(2) of the Securities Act.

Issuer Purchases of Equity Securities

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
2 nd Qtr 2008	218,068	\$0.34	218,068	\$ 75,000
3 rd Qtr 2008	218,068	\$0.34	218,068	\$ 75,000
4 th Qtr 2008	218,068	\$0.34	218,068	\$ 75,000
Total	654,204	\$0.34	654,204	\$225,000

ITEM 6. SELECTED FINANCIAL DATA

As a smaller reporting company, as defined in rule 12b-2 of the Securities Exchange Act of 1934, the Company is not required to provide the information required by this item.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis presented below should be read in conjunction with the consolidated financial statements and related notes appearing elsewhere in this Form 10-K. See “Information Regarding Forward Looking Statements.”

RESULTS OF OPERATIONS

	Years Ended December 31,	
	2009	2008
Total Revenues	<u>100%</u>	<u>100%</u>
Costs and expenses		
Cost of revenues	<41%>	<39%>
Selling, general and administrative	<204%>	<154%>
Research and development	<u><26%></u>	<u><5%></u>
Total Expenses	<u><231%></u>	<u><198%></u>
Operating Profit <Loss>	<172%>	<98%>
Other Income (expense), net	<u><8%></u>	<u><2%></u>
Net Income <Loss>	<u><180%></u>	<u><100%></u>

Overview

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 Proxy Statement, 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.

Critical Accounting Policies & Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and the disclosure of the contingent assets and liabilities at the date of the financial statements and revenue and expenses for the period reported. Estimates are based upon historical experience and various other assumptions that are believed to be reasonable under the circumstances. These estimates are evaluated periodically and form the basis for making judgments regarding the carrying values of assets and liabilities and the reported amount of revenue and expenses. Actual results may differ from these estimates under different assumptions.

Principles of Consolidation

The consolidated financial statements include the accounts of BioMedical Technology Solutions Holdings, Inc., a Colorado corporation (“the Company”) and its wholly owned subsidiaries, BioMedical Technology Solutions, Inc. , a Colorado corporation (“BMTS”), BMTS Properties, Inc., a Colorado corporation, Healthcare Sales Professionals, Inc., a Colorado corporation (“HCSP”) and BMTS Leasing LLC, a Colorado limited liability company. All significant intercompany accounts and transactions have been eliminated.

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 December 31, 2009 and 2008 approximate fair value.

Environmental Matters

We do not have environmental liabilities recorded at December 31, 2009 nor are we aware of any issues that could initiate the need for environmental remediation.

Cash Equivalents and Short-Term Investments

We consider all highly liquid investments with a maturity of less than three months when purchased to be cash equivalents.

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 compared to no bad debt expense in 2008. Past due accounts (more than 90 days) totaled \$199,218 and \$4,600 at December 31, 2009 and 2008, respectively.

Inventory Valuation

Inventories are valued at the lower of cost or market and are maintained on the first-in-first-out method.

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.

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, they are not amortized.

Our impairment analysis included a sensitivity analysis with regard to cash flow projections that determine the recoverability of the assets. All of the judgments and assumptions made in preparing the cash flow projections are consistent with our other financial statement calculations and disclosures. The assumptions used in the cash flow projections are consistent with other forward-looking information prepared by the company, such as those used for internal budgets and or reporting to the Board of Directors.

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 2009 and 2008.

In addition to the depreciation charge, we expense maintenance costs and the costs of any other services rendered under the lease as incurred.

Unearned revenues consisted of extended warranties collected in advance. Following is a summary of extended warranties for the years ended December 31, 2009 and 2008:

	Years Ended	
	December 31,	
	<u>2009</u>	<u>2008</u>
Beginning of year balance	\$ 35,116	\$ 13,591
Cash received from customers	24,513	23,394
Revenue recognized in earnings	<u>(7,480)</u>	<u>(1,869)</u>
End of year balance	\$ 52,249	\$ 35,116

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 \$248,716 and \$79,425 in the fiscal years ended December 31, 2009 and 2008, respectively.

Selected Operating Expenses

Research and development costs are charged to earnings as incurred and were \$251,357 and \$66,386, respectively in 2009 and 2008.

Accounting for Income Taxes

Income taxes are accounted for under the assets and liability method. 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 carryforwards, 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.

Loss per Common Share

ASC Topic 260 (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 December 31, 2009, the Company had options, warrants and Series A Preferred Stock outstanding that could be exercised or converted into 3,537,614 additional shares. At December 31, 2008, the Company had warrants outstanding that could be exercised to purchase a total of 2,925,626 additional shares. All have been excluded from the weighted average share calculation because they would be anti-dilutive.

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.

Segment Reporting

SFAS No. 131 “*Disclosures about Segments of an Enterprise and Related Information*” establishes standards for reporting information about operating segments on a basis consistent with the Company’s internal organization structure as well as information about geographical areas, business segments and major customers in the financial statements. The Company operates in one principal reportable segment in the United States.

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.

Results of Operations

Year ended December 31, 2009 compared to 2008:

Revenue. Revenues were \$952,851 in 2009, down from \$1,172,368 in 2008. The decrease (19%) was due to distributors and end users delays in placing orders for our products in the last six months of the year which we believe was a result of the general economic conditions within the United States.

Cost of Revenue. Cost of revenue for 2009 was \$391,176 down from \$456,824 in the prior year. The decrease (14%) is attributed to decreased revenue. Our cost of sales as a percentage of revenue increased to 41% of revenue for the year ended December 31, 2009 up from to 39% for 2008 due to decreased revenue. We expect that this percentage to 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 \$1,947,968 in 2009, as compared to \$1,801,474 in 2008. The following table is a summary of certain of these expenses:

	Twelve Months Ended December 31	
	2009	2008
Selling expense	\$ 513,502	\$ 417,947
General office expense	662,661	874,828
Professional Fees	178,498	214,943
Depreciation and amortization	96,158	78,065
Bad debt expense	193,859	-
Travel expense	54,574	136,266
Stock Based Compensation expense	248,716	79,425
	-	-
	\$ <u>1,947,968</u>	\$ <u>1,801,474</u>

Selling and travel expenses increased due to higher levels of marketing activity in 2009. The decrease in 2009 in general office expenses was due primarily to cost cutting measures implemented at the end of March 31, 2009. Professional fees consist primarily of audit, legal and investor relations related expenses in 2009 as a result of the Company becoming a publicly held entity versus being privately held. In the second quarter ended June 30, 2009, the Company entered into a consulting agreement for investor relations services terminating December 31, 2009 and in consideration issued 700,000 shares of Common Stock. The shares were valued at \$0.45 per share, which was equal to 100% of the public trading bid price of the Common Stock on June 12, 2009, as quoted on the OTC Electronic Bulletin Board. The consulting agreement was terminated and by agreement with the consultant 400,000 shares of Common Stock were cancelled. For 2009, the Company incurred a non-cash charge of \$135,000 which is included in stock based compensation expense. Additionally in 2009, the Company recorded bad debt expense and reserves totaling \$193,859.

Net Loss. For the year ended December 31, 2009, we incurred a net loss of \$1,710,753, compared to a net loss of \$1,172,498 for 2008, an increase in net loss of \$538,255, or 46%. The increase in net loss was primarily attributable to decrease in revenues, increased professional fees and bad debt expense as noted above. Additionally, the issuance of Series A Convertible Preferred Stock resulted in a beneficial conversion feature of \$30,000. The beneficial conversion feature was recorded as a charge to loss applicable to holders of Common Stock. The Company also accrued dividends on the shares of Series A Convertible Preferred Stock totaling \$5,694.

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 December 31, 2009, we had a working capital deficit of \$(604,139), as compared to working capital of \$133,650 at December 31, 2008. The decrease in working capital was due to decreased revenue and resulting gross margins and increased costs for sales and development. 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.

In 2008, we completed the sale of an aggregate of 690,549 shares of common stock for gross proceeds of \$475,000 and secured an additional \$255,000 of note proceeds. Additionally in 2008, we reacquired an aggregate of 654,205 shares of our common stock pursuant to an ongoing stock repurchase arrangement with a shareholder for a total purchase price of \$225,000. We also repaid notes in accordance with their terms in the amount of \$170,000. We also used cash for the acquisition of assets in the amount of \$42,547 in 2009 as compared to \$110,988 in 2008. Net cash used in 2009 was \$630,443 compared to \$1,122,556 for 2008.

In February, 2009, the Company began a private offering of unregistered securities consisting of Units, each Unit consisting of two shares of Series A Convertible Preferred Stock and one Warrant at a private offering price of \$2.00 per Unit, totaling up to \$1,000,000. Proceeds from the offering were used to expand our sales and marketing efforts, research and development and for general working capital purposes. In 2009, we sold an aggregate of \$437,500 of such Units and secured an additional \$323,210 of note proceeds. Of those notes, an aggregate of \$0 had matured as of December 31, 2009.

Capital Commitments

The Company headquarters and administrative and production facilities are located at 9800 Mt. Pyramid Ct., Englewood, Colorado, in approximately 15,700 square feet of leased office space at a monthly rental of approximately \$10,000. The lease expires March 31, 2010 and the Company is in the process of extending the lease through December 31, 2010. We consider our relations with our landlord to be good.

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 7A. 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements are filed as part of this report:

1. Report of Independent Registered Public Accounting Firm
2. Consolidated Balance Sheets at December 31, 2009 and 2008
3. Consolidated Statements of Operations for the years ended December 31, 2009 and 2008
4. Consolidated Statement of Changes in Shareholders' Equity (Deficit) from January 1, 2008 through December 31, 2009
5. Consolidated Statements of Cash Flows for the Years Ended December 31, 2009 and 2008
6. Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders:
BioMedical Technology Solutions Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Biomedical Technology Solutions Holdings, Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years ended December 31, 2009 and 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Biomedical Technology Solutions Holdings, Inc. as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years ended December 31, 2009 and 2008, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the financial statements, the Company has suffered recurring losses, has a working capital deficit at December 31, 2009, and has an accumulated deficit of \$5,717,956 as of December 31, 2009. These factors and others raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Cordovano and Honeck LLP
Englewood, Colorado
May 10, 2010

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
Consolidated Balance Sheets
Years Ended December 31, 2009 and 2008

Assets	<u>12/31/2009</u>	<u>12/31/2008</u>
Current assets:		
Cash	\$ 6,643	\$ 29,287
Accounts receivable, net of allowance for doubtful accounts	261,619	259,265
Inventory	247,263	410,516
Prepaid expenses	<u>44,661</u>	<u>90,656</u>
Total current assets	560,186	789,724
Property and equipment, net of accumulated depreciation	43,308	62,508
Intangible assets, net of accumulated amortization	306,085	340,495
Land held for development or sale	615,000	615,000
Long term Accounts receivable	9,197	-
Note receivable	-	146,000
Deposits	<u>5,000</u>	<u>5,000</u>
	\$ <u><u>1,538,776</u></u>	\$ <u><u>1,958,727</u></u>
Liabilities and shareholders' equity (deficit)		
Current liabilities:		
Notes payable	\$ 222,241	\$ 217,972
Notes payable to related parties	144,410	-
Accounts payable	396,563	335,777
Accrued payroll and other liabilities	348,862	67,208
Deferred income	<u>52,249</u>	<u>35,116</u>
Total current liabilities	<u>1,164,325</u>	<u>656,073</u>
Long-term debt	<u>471,495</u>	<u>471,495</u>
Total Liabilities	<u>1,635,820</u>	<u>1,127,568</u>
Shareholders' Equity (Deficit)		
Series A Convertible Preferred Stock, \$0.001 par value 10,000,000 authorized, 40,000 and -0- shares issued and outstanding at December 31, 2009 and December 31, 2008, respectively	40	-
Common stock, \$0.001 par value 100,000,000 shares authorized, 28,846,315 and 27,702,181 shares issued and outstanding at December 31, 2009 and December 31, 2008, respectively	28,846	27,702
Additional paid in capital	5,592,026	4,810,660
Accumulated deficit	<u>(5,717,956)</u>	<u>(4,007,203)</u>
Total Shareholders' Equity (Deficit)	<u>(97,044)</u>	<u>831,159</u>
	\$ <u><u>1,538,776</u></u>	\$ <u><u>1,958,727</u></u>

See accompanying notes to these consolidated financial statements

See accompanying notes to these consolidated financial statements

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
Consolidated Statements of Operations
Years Ended December 31, 2009 and 2008

	December 31,	
	2009	2008
Net sales	\$ 952,851	\$ 1,172,368
Cost of sales	<u>391,176</u>	<u>456,824</u>
Gross profit	561,675	715,544
Other costs and expenses:		
Selling, general and administrative	1,947,968	1,801,474
Research and development expenses	<u>251,357</u>	<u>66,386</u>
Total operating expenses	2,199,325	1,867,860
Loss before non-operating income and expense and income taxes	(1,637,650)	(1,152,316)
Other income and (expense):		
Other Income	6,409	5,217
Interest expense	<u>(43,818)</u>	<u>(25,399)</u>
	<u>(37,409)</u>	<u>(20,182)</u>
Net loss before income taxes	(1,675,059)	(1,172,498)
Income tax provision	<u>-</u>	<u>-</u>
Net loss	<u>(1,675,059)</u>	<u>(1,172,498)</u>
Accreation of beneficial conversion feature,		
Preferred Stock	(30,000)	
Preferred Stock Dividend	<u>(5,694)</u>	<u>-</u>
Net loss attributable to common stockholders	<u>\$(1,710,753)</u>	<u>\$(1,172,498)</u>
Basic and diluted loss per share	<u>\$ (0.06)</u>	<u>\$ (0.04)</u>
Weighted average common shares outstanding	<u>28,468,099</u>	<u>26,832,169</u>

See accompanying notes to these consolidated financial statements

See accompanying notes to these consolidated financial statements

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

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Par Value</u>	<u>Shares</u>	<u>Par Value</u>			
Balance at December 31, 2007	—	\$ —	26,080,930	\$ 26,081	3,318,351	\$ (2,834,706)	\$ 509,726
Sale of common stock in private offering	—	—	690,549	691	474,309	—	475,000
Repurchase of common stock	—	—	(654,204)	(654)	(224,346)	—	(225,000)
Shares issued to complete reverse merger	—	—	1,875,663	1,875	1,162,630	—	1,164,505
Non-converted pre-merger shares	—	—	(290,757)	(291)	291	—	—
Stock based compensation	—	—	—	—	79,425	—	79,425
Net loss	—	—	—	—	—	(1,172,498)	(1,172,498)
Balance at December 31, 2008	—	—	27,702,181	27,702	4,810,660	(4,007,203)	831,159
Sale of Series A Convertible Preferred Stock, less \$10,833 of offering costs	437,500	438	—	-	426,229	—	426,667
Stock based compensation	—	—	405,600	406	248,310	—	248,716
Common Stock issued in lieu of wages	—	—	125,000	125	49,875	—	50,000
Common Stock purchase	—	—	80,645	80	24,920	—	25,000
Beneficial Conversion - Series A	—	—	—	—	30,000	—	30,000
Conversion of Series A Convertible Preferred Stock to common stock	(397,500)	(398)	532,889	533	2,032	—	2,167
Net loss	—	—	—	—	—	(1,710,753)	(1,710,753)
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>

See accompanying notes to these consolidated financial statements

See accompanying notes to these consolidated financial statements

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.

Consolidated Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Net loss	\$ (1,710,753)	\$ (1,172,498)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	96,158	86,375
Stock issued in lieu of Deferred Compensation	50,000	-
Stock based compensation expense	248,716	79,425
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	(2,354)	(227,079)
Decrease (increase) in prepaid expenses and other current assets	45,995	(66,446)
Decrease (increase) in Note Receivable	146,000	-
Decrease (increase) in inventories	163,253	(79,589)
Decrease (increase) in long term accounts receivable	(9,197)	-
Increase (decrease) in accounts payable	60,786	242,867
Increase in accrued expenses	231,654	7,495
Increase in other liabilities	<u>17,133</u>	<u>6,894</u>
Net cash (used in) operating activities	\$ (630,443)	\$ (1,122,556)
Cash flows from investing activities:		
Increase in intangible assets	(25,529)	(97,401)
Acquisition of property and equipment	<u>(17,018)</u>	<u>(13,587)</u>
Net cash (used in) investing activities	<u>(42,547)</u>	<u>(110,988)</u>
Cash flows from financing activities:		
Proceeds from sale of Series A Convertible Preferred Stock, net	426,667	-
Proceeds from sale of Common Stock	25,000	475,000
Proceeds from stock issued to complete reverse merger	-	875,000
Common stock redemption	-	(225,000)
Proceeds from notes payable	233,800	255,000
Proceeds from notes payable- related parties	89,410	
Repayment of Notes converted to Series A Convertible Preferred Stock	(75,000)	
Repayment of notes payable	(44,531)	
Repayment of notes payable- related parties	<u>(5,000)</u>	<u>(170,000)</u>
Net cash provided by financing activities	<u>650,346</u>	<u>1,210,000</u>
Increase (decrease) in cash	(22,644)	(23,544)
Cash and cash equivalents, beginning of period	<u>29,287</u>	<u>52,831</u>
Cash and cash equivalents, end of year	<u>\$ 6,643</u>	<u>\$ 29,287</u>
	Year Ended	
	December	
	<u>2009</u>	<u>2008</u>
Supplemental cash flow information:		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ 15,894	\$ 28,371
Non-cash investing and financing activities:		
Merger shares issued for non-cash assets	\$ -	\$ 289,504

See accompanying notes to these consolidated financial statements

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless the context requires otherwise, “we,” “us”, “our” or “the Company”, refers to Biomedical Technology Solutions Holdings, Inc. and its subsidiaries on a consolidated basis.

Note 1—Nature of Business and Risk Management

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 has incurred significant operating losses since inception. Net cash used in operating activities during the years ended December 31, 2009 and 2008, was \$630,443 and \$1,122,556, respectively. Initially, these conditions raised some issues indicative of the Company’s ability to continue as a going concern.

The Company’s ability to continue as a going concern is dependent upon the continued success of its plans to sell its products through its distribution networks and its direct sales force. The Company raised \$493,500 through the sale of equity securities during 2009. However, these efforts did not significantly mitigate the conditions noted above. However, there can be no assurances that the Company will continue to be successful in borrowing money or raising capital.

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern.

Note 2—Summary of Significant Accounting Policies

Principles of Consolidation:

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., Healthcare Sales Professionals, Inc. and BMTS Leasing LLC. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. For example, we make estimates of the amount of receivables we will collect, the useful lives of our assets, the number of products

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

that will be returned under warranty and our income tax liabilities. Such estimates are based on historical trends and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from our estimates.

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 December 31, 2009 and 2008 approximate fair value.

Environmental Matters:

We do not have environmental liabilities recorded at December 31, 2009 nor are we aware of any issues that could initiate the need for environmental remediation.

Cash Equivalents:

We consider all highly liquid investments with a maturity of less than three months when purchased to be cash equivalents.

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 compared to no bad debt expense in 2008. Past due accounts (more than 90 days) totaled \$199,218 and \$4,600 at December 31, 2009 and 2008, respectively.

Inventory Valuation:

Inventories are valued at the lower of cost or market and are maintained on the first-in-first-out method.

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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

Our impairment analysis included a sensitivity analysis with regard to cash flow projections that determine the recoverability of the assets. All of the judgments and assumptions made in preparing the cash flow projections are consistent with our other financial statement calculations and disclosures. The assumptions used in the cash flow projections are consistent with other forward-looking information prepared by the company, such as those used for internal budgets and or reporting to the Board of Directors.

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 2009 and 2008.

In addition to the depreciation charge, we expense maintenance costs and the costs of any other services rendered under the lease as incurred.

Unearned revenues consisted of extended warranties collected in advance. The following is a summary of extended warranties for the years ended December 31, 2009 and 2008:

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Years Ended	
	December 31,	
	<u>2009</u>	<u>2008</u>
Beginning of year balance	\$ 35,116	\$ 13,591
Cash received from customers	24,513	23,394
Revenue recognized in earnings	<u>(7,480)</u>	<u>(1,869)</u>
End of year balance	\$ 52,249	\$ 35,116

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 \$248,716 and \$79,425 in the fiscal years ended December 31, 2009 and 2008, respectively.

Selected Operating Expenses:

Research and development costs are charged to earnings as incurred and were \$251,357 and \$66,386, respectively in 2009 and 2008.

Accounting for Income Taxes

Income taxes are accounted for under the assets and liability method. 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 carryforwards, 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.

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company has identified its federal tax return and state tax return in Colorado as “major” 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.

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 December 31, 2009, the Company has options, warrants and Series A Convertible Preferred Stock as converted outstanding that could be exercised representing a total of 3,537,614 additional shares. At 2008, the Company had warrants outstanding that could be exercised representing a total of 2,925,626 additional shares. All have been excluded from the weighted average share calculation because they would be anti-dilutive.

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.

Segment Reporting:

SFAS No. 131 “*Disclosures about Segments of an Enterprise and Related Information*” establishes standards for reporting information about operating segments on a basis consistent with the Company’s internal organization structure as well as information about geographical areas, business segments and major customers in the financial statements. The Company operates in one principal reportable segment in the United States.

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

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

Note 3—Reverse Merger

On August 21, 2008 CET Services, Inc. (CET) completed a reverse merger with Biomedical Technology Solutions, Inc. whereby CET issued 8.72 new shares of common stock for each surrendered share of BMTS common stock. Commensurate with the merger, CET was reincorporated as Biomedical Technology Solutions Holdings, Inc. The Company declared a one share for three share reverse stock split effective as of the merger date. Since the shareholder interests of BMTS received approximately 94% of the voting interest in the Company, BMTS is deemed to be the acquirer for accounting purposes. Accordingly, the financial statements presented herewith are those of BMTS on an historical basis and include the accounts and operations of CET from the merger date. The operations of CET were terminated at the merger date although the Company continues to incur certain expenses of ownership related to its land held for development or sale. All share and per share amounts have been adjusted from prior year amounts to reflect the recapitalization of the Company and the reverse stock split.

The business combination with CET has been accounted for as a reverse merger. The 1,875,663 outstanding shares held by CET’s shareholders prior to the merger are considered to be issued by the Company at the merger date in exchange for the net assets of CET, \$1,164,504 at that date.

The net assets of CET consisted of the following at the merger date:

Cash	\$ 875,000
Note receivable	146,000
Land held for development	<u>615,000</u>
	1,636,000
Land note payable	<u>(471,496)</u>
Net assets	<u>\$ 1,164,504</u>

As a result of the Merger, BMTS shareholders continue to exercise control over the Company, the transaction is deemed to be a capital transaction whereby the CET is treated as

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

a non-business entity. The Company has no plans to continue the prior business of CET. Therefore, the accounting for the business combination is identical to that resulting from a reverse merger, except no goodwill or other intangible assets were recorded as a result of the Merger. Accordingly, the Company did not recognize goodwill or any other intangible assets in connection with the transaction. 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 note payable 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 note receivable of \$146,000 is due from an entity formerly related to CET and was due in full on December 31, 2008 including interest calculated at 4% per annum and was subsequently repaid in full in January 2009.

BMTS is treated as the acquirer for accounting purposes. Therefore, the historic financial statements prior to the Merger are those of BMTS and post merger, the financial statements represent the consolidated financial position and operating results of Company and its wholly-owned subsidiaries. All retained earnings of CET were recapitalized to additional paid in capital as of the merger date.

Note 4—Related Party Transactions

In February 2009, the Company entered into a promissory note totaling \$75,000 with one related party and shareholder. The promissory note bears an annualized interest rate of 12% and with terms extended to June 30, 2010.

In June 2009, a Director of the Company converted a promissory note, totaling \$75,000 into Series A Convertible Preferred Stock and immediately elected to convert those shares into 100,000 shares of our Common Stock.

Additionally in June 2009, the Company entered into a promissory note with a related party totaling \$14,410 of which \$5,000 was paid. The note matures on June 30, 2010 and bears an annualized interest rate of 12%.

In February 2008, the Company entered into a promissory note with a related party and shareholder totaling \$60,000. The promissory note bears an annualized interest rate of 12% and with terms extended to June 30, 2010.

During 2009, Mr. Cox converted an aggregate of \$50,000 in accrued compensation into 125,000 shares of Common Stock; and Mr. Kempf converted an aggregate of \$7,500 in accrued compensation into 7,500 shares of Series A Preferred Stock and warrants. Those shares of Series A Stock were then converted into 10,000 shares of Common Stock by Mr. Kempf.

Additionally, in 2009 Mr Cox purchased 80,645 shares of our Common Stock for \$25,000 with shares valued at \$0.31 per share.

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5—Balance Sheet Details

Inventory:

Inventory consisted of the following classifications as of December 31, 2009 and 2008:

	December 31,	
	<u>2009</u>	<u>2008</u>
Raw Materials	\$ 130,060	\$ 184,228
Work-in-process	36,581	-
Finished Goods	104,369	226,288
less: Allowance	<u>(23,747)</u>	<u>-</u>
	<u>\$ 247,263</u>	<u>\$ 410,516</u>

Property and equipment:

Listed below are the major classes of property and equipment as of December 31, 2009 and 2008:

	December 31,	
	<u>2009</u>	<u>2008</u>
Equipment leased to customers	\$ 24,495	\$ 18,495
Computer equipment	53,941	46,097
Office equipment	19,744	20,366
Furniture and fixtures	11,874	11,874
Molds and tools	71,605	66,428
Computer software	23,433	22,433
Leasehold improvements	<u>5,524</u>	<u>5,524</u>
	210,616	194,217
Less: accumulated depreciation	<u>(167,308)</u>	<u>(131,709)</u>
	<u>\$ 43,308</u>	<u>\$ 62,508</u>

Depreciation expense was \$35,599 and \$42,392, respectively, for the years ended December 31, 2009 and 2008.

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

Our impairment analysis included a sensitivity analysis with regard to cash flow projections that determine the recoverability of the assets. All of the judgments and assumptions made in preparing the cash flow projections are consistent with our other financial statement calculations

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and disclosures. The assumptions used in the cash flow projections are consistent with other forward-looking information prepared by the company, such as those used for internal budgets and or reporting to the Board of Directors.

In 2009 and 2008 we performed our annual impairment evaluations and determined that there was impairment in 2009 totaling \$66,218 and \$0 in 2008. At December 31, 2009 and 2008, we had \$152,013 and \$149,981, respectively, of indefinite lived intangibles that consist of trademarks and environmental licenses and permits for which we performed an annual impairment test, and determined there was no impairment. In accordance with SFAS 142, other intangible assets will continue to be amortized over their useful lives.

During the years ended December 31, 2009 and 2008, we recorded legal and other incidental costs totaling \$23,218 and \$88,218, respectively, in connection with our Demolizer II patent with an amortization period of five years. The Company anticipates amortizing the remaining patent cost of \$14,701 over the next three years. In addition, as current patent pendings convert to patents, the Company will begin amortization of those costs over a five year period.

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009 and 2008, the carrying values of our major types of intangible assets are as follows:

	December 31,	
Limited-life intangibles	<u>2009</u>	<u>2008</u>
Patent	\$ 83,256	\$ 77,684
Customer list	<u>15,000</u>	<u>15,000</u>
	98,256	92,684
Less: accumulated depreciation	<u>(83,555)</u>	<u>(89,835)</u>
	14,701	2,849
 Patent Pending	 139,371	 187,665
Indefinite-life intangibles		
Trademark	47,013	44,981
Licenses and permits	<u>105,000</u>	<u>105,000</u>
	<u>152,013</u>	<u>149,981</u>
	\$ 306,085	\$ 340,495

Amortization expense was \$60,559 and \$43,983 for the years ended December 31, 2009 and 2008, respectively.

Accrued Liabilities:

Accrued liabilities consisted of the following accounts as of December 31, 2009 and 2008:

	December 31,	
	<u>2009</u>	<u>2008</u>
Accrued Payroll	\$ 275,231	\$ 63,199
Deferred Rent	-	3,200
Accrued Interest Payable	17,059	809
Accrued Professional Fees	36,168	
Accrued Other	<u>20,404</u>	
	<u>\$ 348,862</u>	<u>\$ 67,208</u>

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
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Note Payable:

At December 31, 2009 we were obligated under the terms of promissory notes, primarily issued for working capital, in the amount of \$200,000 that matured on February 28, 2010 and carried an interest rate of 5%. The note was and is secured by a second priority Deed of Trust encumbering real property owned by the Company's subsidiary BMTS Properties. In May 2010, the \$200,000 note was purchased by a current shareholder and a monthly payment schedule bearing an interest rate of 6% was negotiated with the Company. 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. The interest expense on short-term borrowings was \$25,475 and \$20,750 for 2009 and 2008, respectively.

Additionally, at December 31, 2009, the Company was obligated under short term insurance premium financing agreements having an aggregate yearend balance of \$22,241, payable in installments of \$4,448, including interest 8% 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.

Note 6—Selling, General and Administrative Expenses

Selling, general and administrative expenses consisted of the following components as of December 31, 2009 and 2008:

	Twelve Months Ended December 31	
	2009	2008
Selling expense	\$ 513,502	\$ 417,947
General office expense	662,661	874,828
Professional Fees	178,498	214,943
Depreciation and amortization	96,158	78,065
Bad debt expense	193,859	-
Travel expense	54,574	136,266
Stock Based Compensation expense	248,716	79,425
	-	-
	\$ 1,947,968	\$ 1,801,474

Note 7 – Income Taxes

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
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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.

The components of the deferred income tax assets and liabilities arising under ASC 740 were as follows:

	Amount	
	2009	2008
Deferred tax assets:		
Long-term	<u>\$ 570,957</u>	<u>\$ 439,310</u>
Total deferred tax asset	<u>\$ 570,957</u>	<u>439,310</u>
Deferred tax liability:		
Current	-	-
Long-term	<u>(69,403)</u>	<u>(122,747)</u>
Net deferred tax asset	<u>\$ 501,554</u>	<u>\$ 316,563</u>
Valuation allowance	<u>(501,554)</u>	<u>(316,563)</u>
Total provision	<u>\$ -</u>	<u>\$ -</u>

The types of temporary differences between the tax basis of assets and their financial reporting amounts that give rise to a significant portion of the deferred assets and liabilities are as follows:

	2009		2008	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Deferred assets:				
Depreciation timing difference	\$71,952	\$27,795	\$84,574	\$32,671
Net operating loss carryovers	<u>1,406,062</u>	<u>543,162</u>	<u>1,052,650</u>	<u>406,639</u>
Total	<u>\$1,478,014</u>	<u>\$570,957</u>	<u>\$1,137,224</u>	<u>439,310</u>
Deferred Liabilities:				
Depreciation timing difference	<u>\$179,660</u>	<u>\$69,403</u>	<u>\$317,751</u>	<u>\$122,747</u>

The net change in deferred tax assets as of December 31, 2009 and 2008 was \$131,647 and \$30,858, respectively. The net change in deferred tax liabilities as of December 31, 2009 and 2008 was \$(53,344) and \$86,611, respectively.

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
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The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes. The sources and tax affects of the differences are as follows:

	Years Ended	
	December 31,	
	2009	2008
U.S. statutory federal rate, graduated.....	34.00%	34.00%
State income tax rate, net of federal....	4.63%	4.63%
Net operating loss (NOL) for which no tax benefit is currently available....	-38.63%	-38.63%
	0.00%	0.00%

ASC 740 requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion of all of the deferred tax assets will not be realized. At December 31, 2009 and 2008, the Company had a tax loss of \$1,406,062 and \$1,052,650 respectively. After consideration of all the evidence, both positive and negative, management has determined that a \$ 501,554 allowance as of December 31, 2009 is necessary to reduce the deferred tax assets to an amount that is more likely than not to be realized.

The Company had net operating loss carry forwards available to offset future taxable income, which will begin to expire in 2025 and continue through 2029. Cash payments for income taxes were \$-0- and \$-0- for the years ended December 31, 2009 and 2008, respectively.

We are currently evaluating the impact of the adoption of ASC 740; however we do not expect that it will have a material impact on our consolidated financial statements.

Note 8—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, totaling up to \$1,000,000. The Series A Stock was valued at \$1.00 per share and the Warrant has a strike price of \$1.50. Each Warrant holder has the right to purchase for a period of 18 months one additional share per Unit.

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
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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. In 2009, we sold an aggregate of \$437,500 of such Units and at December 31, 2009 there were 40,000 shares of our Series A Convertible Preferred Stock outstanding.

Common Stock:

In 2009, eight of the ten Series A Convertible Preferred Shareholders elected to convert 397,500 of those shares and accrued interest into 532,889 shares of our Common Stock. In 2009, two Series A Convertible Preferred Shareholders purchased those shares when the Company's closing market price was greater than the discounted market price of \$.75 per share. As a result, the Company booked a beneficial conversion expense totaling \$30,000.

Also in 2009, the CEO of the Company elected to convert \$50,000 of deferred compensation into 125,000 shares of our Common Stock valued at \$0.40 per share. Additionally, the CEO purchased 80,645 shares of our Common Stock for \$25,000 with shares valued at \$0.31 per share.

Stock Based Compensation Expense:

Stock-based compensation was related to stock options and warrants that vested during 2009 and 2008. Additionally in 2009, the Company granted stock awards to employees, directors and consultants resulting in stock based compensation expense. During the year ended December 31, 2009 and 2008, we recognized compensation expense of \$248,716 and \$79,425, respectively, for stock options which is reflected in the consolidated statements of operations. The following table presents details of the total stock-based compensation expense resulting from stock option, warrants and stock awards included in the consolidated statements of income:

	Years Ended December 31,	
	2009	2008
Selling, general and administrative expenses	\$ 248,716	\$ 79,425
Effect on pre-tax loss	248,716	79,425
Tax effect of stock-based compensation expense	-	-
Effect on net loss	\$ 248,716	\$ 79,425

As of December 31, 2009, there was \$33,800 of total unrecognized compensation expense, related to non-vested option awards, which is expected to be recognized over a period of approximately three years. Unrecognized compensation expense in 2008 was \$170,791.

Stock Options and Warrants:

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
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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.

Option and warrant activity, Plan and Non-Plan, for the years ended December 31, 2009 and 2008 is summarized as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at January 1, 2008	2,980,262	\$ 0.34	5.85 years	\$ -
Granted	769,298	\$ 1.02	6.51 years	-
Exercised	-	-	-	-
Cancelled	<u>(145,379)</u>	<u>.69</u>	<u>-</u>	<u>-</u>
Outstanding at December 31, 2008	3,604,181	\$ 0.50	5.15 years	-
Granted	365,000	\$.99	6.08 years	-
Exercised				
Cancelled	<u>(453,651)</u>	<u>\$ 1.48</u>		<u>-</u>
Outstanding at December 31, 2009	<u>3,515,530</u>	<u>\$ 0.43</u>	<u>4.15 years</u>	<u>\$ 268,224</u>
Exercisable at December 31, 2009	<u>3,215,530</u>	<u>\$ 0.37</u>	<u>3.97 years</u>	<u>\$ 268,224</u>

The total intrinsic value of options exercised during the years ended December 31, 2009 and 2008 were \$-0- and \$-0-, respectively.

Outstanding options at December 31, 2009 had a weighted average remaining contractual life of 4.15 years with an aggregate intrinsic value of \$268,224. Exercisable options at December 31, 2009 had a weighted average remaining contractual life of 3.97 years with an aggregate intrinsic value of \$268,224.

Compensation expense for all stock-based compensation awards granted in 2009 and 2008 was valued using the Black-Scholes option pricing model. The share prices used in the calculations were determined by our Board of Directors based upon the market or above market closing bid price for the Company's Common Stock on the date of grant. The expected term of options granted was estimated by management and is within the safe-harbor provisions of the SEC and ranged between one to six years. The expected volatility of our share price was based upon the market prices for the Company's Common Stock. The

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expected dividend yield is zero.

Assumptions used in the Black-Scholes model are presented below:

Risk free interest rate	.93% - 1.97%
Dividend yield	0.00%
Volatility factor	98.75% -162.3%
Weighted average expected life	4 years
Expected Term	2.5 years to 6.5 years

Common Stock Redemptions and Cancellation:

Pursuant to an agreement dated September 13, 2006, the Company has the right (but not the obligation) to re-purchase up to 1,453,787 of the shares of common stock then held by a principal shareholder, at \$.34 per share through December 31, 2008 and 872,272 shares of common stock at \$.69 per through December 31, 2009. Through December 31, 2009, the Company has repurchased 1,126,685 shares of its common stock from the principal shareholder for \$387,500. All returned shares have been cancelled and returned to unissued status. There were no treasury shares outstanding as of December 31, 2009.

Note 9—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 December 31, 2009, 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 for 2009 and 2008 was \$122,321 and \$87,505, respectively.

Note 10— Concentrations and Credit Risk

Our sales are concentrated in the medical waste disposal industry, which is highly competitive and rapidly changing. Significant technological changes in the industry, changes in customer requirements, changes in product costs and selling prices, or the emergence of competitor products with new features, capabilities, or technologies could adversely affect our operating results.

Our revenue is concentrated in the Demolizer® II System, consumable sharps and red bag waste collectors, replacement filter cartridges, and ancillary small supplies such as labels, wall mounting brackets, etc.

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of accounts receivable. Credit risk on trade receivables is minimized as a result of the large size of our customer base. However, periodically the Company does encounter higher percentages of customer concentration when larger distributors purchase inventory stocking levels. We perform ongoing credit evaluation of our customers and maintain

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allowances for potential credit losses.

The Resource Conservation and Recovery Act of 1976, as amended, requires the EPA to develop and evaluate environmentally sound methods for management of solid waste. In addition, the Act requires EPA to establish a “cradle-to-grave” management system for solid wastes that are identified as hazardous. Infectious medical waste falls within this category.

OSHA regulations have also been established to limit on-the-job exposure to blood and potentially infectious materials that could result in transmission of blood borne pathogens and lead to disease or death. Failure to comply with OSHA regulations can result in fines of up to \$70,000 based on criteria outlined in the OSHA instructions CPL 2.45B CH-4.

Note 11 —Subsequent Events

In January 2010, the Company sold to two investors an aggregate of \$56,000 for 224,000 shares valued at \$0.25 per share.

A \$200,000 promissory note held by an unaffiliated third party matured on February 28, 2010. The note in default was purchased by a current shareholder under a Settlement Agreement. Under the terms of the settlement agreement, the Company is obligated to make monthly payments together with 6% interest. The extended note matures on April 1, 2011 and is secured by a second Deed of Trust encumbering the Company’s real property. Additionally as part of the settlement agreement, the Company has agreed to issue 250,000 shares of the Common Stock and 200,000 Warrants with a strike price of \$.25 per share. The Warrants expire on May 31, 2013. The Company anticipates booking a non-cash expense for the issuance of both shares of Common Stock and Warrants in the upcoming quarter.

In March 2008, 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 will occur immediately following the filing of this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company's Chief Financial Officer and with the participation of the Company's President and Chief Executive Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of June 30, 2009. In performing its assessment of the Company's internal control over financial reporting, management used the criteria set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of that date for purposes of recording, processing, summarizing and timely reporting material information required to be disclosed in reports that the Company files under the Securities Exchange Act of 1934.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States, and includes those policies and procedures that:

- 1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- 2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and,
- 3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. Furthermore, smaller reporting companies face additional limitations. Smaller reporting companies employ fewer individuals and find it difficult to properly segregate duties. Often, one or two individuals

control every aspect of the Company's operation and are in a position to override any system of internal control. Additionally, smaller reporting companies tend to utilize general accounting software packages that lack a rigorous set of software controls.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's Chief Financial Officer, and with the participation of the Company's President and Chief Executive Officer, has conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of June 30, 2009, based on the criteria for effective internal control described in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2009.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the year ended December 31, 2009, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations of Internal Controls

Our principal executive and 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.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The current management of the Company consists of the following persons:

Directors and Executive Officers

The name, position with the Company, age of each Director and executive officer of the Company is as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Director/Officer Since</u>
Donald G. Cox	52	CEO, President and Director	2005
David A. Kempf	51	Secretary, Chief Financial Officer/Chief Operating Officer and Director	February 2009
Gex Richardson	46	General Counsel and Director	2005
William Sparks	56	Director	2008

Donald G. Cox has been CEO, President and Director of the Company since its inception in 2005. From 2003 to 2004, he served as CEO of Community Mortgage Group, a mortgage bank. From 2000 to 2002, he was co-founder, President and CEO of Body, Art and Science, a high-end sport supplement and nutrition company. From 1998 to 2000, he was the Founder and CEO of Juices Wild, a smoothie store franchise chain in the U.S. He was the Co-Founder and CEO of Pretzelmaker, Inc., an international retail franchise chain with 48 stores located in 5 countries. He also created and owned Fitness Unlimited and Florida Fitness, two fitness chains in Florida. Mr. Cox attended St. Petersburg Junior College in 1977.

David A. Kempf has been Chief Financial Officer/Chief Operating Officer and Director of the Company since February, 2009. From July 2005 to January 2009 he served as CFO of InPhase Technologies, Inc, a venture capital backed holographic storage company. David has held CFO positions with Picolight, Inc., Loanbright, Inc., and International Verifact. In addition, he has held senior level positions with AMBIS, Ectron Corp., AMETEK and Redken Labs. Mr. Kempf received his BS degree in Business Administration from United States International University in 1980.

Gex Richardson has been General Counsel and a Director of the Company since inception. He is also Senior Vice President and General Counsel of Glenn Wright Construction and Development, Inc., based in Florida. Previously, he was Of Counsel to Akerrman Senterfitt, a Florida based law firm. Mr. Richardson has a BS degree in finance from the University of Florida (1986) and a JD degree from the University of Florida (1988).

William Sparks, has been a director since April 2008. He is the founder of Med Tech Associates, a national manufacturers' representative firm, and launched MedPro Associates in June 2007. Based in Idaho Springs, Colorado, Med Tech and Med Pro Associates provide national representation to manufacturers selling into the health care markets. Mr. Sparks received a BA in Business Administration from St. Mary's College, Winona, Minnesota, in 1975.

There are no family relationships among the directors and executive officers. Except as set forth below, none of the directors or executive officers has, during the past five years:

- (a) had any petition under the federal bankruptcy laws or any state insolvency law filed by or against, or a receiver, fiscal agent or similar officer appointed by a court for the business or property of, such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;
- (b) Been convicted in a criminal proceeding or subject to a pending criminal proceeding;
- (c) been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or any federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, futures, commodities or banking activities; or
- (d) been found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Meetings and Committees of the Board of Directors

Meetings of the Board of Directors

During the fiscal year ended December 31, 2009, 15 meetings of the Board of Directors were held, including regularly scheduled and special meetings, each of which were attended by all of the Directors. Meetings are conducted either in person or by telephone conference.

Outside Directors do not receive compensation but are reimbursed their expenses associated with attendance at such meetings or otherwise incurred in connection with the discharge of their duties as a Director. Directors may receive a grant of options at the date of their appointment and could receive an additional grant of options to purchase shares of common stock, as long as they continue to serve as directors.

Committees

The board appoints committees to help carry out its duties. In particular, board committees work on key issues in greater detail than would be possible at full board meetings. Each committee reviews the result of its meetings with the full board.

Effective February, 2009, those standing committees were formed.

Audit Committee

The audit committee is composed of the following directors:

David A. Kempf
William Sparks
Donald G. Cox, ex officio

The Board of Directors has determined that Mr. Sparks is "independent" within the meaning of the American Stock Exchange's listing standards. For this purpose, an audit committee member is deemed to be independent if he does not possess any vested interests related to those of management and does not have any financial, family or other material personal ties to management.

David A. Kempf, a member of the audit committee, qualifies as an "audit committee financial expert" within the meaning of Item 401(e)(2) of Regulation SB.

During the fiscal year ended December 31, 2009 the audit committee had two meetings. The committee is responsible for accounting and internal control matters. The audit committee:

- reviews with management, the external consultants and the independent auditors policies and procedures with respect to internal controls;
- reviews significant accounting matters;
- approves any significant changes in accounting principles of financial reporting practices;
- reviews independent auditor services; and
- Recommends to the board of directors the firm of independent auditors to audit our consolidated financial statements.

In addition to its regular activities, the committee is available to meet with the independent accountants, external consultants whenever a special situation arises.

The Audit Committee of the Board of Directors has adopted a written charter, which has been previously filed with the Commission.

Audit Committee Report

The Audit Committee has reviewed and discussed the audited financial statements with management and with Cordovano and Honeck, LLP and the matters required to be discussed by SAS 61. The Audit Committee has received the written disclosures and the letter from Cordovano and Honeck, LLP required by Independence Standards Board Standard No. 1 and has discussed with them their independence. Based on the review and discussions referred to above, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 for filing with the Commission.

By the Audit Committee

David A. Kempf
William Sparks
Donald G. Cox

Compensation Advisory Committee

The compensation advisory committee is currently composed of the following directors:

David A. Kempf
William Sparks
Donald G. Cox, ex officio

The Board of Directors has determined that Mr. Sparks is "independent" within the meaning of the NASDAQ listing standards. For this purpose, a compensation committee member is deemed to be independent if he does not possess any vested interests related to those of management and does not have any financial, family or other material personal ties to management.

During the fiscal year ended December 31, 2009 the compensation advisory committee did not recommend any changes to the executive's compensation. The compensation advisory committee:

- Recommends to the board of directors the compensation and cash bonus opportunities based on the achievement of objectives set by the compensation advisory committee with respect to our chairman of the board and president, our chief executive officer and the other executive officers;
- administers our compensation plans for the same executives;
- determines equity compensation for all employees;
- reviews and approves the cash compensation and bonus objectives for the executive officers; and
- reviews various matters relating to employee compensation and benefits.

Nomination Committee

The nomination committee was composed of the following directors:

David A. Kempf
William Sparks
Donald G. Cox, ex officio

Of the currently serving members, Mr. Sparks, would be deemed to be independent within the meaning of the American Stock Exchange's listing standards. For this purpose, a director

is deemed to be independent if he does not possess any vested interests related to those of management and does not have any financial, family or other material personal ties to management.

The board of directors has not adopted a policy with regard to the consideration of any director candidates recommended by security holders, since to date the board has not received from any security holder a director nominee recommendation. The board of directors will consider candidates recommended by security holders in the future. Security holders wishing to recommend a director nominee for consideration should contact Mr. Donald G. Cox Chief Executive Officer or David Kempf, Chief Financial Officer, at the Company's principal executive offices and provide, in writing the recommended director nominee's professional resume covering all activities during the past five years, the information required by Item 401 of Regulation S-K, and a statement of the reasons why the security holder is making the recommendation. Such recommendation must be received by the Company before December 31, 2009.

The board of directors believes that any director nominee must possess significant experience in business and/or financial matters as well as a particular interest in the Company's activities.

All director nominees identified in this proxy statement were recommended by our President and Chief Executive Officer and unanimously approved by the board of directors.

Shareholder Communications

Any shareholder of the Company wishing to communicate to the board of directors may do so by sending written communication to the board of directors to the attention of Mr. Donald G. Cox, Chief Executive Officer, at the principal executive offices of the Company. The board of directors will consider any such written communication at its next regularly scheduled meeting.

Any transactions between the Company and its officers, directors, principal shareholders, or other affiliates have been and will be on terms no less favorable to the Company than could be obtained from unaffiliated third parties on an arms-length basis and will be approved by a majority of the Company's independent, outside disinterested directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Under the Securities Laws of the United States, the Company's Directors, its Executive (and certain other) Officers, and any persons holding more than ten percent (10%) of the Company's common stock are required to report their ownership of the Company's common stock and any changes in that ownership to the Securities and Exchange Commission. Specific due dates for these reports have been established and the Company is required to report in this report any failure to file by these dates. All of these filing requirements were satisfied by its Officers, Directors, and ten-percent holders, except that Mr. Kempf, our CFO/COO and Director failed to file one report covering four transactions in a timely fashion; Mr. Sparks, a Director, failed to file one report covering one transaction in a timely fashion; Mr. Neuman, a former Director, failed to file one report covering one transaction in

a timely fashion; and, Mr. Bricken, a 10% or more shareholder, failed to file one report covering one transaction in a timely fashion . In making these statements, the Company has relied on the written representation of its Directors, Officers and any persons holding more than ten percent (10%) of the Company's common stock or copies of the reports that they have filed with the Commission.

Code of Business Ethics

We have a Code of Business Ethics that governs all of our employees, including our CEO, CFO, principal accounting officer or persons performing similar functions. We will provide a copy of our code free of charge to any person upon written request to us at the following address 9800 Mt. Pyramid Court, Suite 250, Englewood, CO 80112. A copy of our Code of Ethics is filed as an exhibit to this Form 10-K and can be viewed at the SEC website at www.sec.gov.

ITEM 11. EXECUTIVE COMPENSATION

The following information relates to all aspects of executive compensation currently paid by BMTS to its executive officers and directors. Following completion of the merger, no immediate change in the compensation and benefits paid to such persons is expected.

The following tables and discussion set forth information with respect to all plan and non-plan compensation awarded to, earned by or paid to the Chief Executive Officer ("CEO") of, and the Company's four (4) most highly compensated executive officers other than the CEO, for all services rendered in all capacities to the Company and its subsidiaries for each of the Company's last three (3) completed fiscal years; provided, however, that no disclosure has been made for any executive officer, other than the CEO, whose total annual salary and bonus does not exceed \$100,000.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus	Stock Awards	Options Awards	Non equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Donald Cox CEO	2009	\$200,000	\$0	\$0	0	0	\$0		\$200,000
	2008	\$200,000	\$0	\$0	0	0	\$0		\$200,000
	2007	\$150,000	\$0	\$0	581,515	581,515	\$0	\$50,000	\$200,000
David A. Kempf, CFO/COO	2009	\$174,231	\$0	\$1,275	300,000	0	\$0	0	\$175,506

Set forth below is information on the employment commitments to BMTS executives:

Name	Position	Salary
Donald G. Cox	CEO	\$200,000 per year
David A. Kempf	CFO/COO	\$195,000 per year
Gex Richardson	General Counsel	None

BMTS has no written employment agreements with its executive officers. Effective January 1, 2010, Mr. Cox and Mr. Kempf have agreed to take a 25% salary reduction from their annualized salary as noted. The salary reduction will be treated as deferred compensation and

will be repaid as the Company's cash flow improves.

No director of BMTS receives any compensation for their services as directors. Outside directors may be granted options; however, there is no commitment to do so.

The following table sets forth information concerning unexercised options, stock that has not vested and equity incentive plan awards for each named executive officer outstanding as of the end of the most recently completed fiscal year:

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END TABLE

Name	Option Awards					Stock Awards			
	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 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
Donald Cox	581,515	0	0	\$0.34	10/01/14	0	0	0	0
Gex Richardson	1,453,786	0	0	\$0.34	10/01/13	0	0	0	0
David A. Kempf	300,000	0	300,000	\$1.00	02/11/19	0	0	0	0

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the ownership of the Company common stock as of May 11, 2010 by (i) each Company director, (ii) each of the Company's executive officers named in the summary compensation table, (iii) all of such named executive officers and directors as a group, and (iv) all those known by Company to be beneficial owners of more than five percent of Company common stock. Except as shown otherwise in the footnotes to the table, the address of each person listed is BioMedical Technology Solutions Holdings, Inc., 9800 Mt. Pyramid Court, Suite 250, Englewood, Colorado 80112.

NAME AND ADDRESS OF <u>BENEFICIAL OWNER</u>	BENEFICIAL OWNERSHIP ⁽¹⁾	
	<u>NUMBER OF SHARES</u>	<u>PERCENT OF TOTAL⁽²⁾</u>
Donald G. Cox	10,638,173 (3)	36.47
Jon Bricken	6,469,350	22.19
David A. Kempf	328,417 (6)	1.13
Gex Richardson	2,689,505 (4)	9.23
William Sparks	522,863 (5)	1.79
Sunrise Capital, LLC	2,300,000	7.89
Executive Officers and Directors as a Group (4 persons)	22,948,308	78.70

-
- (1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of Holdings' common stock subject to options and warrants currently exercisable within 60 days of the date of this 10-K, are deemed outstanding for purposes of computing the percentage of the person or entity holding such securities but are not deemed outstanding for purposes of computing the percentage of any other person or entity. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.
- (2) Percentage of ownership is based on 29,149,065 shares of common stock outstanding as of May 11, 2010.
- (3) Includes warrants exercisable to purchase 581,515 shares of common stock at an exercise price of \$0.34 per share and warrants exercisable to purchase 50,000 shares of common stock at an exercise price of \$1.50 per share.
- (4) Includes warrants exercisable to purchase 1,453,787 shares of common stock at an exercise price of \$0.34 per share.
- (5) Includes warrants exercisable to purchase 29,076 shares of common stock at an exercise price of \$0.34 per share and warrants exercisable to purchase 37,500 shares of common stock at an exercise price of \$1.50 per share.
- (6) Includes options to purchase 300,000 shares of common stock under the Company's 2008 Equity Incentive Plan. The options vest ratably over three years and once vested are exercisable to purchase until February 2016 at an exercise price of \$1.00 per share. Also includes warrants exercisable to purchase 6,250 shares of common stock at an exercise price of \$1.50 per share.

Equity Compensation Plan Information

The following table provides information as of December 31, 2009 with respect to our 2008 Equity Incentive Plan, the only compensation plan that was approved by our shareholders upon completion of the reverse merger in August 2008. Prior to August 2008, the Company issued options and warrants to employee and consultants of the Company and are included in the table below.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1), (2)	3,515,530	\$0.43	1,589,400
Equity compensation plans not approved by security holders	None		None
Total	3,515,530	\$0.43	1,589,400

(1) Represents stock options issued under the 2008 Equity Incentive Plan, 2,000,000 common shares authorized under the Plan

(2) Represents stock options and warrants issued to purchase registered common shares of the Company.

To the knowledge of management, there are no present arrangements that may result in a change of control of the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

Transactions with Affiliates

Pursuant to an agreement dated September 13, 2006, the Company has the right (but not the obligation) to re-purchase up to 1,453,787 of the shares of common stock then held by Jon Bricken, a principal shareholder, at \$0.34 per share through December 31, 2008 and 872,272 shares of common stock at \$0.69 per through December 31, 2009. Through December 31, 2009, the Company has repurchased 1,126,685 shares of its common stock from Mr. Bricken for \$387,500.

In addition, Mr. Bricken, the principal shareholder, agreed to return 109,013 shares of the

Company's common stock to the Company in 2007. All returned shares have been cancelled and returned to unissued status. There were no treasury shares outstanding as of December 31, 2009.

In December, 2008, William Sparks, a director, loaned the Company the sum of \$75,000. Interest, which accrues at the rate of 12% per annum, and was convertible at the option of Mr. Sparks into shares of the Company's common stock at a conversion price of \$.75 per share. Mr. Sparks converted said note in June 2009, into 75,000 shares of the Company's Series A Convertible Preferred Stock. Simultaneously, Mr. Sparks converted the 75,000 shares of the Series A Convertible Preferred Stock into 100,000 shares of Common Stock.

In February 2009, the Company entered into a promissory note totaling \$75,000 with one related party and shareholder. The promissory note bears an annualized interest rate of 12% and with terms extended to June 30, 2010.

Additionally in June 2009, the Company entered into a promissory note with a related party totaling \$14,410 of which \$5,000 was paid. The note matures on June 30, 2010 and bears an annualized interest rate of 12%.

In February 2008, the Company entered into a promissory note with a related party and shareholder totaling \$60,000. The promissory note bears an annualized interest rate of 12% and with terms extended to June 30, 2010.

During 2009, Mr. Cox converted an aggregate of \$50,000 in accrued compensation into 125,000 shares of Common Stock; and Mr. Kempf converted an aggregate of \$7,500 in accrued compensation into 7,500 shares of Series A Preferred Stock and warrants. Those shares of Series A Stock were then converted into 10,000 shares of Common Stock by Mr. Kempf.

Additionally, in 2009 Mr Cox purchased 80,645 shares of our Common Stock for \$25,000 with shares valued at \$0.31 per share.

Sale of Certain Assets

Concurrently with the foregoing, CET sold to Steven Davis and Craig Barto, former Directors of the CET, all of its interest in its former wholly-owned subsidiary Community Builders, Inc. Community Builders was a controlled subsidiary that owned CET's remaining real property interests. In the transaction, Community Builders conveyed to BMTS its interest in property located at 1550 S. Idalia Court, Aurora, CO and retained its interest in property held by Arizona Avenue LLC and property located at 7335 Lowell Blvd. and 7215 Mead Street, both in Westminster, CO. In consideration of the foregoing, Messrs. Davis and Barto paid to CET the sum of \$656,000, of which \$510,000 was paid at Closing and the balance of \$146,000 was evidenced by a Promissory Note in favor of BMTS guaranteed by Messrs. Davis and Barto, due and payable December 31, 2008. That promissory note was paid in full in January 2009.

Director Independence

The following members of the Company's Board of Directors are independent directors as that term is defined by NASDAQ Rule 4200(a)(15): William Sparks. Mr. Sparks is a member of the Company's Audit Committee, whose members are Kempf and Sparks met the Audit Committee independence requirements of NASDAQ Rule 4350(d).

Item 14. Principal Accountant Fees and Services

The following table sets forth fees billed to us by Cordovano and Honeck, LLP, our registered public accounting firm and Kish, Leake & Associates, P.C. our income tax professionals, during the fiscal years ended December 31, 2009 and December 31, 2008 respectively for (i) services rendered for the audit of our annual financial statements and the review of our quarterly financial statements; (ii) services rendered that are reasonably related to the performance of the audit or review of our financial statements and that are not reported as Audit Fees; (iii) services rendered in connection with tax compliance, tax advice and tax planning, and (iv) all other services rendered.

	December 31, <u>2009</u>	December 31, <u>2008</u>
Audit Fees	\$ 39,046	\$ 20,000
Audit-Related Fees	--	--
Tax Fees	7,000	1,250
All Other Fees (audit of acquired subsidiary)	<u>5,250</u>	<u>14,467</u>
Total fees	<u>\$ 52,296</u>	<u>\$ 35,717</u>

PART IV

ITEM 15. EXHIBITS

The Company files annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). You may read and copy any document we file at the Commission's Public Reference Rooms in Washington, D.C. Please call the Commission at 1-800-SEC-0330 for further information on the Public Reference Rooms. You can also obtain copies of our Commission filings by going to the Commission's website at <http://www.sec.gov>.

The Commission allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this filing, and later information that we file with the Commission will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we make with the Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934:

Exhibit No.	Title
*	2.1 Indemnity Agreement
*	2.1 Statement of Merger
*	2.1 Certificate of Merger
*	2.1 Amendment No. 1 to Merger Agreement
*	2.1 Amendment No. 2 to Merger Agreement
*	3.1 Articles of Incorporation
****	3.1(ii) Certificate of Designations of Series A Preferred Stock
*	3.2 Bylaws
*****	4.0 2008 Equity Incentive Plan
*****	4.0 Form of Employee Warrant
*****	5.0 Opinion of Clifford L. Neuman PC
***	10.0 Promissory Note
*****	10.0 Consultation and Securities Compensation Agreement
*****	10.0 Agreement to Convert Debt – Cox
*****	10.0 Agreement to Convert Debt - Kempf
+	10.0 Amendment No. 1 to Malibu Consultation and Securities Compensation Agreement
++	10.0 Valor Deed of Trust
++	10.0 Valor Promissory Note
+++	10.0 Settlement Agreement with Malibu Holdings
+++	10.0 Settlement Agreement with Valor / WED
+++	14 Code of Ethics
*****	23 Consent of Cordovano & Honeck
+++	31. Certification required by Section 13a-14(a) of the Exchange Act.
+++	32. Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**	99.1 Audit Committee Charter
**	99.2 Compensation Committee Charter
**	99.3 Nominating and Corporate Governance Committee Charter

- * Incorporated by reference to the Registrant's Current Report on Form 8-K dated August 21, 2008 as filed with the Commission on August 27, 2008.
- ** Incorporated by reference to the Registrant's Current Report on Form 8-K dated February 11, 2009 as filed with the Commission on February 17, 2009.
- *** Incorporated by reference to the Registrant's Current Report on Form 8-K dated December 2, 2008 as filed with the Commission on February 18, 2009.
- **** Incorporated by reference to the Registrant's Annual Report on Form 10-K dated December 31, 2008 as filed with the Commission on April 15, 2009.
- ***** Incorporated by reference to the Registrant's Form S-8 dated May 15, 2009 as filed with the Commission on May 15, 2009.
- ***** Incorporated by reference to the Registrant's Current Report on Form 8-K dated June 12, 2009 as filed with the Commission on June 19, 2009.
- ***** Incorporated by reference to the Registrant's Current Report on Form 8-K dated June 17, 2009 as filed with the Commission on June 24, 2009.
- + Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q dated June 30, 2009 as filed with the Commission on August 13, 2009.
- ++ Incorporated by reference to the Registrant's Current Report on Form 8-K dated February 28, 2010 as filed with the Commission on April 5, 2010.
- +++ Filed herewith.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BIOMEDICAL TECHNOLOGY SOLUTIONS HOLDINGS, INC.
(Registrant)

Date: May 13, 2010

By: /s/ Donald G. Cox
Donald G. Cox, President and
Chief Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Donald G. Cox
Donald G. Cox, Chief Executive Officer.
President, Principal Executive Officer and Director

Date: May 13, 2010

By: /s/ David A. Kempf
David A. Kempf,
Chief Financial Officer, Chief Operating
Officer, Principal Accounting Officer, Secretary and Director

Date: May 13, 2010

By: /s/ Gex Richardson
Gex Richardson, General
Counsel and Director

Date: May 13, 2010

By: /s/ William Sparks
William Sparks, Director

Date: May 13, 2010