

HS3 TECHNOLOGIES INC.  
Form 10QSB  
February 13, 2008

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

**Form 10-QSB**

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended **December 31, 2007**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **001-32289**

**HS3 TECHNOLOGIES, INC.**

(Exact name of small business issuer as specified in its charter)

**Nevada**  
(State or other jurisdiction of incorporation or  
organization)

**20-3598613**  
(IRS Employer Identification No.)

**1800 Boulder Street, Suite 600, Denver, CO 80211-6400**  
(Address of principal executive offices)

**303.455.2550**  
(Issuer's telephone number)

**N/A**

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

**32,825,802 common shares as of December 31, 2007**

Transitional Small Business Disclosure Format (Check one): Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

(Check one):

Yes  No

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**PART I FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**HS3 Technologies, Inc.  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**HS3 Technologies, Inc.**

Condensed Consolidated Balance Sheet

(Unaudited)                      (Audited)  
December 31,                      June 30, 2007  
2007

**ASSETS****Current Assets**

Cash and cash equivalents	\$ 15,270	\$ 984
Accounts receivable	505,250	92,902
Inventory	128,608	98,014
Deposit on inventory	-	22,885
Total current assets	649,128	214,785

Furniture, fixtures and equipment, net of accumulated depreciation of  
\$40,233 and \$26,014 respectively

	92,944	102,325
<b>Total Assets</b>	<b>\$ 742,072</b>	<b>\$ 317,110</b>

**LIABILITIES****Current Liabilities**

Accounts payable and accrued liabilities	\$ 551,804	\$ 147,784
Accrued board fees	20,832	-
Convertible notes payable	182,000	136,000
<b>Total Liabilities</b>	<b>754,636</b>	<b>283,784</b>

**STOCKHOLDERS' EQUITY (DEFICIT)**

Preferred stock, \$0.0001 par value, 2,500,000 shares authorized None issued or outstanding	-	-
Common Stock, \$0.001 par value, 50,000,000 authorized, Stock owed not issued, 2,800,000 shares at December 31, 2007	2,800	-
Issued and outstanding 32,825,802 and 31,470,802 shares at December 31, 2007 and June 30, 2007 respectively	32,826	31,471
Additional paid in capital	3,998,844	3,658,713
Unamortized cost stock and warrants issued for services	-	(281,920)
Accumulated deficit	(4,047,034)	(3,374,938)
<b>Total Stockholders' Equity (Deficit)</b>	<b>(12,564)</b>	<b>33,326</b>

<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	<b>\$ 742,072</b>	<b>\$ 317,110</b>
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The accompanying notes are an integral part of these condensed consolidated financial statements

**HS3 Technologies, Inc.**

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006	Six Months Ended December 31, 2007	Six Months Ended December 31, 2006
<b>Consolidated Statement of Operations (Unaudited)</b>				
Net sales	\$ 1,056,273	\$ 5,686	\$ 1,209,901	\$ 19,456
Cost of goods sold	644,410	10,879	684,341	17,694
Gross profit	411,863	(5,193)	525,560	1,762
Operating Expenses:				
Sales & marketing	105,312	671,461	151,906	705,513
Professional and consulting	109,113	-	227,369	-
Stock option expense	-	-	224,443	-
Payroll expense	253,743	-	379,114	-
General and administrative	88,133	188,347	187,205	324,095
Depreciation	8,097	8,500	16,212	-
Total operating expenses	564,398	868,308	1,186,249	1,029,608
Income (loss) from operations	(152,535)	(873,501)	(660,689)	(1,027,846)
Other income (expense)				
Interest income	18	2,016	18	2,074
Interest expense	(6,075)	(2,246)	(11,425)	(4,606)
Warrant valuation income (loss)	-	(1,506,170)	-	(2,176,859)
Total other income (expense)	(6,057)	(1,506,400)	(11,407)	(2,179,391)
Net loss	\$ (158,592)	\$ (2,379,901)	(672,096)	\$ (3,207,237)
Net loss per share-basic and diluted	\$ (0.00)	\$ (0.12)	\$ (0.020)	\$ (0.17)
Weighted average number of common shares outstanding	32,571,454	19,798,167	32,203,981	18,644,833

**The accompanying notes are an integral part of these condensed consolidated financial statements**

**HS3 Technologies, Inc.**

<b>Condensed Consolidated Statement of Cash Flows (Unaudited)</b>	Six Months Ended December 31, 2007	Six Months Ended December 31, 2006
<b>Cash flows from operating activities:</b>		
Net (loss)	\$ (672,096)	\$ (3,207,237)
Adjustments to reconcile net (loss) to net cash Provided by (used in) operations:		
Depreciation	14,219	8,500
Warrants, stock, and options issued for service	417,470	659,759
Warrant valuation loss (income)	-	2,176,859
Changes in other current assets and liabilities:		
Increase in accounts receivable	(412,348)	5,149
Inventory	(30,594)	(15,852)
Deposit on Inventory	22,885	8,350
Accounts payable and accrued liabilities	424,852	(25,187)
Net cash (used in) operating activities	(235,912)	(389,659)
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(4,838)	(1,291)
Net cash from (used in) investing activities	(4,838)	(1,291)
<b>Cash flow from financing activities</b>		
Sale of common stock	280,000	474,000
Acquisition of stock warrants	(70,964)	-
Proceeds from convertible note payable	46,000	15,000
Net cash flow provided by financing activities	255,036	489,000
<b>Increase in cash and cash equivalents</b>	<b>14,286</b>	<b>98,050</b>
Cash and cash equivalents, beginning of period	984	13,616
Cash and cash equivalents, end of period	\$ 15,270	\$ 111,666
<b>Supplemental cash flow information:</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
<b>Non cash financing activities</b>		
Stock issued for services	\$ 135,250	\$ -
<b>The accompanying notes are an integral part of these condensed consolidated financial statements</b>		

**HS3 Technologies, Inc.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**December 31, 2007**

**1. Organization and Business**

HS3 Technologies, Inc. was incorporated in Nevada on January 28, 2003, and herein is referred to as the Company . Prior to a name change in October 2005, the Company was known as Zeno, Inc. The Company also changed its fiscal year end from March 31 to June 30.

On November 9, 2005, the Company acquired ip-Colo, Inc., in a reorganization, a development stage corporation organized in Colorado on December 24, 2004 (herein referred to as ip-Colo ). On the date of the reorganization, the Company was a non-operating entity without any assets or liabilities.

Immediately prior to the reorganization, the Company had a total of 77,623,000 shares of issued and outstanding common stock. The reorganization was entered into pursuant to an Asset Purchase Agreement whereby the Company issued 1,612,520 shares of common stock to the shareholders of ip-Colo for all of the previously issued and outstanding common stock of ip-Colo. Concurrently, the Company cancelled 9,269,520 shares of common stock outstanding upon agreement with shareholders.

As a consequence of the reorganization, the former ip-Colo shareholders owned approximately 57.6% of the resultant 69,966,000 outstanding shares of the Company common stock. The reorganization was recorded as a recapitalization effected by a reverse acquisition wherein the Company is treated as the acquiree for accounting purposes, even though it was the legal acquirer. Accordingly, the results of operations included in the financial statements consist solely of the accounting acquirer, ip-Colo since its December 24, 2004 inception and the Company from the date of reorganization. Since the accounting acquiree, the Company, was previously inoperative, goodwill was not recorded.

On September 6, 2006, the Company effected a one (1) new for four (4) old reverse stock split of its authorized, issued and outstanding stock. As a result, its authorized capital decreased to 50,000,000 shares of common stock with a par value of \$0.001 each and 2,500,000 preferred stock with a par value of \$0.001 each.

**2. Basis of Presentation**

The un-audited condensed financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and reflect all adjustments which, in the opinion of management, are necessary for a fair presentation. All such adjustments are of a normal recurring nature. The results of operations for the interim period are not necessarily indicative of the results to be expected for a full year. Certain amounts in the prior year statements have been reclassified to conform to the current year presentations. The statements should be read in conjunction with the financial statements and footnotes thereto included in our Form 10-KSB for the year ended June 30, 2007.

The financial statements include our wholly-owned subsidiary. All significant inter-company transactions and balances have been eliminated.

**3. Going Concern**



The accompanying condensed consolidated financial statements have been prepared assuming that we will continue as a going concern. Our ability to continue as a going concern is dependent upon attaining profitable operations based on the development of products that can be sold. We intend to use borrowings and security sales to mitigate the affects of our cash position; however, no assurance can be given that debt or equity financing, if and when required, will be available. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should we be unable to continue in existence.

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#### 4. Convertible Notes Payable

Our company has been provided with certain loans from related parties, as set forth below. We had agreed to pay 15% interest per year or issue shares at \$0.12 for conversion of the loans, at the discretion of the provider of the loan. If we conduct an offering at a lower priced conversion, the below notes may be converted at the lower conversion rate. All principle and interest are due on demand.

From	Amount of Loan
Robert A Morrison	\$ 144,000.00
Mark L. Lana	\$ 27,000.00
Charles Ferris	\$ 10,000.00
Mike Yinger	\$ 1,000.00

#### 5. Options and Warrants

On November 6, 2007, we entered into a Warrant Purchase Agreement with Malibu Holdings, LLC wherein we purchased from Malibu 5,000,000 share purchase warrants that entitled the holder to purchase one share of our company for each share purchase warrant at an exercise price of \$0.12 per share. As consideration for the purchase, we paid Malibu \$70,964 and entered into a Release with A.B. Goldberg and Malibu Holdings, LLC. After the purchase, Malibu holds 1,250,000 share purchase warrants with an exercise price of \$.12 per share that expires on September 8, 2008.

We also have 1,000,000 warrants at an exercise price of \$.50 per share that expire on December 16, 2008 and 2,500,000 options at an average exercise price of \$.16 per share that expire on March 22 and April 11, 2012.

#### 6. Common Stock

On August 15, 2007 we agreed to issue 720,000 shares of our common stock to Mr. Ferris and Mr. Yinger, Directors of our company, for services they rendered. The value of the services was \$86,400 based on the trading price of our stock on the day the shares were approved and this was included as professional fee expense. The Board of Directors approved annual compensation of these directors in the amount of \$25,000. They have the option to receive cash or stock at a price of \$.12 per share. At December 31, 2007 we have recorded a liability of \$20,832 for accrued board fees unpaid and an offsetting professional fee expense.

On November 1, 2007 the Company issued a private placement for 50,000 shares of our common stock for \$5,000.

On November 5, 2007, the Company issued a private placement for 2,500,000 shares of our common stock for \$250,000.

November 8, 2007, the Company issued an aggregate of 600,000 shares of our common stock, valued at \$45,000, for services rendered to our company. The value used for the services was \$.075 and we expensed in the quarter ending December 31, 2007 the amount as professional fees.

#### 7. Related Parties

The Company leases office space from a company owned by a major stockholder. Rent expense under this lease was \$12,800 and \$12,000 for the three months ended December 31, 2007 and 2006, respectively.

As described in Note 3 in the accompanying footnotes, our company has been provided with certain loans from related parties, as set forth below. We had agreed to pay 15% interest per year or issue shares at \$0.12 for conversion of the loans, at the discretion of the provider of the loan. If we conduct an offering at a lower priced conversion, the below notes may be converted at the lower conversion rate. All principle and interest are due on demand.

HS3 Technologies, Inc. has engaged Pythia, Inc. to create a detailed mapping (skills by position) of its organization from the Board of Directors down through all functional positions. The intent of this mapping is to provide a linkage with HS3's goals and the tasks necessary to complete them. Pythia's professional services fees for this project are \$45,000. This amount is discounted based on the assumption that HS3 will compensate Pythia via common stock (using an agreed upon price of \$.12/share). One of our board members is President and COO of Pythia Inc.

## **8. Subsequent Events**

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On January 14, 2008 we entered into a secured financing agreement with Vencore Solutions, LLC for \$200,000. The loan is for 36 months with a fixed interest rate of 15.499% and monthly payments of \$6,982 (principal plus interest) payable on the 10<sup>th</sup> of each month. The note is secured by company assets.

## **Item 2. Management's Discussion and Analysis or Plan of Operation**

### **FORWARD-LOOKING STATEMENTS**

This quarterly report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as may, should, expects, plans, anticipates, believes, estimates, predicts, potential or continue or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled Risk Factors, that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States dollars and are prepared in accordance with United States Generally Accepted Accounting Principles. In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars. All references to shares of common stock refer to the common shares in our capital stock.

As used in this quarterly report, the terms we, us, our company, and HS3 mean HS3 Technologies, Inc., a Nevada corporation, unless otherwise indicated.

### **Corporate History**

We were incorporated under the laws of the State of Nevada on January 28, 2003 under the name Zeno Inc. Following our incorporation, we focussed our business efforts on establishing our company as an exploration stage mineral exploration company, with claims on properties located in the Thunder Bay Mining District in Ontario, Canada.

We were not successful in implementing our business plan or successful in raising sufficient capital to explore our properties in any material way. As management of our company investigated opportunities and challenges involved with financing and exploring our properties, management realized that the business did not present the best opportunity for our company to realize value for our shareholders. Accordingly, we abandoned our exploration plan and focussed on the identification of suitable businesses with which to enter into a business opportunity or business combination.

On or about October 10, 2005, we changed our name to HS3 Technologies, Inc.

On August 31, 2005, we entered into an asset purchase agreement with IP-Colo, Inc. (IPC). The agreement contemplated acquisition of all of the assets of IPC. IPC was incorporated pursuant to the laws of the State of Colorado on December 24, 2004. IPC is in the development stage of providing advanced wireless technologies, integrated with high-speed internet via satellite to provide real-time security and monitoring for many industries.

The closing of the transactions contemplated in the agreement and the acquisition by our company of all of the assets of IPC occurred on November 9, 2005. In accordance with the closing of the agreement, and effective as of November 9, 2005, we acquired all of the assets of IPC, in exchange for the issuance by our company of 1,612,520 shares of our common stock to the shareholders of IPC.

Our company had 77,623,000 shares of common stock issued and outstanding as of November 9, 2005 immediately prior to the issuance of 1,612,520 shares of common stock in connection with the closing of the agreement and prior to the cancellation of 9,269,520 shares of common stock that were outstanding on closing that have been agreed to be cancelled. The former shareholders of IPC now owns 1,612,520 shares of our common stock, which represented approximately 2.30% of the issued and outstanding shares of our common stock on November 9, 2005, and 38,700,480 additional shares of common stock which represented a further 55.31% of our 69,966,000 issued and outstanding shares of common stock as of November 9, 2005.

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As the shareholders of IPC held 57.6% of our shares of common stock, and because the business of IPC represents the only business operations of our company, the acquisition of IPC is deemed to be a reverse acquisition for accounting purposes. Starting with the periodic report for the quarter in which the acquisition was consummated, our company will file quarterly and annual reports based on the June 30, 2005 fiscal year end of IPC. Such financial statements will depict the operating results of IPC from its inception (December 24, 2004) and our company from November 9, 2005.

The shares of our common stock issued to the shareholders of IPC pursuant to the agreement and the shares of common stock issued under the subscription agreement will not be registered with the United States Securities Exchange Commission or the securities commission of any state in the United States, and were issued in reliance upon an exemption from registration under the United States Securities Act of 1933, as amended.

On September 6, 2006, the Company effected a one (1) new for four (4) old reverse stock split of its authorized, issued and outstanding stock. As a result, its authorized capital decreased to 50,000,000 shares of common stock with a par value of \$0.001 each and 2,500,000 preferred stock with a par value of \$0.001 each.

### **Current Business**

Currently Hs3 Technologies, Inc. is primarily focused in the security industry. We are broadening our focus from a premiere satellite security company to a diverse organization that will meet the many needs of the security industry with a rich line of products, integrated solutions, and services that provide customers with a customized approach to meet all levels of the security industry. According to Security Industry Association (SIA) the electronic security business is a business that constitutes more than \$30 billion per year. This figure climbs to over \$100 billion when factoring in ancillary services and products such as guards, barriers and fences, etc. Many projections forecast sustained industry growth of 10 to 15 percent annually through the year 2020. World events are identifying increased use of security products and services across virtually every segment of society.

We have refocused our company and are pleased to announce that we have expanded our market strategies with a diverse new line of cutting edge products and services to meet the growing needs of the security industry. To meet the ever changing needs of the industry, HS3 is launching a combination of state-of-the art products and services that include digital video recording technology (DVR), biometric access control (door locks), personal biometric identification units, CCTV, video monitoring centers, cellular networks, wireless mesh network units and wireless internet-linked satellite surveillance systems. This combination of products encompasses a total line that we believe will meet many commercial and residential customer security needs.

We understand that market focus is important. We plan on meeting the critical needs through customized integration. By integrating technology, service and people into our programs we can give all of our customers a substantial benefit while being on the leading edge of the industry. This plan will also help HS3 forge stronger relationship with our partners and form better strategic alliances.

We are still in our infancy as a viable commercial entity, and consequently our focus has been on the identification of market needs, the development of our security products and security services to meet these needs, and the branding of our company. We anticipate that the expected growth in revenues will assist us in attracting additional financing to allow us to add the needed resources in order to further support the growth of our operations

On September 25, 2007, we signed a contract for the first phase of a four-phase project with a multi-national real estate development company to install new security devices, upgrade existing security devices and to add access control points to a Florida resort with over 750 rooms. With the completion of all phases, we expect to generate more than \$600,000 in equipment and services revenues. In addition, we anticipate generating up to \$250,000 per year in recurring video monitoring revenue.

On October 2, 2007, HS3 Technologies, Inc. signed a new contract with a Florida resort hotel for the upgrade and installation of new RFID door locks throughout the hotel. HS3 Technologies anticipates generating up to \$500,000 in hardware related revenue.

In the long-term, our ability to continue as a going concern is dependent upon successful and sufficient acceptance of our current security products and solutions by the market. Additionally we expect any new products or solutions that we may introduce in the future will have positive impact on our success and our ability to continue as a going concern. The continuing successful development and sales of our products and services, and finally, achieving a profitable level of operations will contribute to our ongoing success.

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## **Market Growth Strategy**

The number of prospective customers for the security industry is unlimited. With the internet reaching the entire globe HS3 is able to provide its products and services to anyone in the world. The security products and services we offer are the fastest growing and most requested in the industry.

Our strategy for internal growth starts with HS3 building a sales force that consists of inside, outside/external sales representatives, and independent representatives. Each set of representatives will be responsible for different sectors of the market.

To reach our market penetration strategy we will use a combination of inside, outside, and independent sales representatives supported by an aggressive advertising campaign to reach the three different levels of the security industry: distribution, dealer and end user. We will also use an aggressive advertising campaign to reach individual business and home owners to drive business to our dealer network.

HS3 also plans on aggressively pursuing several acquisition possibilities that will compliment the current product line and business model and strengthen the company.

We plan to target the sale of our security products and security services to three primary customer groups;

- Residential
- Commercial
- Government

## **Manufacturing**

Manufacturing of our products will be contracted to third parties. These contract manufacturers have expertise in the manufacturing of products such as ours. We will rely on these contract manufacturers to produce high quality products for sale to our customers.

## **Competition**

We will face competition from companies providing a variety of security products and services. Many of our competitors and potential competitors have established customer bases, widespread brand recognition and existing partnerships with other industry participants, as well as substantially greater financial, technical and marketing resources than we do. We expect significant competitive factors to include: price, service reliability, ease of access and use, transmission speeds, breadth of service offerings, customer support, brand recognition, operating experience, and the ability to bundle complementary services. We expect to encounter a number of challenges in competing with companies already providing some of the same products and services. Our plans are to stay ahead of the competition by establishing exclusive relationships for OEM designed and produced products unique to the industry. Many of these companies have an entrenched position in the marketplace and lower upfront installation charges than ours. Increased competition may come in the form of new market entrants, greater cooperation among our competitors, whether in the form of alliances or vertical or horizontal integration, or changes in the capabilities of other companies arising from technological innovations that we cannot foresee.

## **Regulation**

The majority of this industry is in an unregulated format. With part of our product line related to satellite usage the satellite industry is highly regulated both in the United States and internationally. We are subject to the regulatory



authority of the U.S. government, primarily through the FCC. The FCC is the government agency with primary authority in the United States to regulate and license commercial satellite systems, including those which we will be dependent upon. FCC rules require that satellite systems avoid interfering with other authorized users of radio spectrum, and that they comply with FCC rules governing U.S.-licensed satellite systems in general and Ka-band geostationary satellite systems in particular. The U.S. Congress has enacted the Communications Assistance for Law Enforcement Act of 1994, or CALEA, which requires that any equipment, facilities, and services deployed by telecommunications carriers meet certain electronic surveillance requirements identified in the statute. The statute specifically exempts providers of information services, such as internet service providers. We believe that the services we intend to offer will not be covered by CALEA. However, the convergence of technology continues to blur the line between exempt information services and covered telecommunications services. If we were held to be subject to the requirements of CALEA, we may have to deploy additional equipment in order to comply with the statutory obligations, and we could be subject to monetary civil penalties for failure to comply with the statute or implementing regulations.

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## **Research and Development**

Our company's research and development efforts are focussed on enhancing our products including: (i) periodic re-design of products and incorporation of new technologies to improve performance and manufacturability; (ii) design of new product lines for standard products and additional specialized applications; and (iii) expansion and adaption of existing products to accommodate the requirements of customer needs. Research and development efforts are conducted in-house, by contracted consultants and with unique exclusive relationships developed with some of our suppliers.

## **Intellectual Property**

Our company owns and operates the duly registered internet domain name: [www.HS3Tech.com](http://www.HS3Tech.com). The information contained in our website is not part of this current report.

## **Employees**

As of December 31, 2007, we have 10 full-time employees and no part-time employees. Of those employees, none are covered by collective bargaining agreements. We have 15 subcontractors that we periodically engage as required.

## **Description of Property**

Our principal executive offices are located at 1800 Boulder Street Suite 600, Denver, Colorado, USA 80211. The 4,400 square foot space is leased for \$4,400 per month from a company owned by a major stockholder of the Company, for a 3-year term that commenced on October 1, 2005. We believe that our principal office will not be adequate for our needs for the next 3 years.

## **Critical Accounting Policies**

Our financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our financial statements is critical to an understanding of our financials.

We base our assumptions and estimates on historical experience and other sources that we believe to be reasonable at the time. Actual results may vary from our estimates due to changes in circumstances, weather, politics, global economics, mechanical problems, general business conditions and other factors. Our significant estimates are related to the valuation of our stock issued for services, warrants and options.

## **Plan of Operation And Cash Requirements**

Our operating expenses consist mostly of sales and marketing and general and administrative expenses. The amount incurred by our company during the three months ending December 31, 2007 was \$105,312 and \$450,989, respectively. We anticipate that we will require up to \$3,750,000 for the 12 months ending December 31, 2008 to implement our growth strategy in research and development, and sales and marketing primarily. We will hire additional sales and marketing, management, and monitoring personnel.

There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, if and when it is needed, we will be forced to scale down or perhaps even cease the operation of our business.

*Purchase of Significant Equipment*

We do anticipate the purchase of plant assets or significant equipment during the next twelve-month period. This could include equipment for increased bandwidth requirements, and equipment for monitoring services.

*Personnel Plan*

We anticipate significant changes in the number of employees during the next twelve-month period.

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*Off-Balance Sheet Arrangements*

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Our principal capital resources have been through the subscription and issuance of common stock, although we may use stockholder loans, advances from related parties, or borrowing in the future.

*Cash Requirements*

We will require additional funds to implement our growth strategy in sales and marketing and operations. These funds may be raised through equity financing, debt financing, or other sources, which may result in further dilution in the equity ownership of our shares. There is still no assurance that we will be able to maintain operations at a level sufficient for an investor to obtain a return on his investment in our common stock. Further, we may continue to be unprofitable.

Estimated Funding Required During the Twelve Month Period Ending December 31, 2008

Operating Expenses:		
Sales and Marketing	\$	900,000
Research and Development		600,000
Consulting and Professional Fees and Wages		300,000
Product Development		300,000
Public Relations		150,000
Travel and Promotion		300,000
General and Administrative		900,000
Total Operating Expenses		3,450,000
Working Capital		300,000
<b>Total</b>	<b>\$</b>	<b>3,750,000</b>

We currently anticipate that revenues will commence and increase in the long-term as we increase our sales and marketing activities and introduce new products relating to biometric security products and monitoring services. We expect to keep our operating costs to a minimum until cash is available through operating or financing activities. We anticipate that we will start generating revenues from security solutions and monitoring services within the next 30 days, however, we are not in a position to predict whether we will be able to generate sufficient sales revenues to meet operating expenses.

*Going Concern*

We have historically incurred losses and have incurred losses of \$4,047,034. Because of these historical losses, we will require additional working capital to develop our business operations.

We intend to raise additional working capital through private placements, public offerings, bank financing and/or advances from related parties or shareholder loans.

The continuation of our business is dependent upon obtaining further financing and achieving a break even or profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current or future stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.



There are no assurances that we will be able to either (i) achieve a level of revenues adequate to generate sufficient cash flow from operations; or (ii) obtain additional financing through either private placements, public offerings and/or bank financing necessary to support our working capital requirements. To the extent that funds generated from operations and any private placements, public offerings and/or bank financing are insufficient, we will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to us. If adequate working capital is not available we may not increase our operations.

These conditions raise substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might be necessary should we be unable to continue as a going concern.

## **RISK FACTORS**

Much of the information included in this quarterly report includes or is based upon estimates, projections or other forward-looking statements . Such forward-looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. We caution readers of this quarterly report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements . In evaluating us, our business and any investment in our business, readers should carefully consider the following factors.

Our new business operations will be subject to a number of risks and uncertainties, including those set forth below:

### **RISKS RELATED TO OUR BUSINESS**

*We will require significant additional financing, the availability of which cannot be assured, and if our company is unable to obtain such financing, our business may fail.*

Our business plan calls for significant expenses necessary to continue the development of our business and expand our position in the market. There is no assurance that actual cash requirements will not exceed our estimates. We may need to raise additional funds to:

- support our planned growth;
- develop or enhance new and existing products;
- increase our marketing efforts;
- acquire complementary businesses, products or technologies; and/or
- respond to competitive pressures or unanticipated requirements.

We have not yet achieved sustainable positive cash flows. As such, we will depend to a large extent on outside capital over the near-term to fund our capital needs. Such outside capital may be obtained from additional debt or equity financing. We do not currently have any arrangement for financing and there is no assurance that capital will be available to meet our operating costs or, if the capital is available, that it will be on terms acceptable to us. The issuance of additional equity securities by us would result in a dilution in the equity interests of our current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments. If we are unable to obtain financing in the amounts and on terms deemed acceptable to us, we may be unable to implement our business and growth strategies, respond to changing business or economic conditions, withstand adverse operating results, consummate desired acquisitions or compete effectively.

#### RISKS RELATED TO OUR INDUSTRY

*We operate in a highly-competitive industry and our failure to compete effectively may adversely affect our ability to generate revenue.*

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We are aware of similar security products and security services which compete directly with our security products and security services and some of the companies developing these security products and security services have significantly greater financial, technical and marketing resources, larger distribution networks, and generate greater revenue and have greater name recognition than us. These companies may develop security products superior to those of our company. Such competition will potentially affect our chances of achieving profitability, and ultimately adversely affect our ability to continue as a going concern.

Some of our competitors conduct more extensive promotional activities and offer lower prices to customers than we do, which could allow them to gain greater market share or prevent us from increasing our market share. In the future, we may need to decrease our prices if our competitors continue to lower their prices. Our competitors may be able to respond more quickly to new or changing opportunities, technologies and customer requirements. To be successful, we must carry out our business plan, establish and strengthen our brand awareness through marketing, effectively differentiate our product line from those of our competitors and build our distribution network. To achieve this we may have to substantially increase marketing and research and development in order to compete effectively. Such competition will potentially affect our chances of achieving profitability, and ultimately adversely affect our ability to continue as a going concern.

*Rapid technological changes in our industry could render our security products or security services non-competitive or obsolete and consequently affect our ability to generate revenues.*

We will derive all of our revenues from the sale of security products and security services. Such security products and security services are characterized and affected by rapid technological change, evolving industry standards and regulations and changing client preferences. Our success will depend, in significant part, upon our ability to make timely and cost-effective enhancements and additions to our technology and to introduce new security products and security services that meet customer demands. We expect new security products and security services to be developed and introduced by other companies that compete with our security products and security services. The proliferation of new and established companies offering similar security products and security services may reduce demand for our particular security products and security services. There can be no assurance that we will be successful in responding to these or other technological changes, to evolving industry standards or regulations or to new security products and security services offered by our current and future competitors. In addition, we may not have access to sufficient capital for our research and development needs in order to develop new security products and security services.

*We could lose our competitive advantages if we are not able to protect our proprietary technology and intellectual property rights against infringement, and any related litigation could be time-consuming and costly.*

Our success and ability to compete depends in part on our proprietary technology incorporated in our security products. If any of our competitors copy or otherwise gain access to our proprietary technology or develop similar technologies independently, we would not be able to compete as effectively. We consider our technologies invaluable to our ability to continue to develop and maintain the goodwill and recognition associated with our brand. The measures we take to protect our technologies, and other intellectual property rights, which presently are based upon registered trade marks in addition to trade secrets, may not be adequate to prevent their unauthorized use. Although we rely, in part, on contractual provisions to protect our trade secrets and proprietary know-how, there is no assurance that these agreements will not be breached, that we would have adequate remedies for any breach or that our trade secrets will not otherwise become known or be independently developed by competitors. Further, the laws of foreign countries may provide inadequate protection of intellectual property rights. We may need to bring legal claims to enforce or protect our intellectual property rights. Any litigation, whether successful or unsuccessful, could result in substantial costs and a diversion of corporate resources. In addition, notwithstanding any rights we have secured to our intellectual property, other persons may bring claims against us claiming that we have infringed on their intellectual property rights, including claims that our intellectual property rights are not valid. Adverse determinations in litigation



in which we may become involved could subject us to significant liabilities to third parties, require us to grant licenses to or seek licenses from third parties and prevent us from manufacturing and selling our security products. Any claims against us, with or without merit, could be time-consuming and costly to defend or litigate, divert our attention and resources, result in the loss of goodwill associated with our trademarks or require us to make changes to our technologies. Furthermore, we cannot assure you that any pending patent application made by us will result in an issued patent, or that, if a patent is issued, it will provide meaningful protection against competitors or competitor technologies.

*We may not be able to hire and retain qualified personnel to support our growth and if we are unable to retain or hire such personnel in the future, our ability to improve our security products and security services and implement our business objectives could be adversely effected.*

To continue our growth, we will need to recruit additional senior management personnel, including persons with financial and sales experience. In addition, we must hire, train and retain a significant number of other skilled personnel, including persons with experience in sales and marketing. We have encountered competition for these personnel. We may not be able to find or retain qualified personnel, which will have a material adverse impact on our business.

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*We have a history of losses and negative cash flows, which is likely to continue unless our security products gain sufficient market acceptance to generate a commercially viable level of sales.*

Although we anticipate that we will be able to start generating increased revenues during the next six months to 12 months, we also expect an increase in development and operating costs . Consequently, we expect to incur operating losses and net cash outflows unless and until our existing security products and security services, and or any new security products that we may develop or acquire, gain market acceptance sufficient to generate a commercially viable and sustainable level of sales.

*We will rely on a certain number of distributors to distribute our security products to customers. We could be adversely affected by an increase in our suppliers prices, a significant decline in our suppliers financial condition. As a result, our business may fail and investors may lose their entire investment.*

We will rely on a certain number of distributors to distribute our security products to our customers. We could be adversely affected by an increase in our distributors prices of distribution services or a significant decline in our distributors financial condition. If the relationships with any one of our distributors is terminated and we are not successful in establishing a relationship with an alternative distributor who offers similar services at similar prices, our results of operations could be adversely affected, our business may fail and investors may lose their entire investment.

*We will be dependent upon third party manufacturers to produce our security products. We could be adversely affected by an increase in our manufacturers services or a significant decline in our manufacturers financial condition. As a result, our business may fail and investors may lose their entire investment.*

As a cost efficiency measure, we do not plan to manufacture our own security products but contract such manufacturing to third parties. We could be adversely affected by an increase in our manufacturers prices of manufacturing services or a significant decline in our manufacturers financial condition. If the relationships with any one of our manufacturers is terminated and we are not successful in establishing a relationship with an alternative manufacturer who offers similar services at similar prices, our results of operations could be adversely affected, our business may fail and investors may lose their entire investment.

*The limitation of any one of our manufactures available manufacturing capacity due to significant disruption in their manufacturing operation could have a material adverse effect on sales revenue and results of operations and financial condition.*

We will be dependent upon third party manufacturers to produce our security products. If production at any one of our manufacturers manufacturing plant is disrupted for any number of reasons, manufacturing yields may be adversely affected and we may be unable to meet our customers requirements. Consequently, our customers may purchase security products from our competitors. This could result in a significant loss of revenues and damage to our customer relationships, which could materially adversely affect our business, results of operations or financial condition.

*Unless we can establish significant sales of our current security products and security services, our potential revenues may be significantly reduced.*

We expect that a substantial portion, if not all, of our future revenue will be derived from the sale of our security products and security services. We expect that these security product and security services and their extensions and derivatives will account for a majority, if not all, of our revenue for the foreseeable future. The successful introduction and broad market acceptance of our security products - as well as the development, introduction and market acceptance of any future enhancements - are, therefore, critical to our future success and our ability to generate revenues. Unfortunately, there can be no assurance that we will be successful in marketing our current product

offerings, or any new product offerings, applications or enhancements. Failure to achieve broad market acceptance of our security products, as a result of competition, technological change, or otherwise, would significantly harm our business.

*There is a high risk of business failure due to the fact that we have not commenced commercial operations.*

Although we are in the initial stages of developing and implementing the commercialization of our security products and security services, there is no assurance that we will be able to successfully develop sales of our security products and security services. Thus we have no way of evaluating whether we will be able to operate the business successfully, and there is no assurance that we will be able to achieve profitable operations.

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Potential investors should be aware of the difficulties normally encountered in developing and commercializing new security products and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the commercialization process that we plan to undertake. These potential problems include, but are not limited to, unanticipated problems relating to development, manufacture and financing of our security products. If we are unsuccessful in addressing these risks, our business will most likely fail.

*If we fail to effectively manage our growth our future business results could be harmed and our managerial and operational resources may be strained.*

As we proceed with the commercialization of our security products and security services, we expect to experience significant and rapid growth in the scope and complexity of our business. We will need to add staff to market our security services, manage operations, handle sales and marketing efforts and perform finance and accounting functions. We will be required to hire a broad range of additional personnel in order to successfully advance our operations. This growth is likely to place a strain on our management and operational resources. The failure to develop and implement effective systems, or to hire and retain sufficient personnel for the performance of all of the functions necessary to effectively service and manage our potential business, or the failure to manage growth effectively, could have a materially adverse effect on our business and financial condition.

*Our security products and security services may become obsolete and unmarketable if we are unable to respond adequately to rapidly changing technology and customer demands.*

Our industry is characterized by rapid changes in technology and customer demands. As a result, our security products and security services may quickly become obsolete and unmarketable. Our future success will depend on our ability to adapt to technological advances, anticipate customer demands, develop new security products and security services and enhance our current security products and security services on a timely and cost-effective basis. Further, our security products and security services must remain competitive with those of other companies with substantially greater resources. We may experience technical or other difficulties that could delay or prevent the development, introduction or marketing of new security products and security services or enhanced versions of existing security products and security services. Also, we may not be able to adapt new or enhanced security products or security services to emerging industry standards, and our new security products or security services may not be favorably received.

*Demand for our security products and security services might be insufficient for us to become profitable.*

We cannot predict with certainty the potential consumer demand for our security products or security services or the degree to which we will meet that demand. If demand for our security products or security services does not develop as expected and achieve consumer market acceptance, we might not be able to generate enough revenue to become profitable or to sustain our operations. We plan to target the sale of our security products and security services to three primary customer groups; residential, commercial and government. We have based our strategy to target these consumers on a number of assumptions, some or all of which could prove to be incorrect. Even if markets for our service develop, we could achieve a smaller share of these markets than we currently anticipate.

#### RISKS RELATED TO OUR COMMON STOCK

*A decline in the price of our common stock could affect our ability to raise further working capital and adversely impact our operations.*

A prolonged decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise capital. Because our operations have been financed through the sale of equity securities, a decline in the price of our common stock could be especially detrimental to our liquidity and our continued operations. Any reduction in our ability to raise equity capital in the future would force us to reallocate funds from other planned uses and would have a significant negative effect on our business plans and operations, including our ability to develop new products and continue our current operations. If the stock price declines, there can be no assurance that we can raise additional capital or generate funds from operations sufficient to meet our obligations. We believe the following factors could cause the market price of our common stock to continue to fluctuate widely and could cause our common stock to trade at a price below the price at which you purchase your shares of common stock:

- actual or anticipated variations in our quarterly operating results;
  - announcements of new services, products, acquisitions or strategic relationships by us or our competitors;
  - changes in accounting treatments or principles;
  - changes in earnings estimates by securities analysts and in analyst recommendations; and
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- general political, economic, regulatory and market conditions.

The market price for our common stock may also be affected by our ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, could materially adversely affect the market price of our common stock.

*If we issue additional shares of common stock in the future, it will result in the dilution of our existing shareholders.*

Our certificate of incorporation authorizes the issuance of 50,000,000 shares of common stock. Our board of directors has the authority to issue additional shares of common stock up to the authorized capital stated in the certificate of incorporation. Our board of directors may choose to issue some or all of such shares of common stock to acquire one or more businesses or to provide additional financing in the future. The issuance of any such shares of common stock will result in a reduction of the book value or market price of the outstanding shares of our common stock. If we do issue any such additional shares of common stock, such issuance also will cause a reduction in the proportionate ownership and voting power of all other shareholders. Further, any such issuance may result in a change of control of our corporation.

*If a market for our shares of common stock does not develop, shareholders may be unable to sell their shares of common stock.*

There is currently a limited market for our common stock, which trades through the Over-the-Counter Bulletin Board quotation system. Trading of stock through the Over-the-Counter Bulletin Board is frequently thin and highly volatile. There is no assurance that a sufficient market will develop in the stock, in which case it could be difficult for shareholders to sell their stock.

*Trading of our stock may be restricted by the Securities and Exchange Commission's penny stock regulations which may limit a stockholder's ability to buy and sell our stock.*

The Securities and Exchange Commission has adopted regulations which generally define penny stock to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors. The term accredited investor refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules 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 in a form prepared by the Securities and Exchange Commission which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of, our common stock.

*The National Association of Securities Dealers Inc., or NASD, has adopted sales practice requirements, which may limit a stockholder's ability to buy and sell our shares of common stock.*

In addition to the penny stock rules described above, the NASD has adopted rules requiring that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the NASD believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers.

The NASD requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit our shareholders' ability to buy and sell our stock and which may have an adverse effect on the market for our shares of common stock.

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**Item 3. Controls and Procedures**

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of the end of the period covered by the quarterly report, being September 30, 2006, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our company's management, including our company's president and chief executive officer and our chief operating officer. Based upon that evaluation, our company's president concluded that our company's disclosure controls and procedures are effective as at the end of the period covered by this report. There have been no changes in our internal controls over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

Disclosure controls and procedures and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our president and chief executive officer and our chief operating officer as appropriate, to allow timely decisions regarding required disclosure.

**PART II - OTHER INFORMATION****Item 1. Legal Proceedings.**

We know of no material, existing or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse to our interest. The outcome of open unresolved legal proceedings is presently indeterminable. Any settlement resulting from resolution of these contingencies will be accounted for in the period of settlement. We do not believe the potential outcome from these legal proceedings will significantly impact our financial position, operations or cash flows.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Our company has been provided with certain loans from related parties, as set forth below. We had agreed to pay 15% interest per year or issue shares at \$0.12 for conversion of the loans, at the discretion of the provider of the loan. If we conduct an offering at a lower priced conversion, the below notes may be converted at the lower conversion rate. All principle and interest are due on demand.

From	Amount of Loan	Date funds provided
Robert A Morrison	\$ 31,000.00	received December 31, 2005
Robert A Morrison	\$100,000.00	received May 19, 2007
Mark Lana	\$ 12,000.00	received July 31, 2007
Mark Lana	\$ 15,000.00	received August 15, 2007
Robert A Morrison	\$ 4,000.00	received September 10, 2007
Robert A Morrison	\$ 9,000.00	received October 01, 2007
Charles F Ferris	\$ 10,000.00	received October 04, 2007
Michael Yinger	\$ 1,000.00	received October 10, 2007

On April 4, 2007, we issued an aggregate of 3,731,811 shares of our common stock for services rendered to our company to two (2) U.S. persons (as that term is defined in Regulation S of the Securities Act of 1933) relying on the



exemptions from registration provided by Section 4(2) of the Securities Act of 1933 and upon Rule 506 of Regulation D of the Securities Act of 1933.

On April 11, 2007 and March 22, 2007, we granted options to purchase an aggregate of 2,500,000 shares of our common stock to four (4) employees at an exercise price of \$.15 and nine (9) employees and consultants at an exercise price of \$.16 per share, (the price of our stock on the grant date) exercisable until April 11, 2012 and March 20, 2012. The options were issued to nine (9) U.S. persons (as that term is defined in Regulation S of the Securities Act of 1933) relying on the exemptions from registration provided by Section 4(2) of the Securities Act of 1933 and upon Rule 506 of Regulation D of the Securities Act of 1933. 200,000 options have expired from employee termination.

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On March 26, 2007, we closed a private placement for the issuance of 8,362,500 common shares raising gross proceeds of \$669,000. Each common share was issued at a purchase price of \$0.08. We issued all of the 8,362,500 common shares to 22 U.S. persons relying on the exemptions from registration provided by Section 4(2) of the Securities Act of 1933 and upon Rule 506 of Regulation D of the Securities Act of 1933.

Between September 27, 2007 and November 5, 2007, the Company entered into two stock subscriptions aggregating \$30,000 and \$250,000. Under these subscriptions, the Company will issue 2,800,000 shares of common stock at a purchase price of \$0.10 per share. As of December 31, 2007 the shares were un-issued.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Submission of Matters to a Vote of Security Holders**

None.

### **Item 5. Other Information**

Our Common stock is quoted on the OTC Bulletin Board under the Symbol HSTH . Our stock was originally approved for trading on the OTC Bulletin Board under the symbol ZNNO . On November 25, 2005 our symbol was changed to HSTT in connection with a change of name. On September 6, 2006 our symbol was changed to HSTH in connection with a forward stock split.

### **Item 6. Exhibits.**

*Exhibits required by Item 601 of Regulation S-B*

Exhibit Number/Description

#### **(3) Articles of Incorporation and Bylaws**

3.1 Articles of Incorporation (incorporated by reference from our Registration Statement on Form SB-2 filed on August 2, 2004).

3.2 By-laws (incorporated by reference from our Registration Statement on Form SB-2 filed on August 2, 2004).

#### **(4) Instruments Defining the Rights of Security Holders, Including Indentures**

4.1 2005 Stock Option Plan of HS3 Technologies, Inc. (incorporated by reference from our Current Report on Form 8-K filed on November 10, 2005).

#### **(10) Material Contracts**

10.1 Share Purchase Agreement dated March 5, 2005 among Zeno Inc., Linda Smith, Acropolis Investment Holdings, LLC and Gregory S. Yanke Law Corporation (incorporated by reference from our Current Report on Form 8-K filed on March 10, 2005).

10.2

Asset Purchase Agreement dated August 31, 2005, between Zeno Inc. and IP-Colo, Inc. (incorporated by reference from our Current Report on Form 8-K filed on September 16, 2005).

10.3 Surveillance Instalment and Training Agreement dated December 20, 2005 (incorporated by reference from our Current Report on Form 8-K filed December 23, 2005).

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10.4 Partnership Agreement with Wright-Hennepin Cooperative Electric Association (incorporated by reference from our Current Report on Form 8-K filed on June 11, 2007).

10.5 Distribution Agreement with Autostar Technology Private Limited. (incorporated by reference from our Current Report on Form 8-K filed on April 4, 2007).

**(16) Letter on Change in Certifying Accountant**

16.1 Letter from Gordon, Huges, & Banks, Chartered Accountants regarding change in certifying accountant (incorporated by reference from our Form 8-K/A filed on July 20, 2007).

**(31) Section 302 Certifications**

31.1 Section 302 Certification (filed herewith).

**(32) Section 906 Certification**

32.1 Section 906 Certification (filed herewith).

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**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**HS3 TECHNOLOGIES, INC.**

By: /s/ Mark Lana

Mark Lana

Chief Executive Officer and Director

(Principal Executive Officer)

Dated February 13, 2008

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