

HS3 TECHNOLOGIES INC.
Form 10-K/A
February 24, 2009

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

**FORM 10-K /A
Amendment No. 1**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **June 30, 2008**

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

For the transition period from [] to []

Commission file number **001-32289**

HS3 TECHNOLOGIES, INC.

(Name of small business issuer in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

20-3598613

(I.R.S. Employer Identification No.)

1800 Boulder Street, Suite 600, Denver, CO

(Address of principal executive offices)

80211-6400

(Zip Code)

Issuer's telephone number **303.455.2550**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Nil

Name of each exchange on which registered

Nil

Securities registered pursuant to Section 12(g) of the Act:

Common Shares, par value \$0.001

(Title of class)

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

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Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. []

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

State issuer's revenues for its most recent fiscal year \$1,245,527

State 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 prices of such common equity, as of a specified date within 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act.)

Note: If determining whether a person is an affiliate will involve an unreasonable effort and expense, the issuer may calculate the aggregate market value of the common equity held by non-affiliates on the basis of reasonable assumptions, if the assumptions are stated.

common shares @ \$0.025 ⁽¹⁾ = \$785,289

⁽¹⁾ Average of bid and ask closing prices on August 22, 2008.

(ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS)

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes [] No []

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

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

39,945,802 common shares issued and outstanding as of August 21, 2008

DOCUMENTS INCORPORATED BY REFERENCE

If the following documents are incorporated by reference, briefly describe them and identify the part of the Form 10-KSB (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) of the Securities Act of 1933 (Securities Act). The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1990).

Transitional Small Business Disclosure Format (Check one): Yes [] No [X].

Explanatory Note

Our company is filing this Form 10-K/A for the year ended June 30, 2008 to addresses comments received by our company from the SEC's staff subsequent to the filing of the Form 10-K, which include revisions to the information provided in Controls and Procedures. The above described changes had no affect on the Company's financial position or results of operations. This amended report does not reflect events occurring after the filing of the Form 10-K on October 8, 2008, nor does it modify or update those disclosures presented therein, except with regard to the modifications described in this Explanatory Note. Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as a result of this amended report, the certifications pursuant to Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002, filed and furnished, respectively, as exhibits to the Form 10-K have been re-executed and re- filed as of the date of this amended report and are included as exhibits hereto.

PART I

Item 1. Description of Business.

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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 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 (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles.

In this annual report, unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to *common shares* refer to the common shares in our capital stock.

As used in this annual report, the terms *we*, *us*, *our*, and *HS3* mean HS3 Technologies, Inc., unless the context clearly requires otherwise.

Corporate Overview

The address of our principal executive office is 1800 Boulder Street, Suite 600, Denver, Colorado 80211-6400. Our telephone number is (303) 455-2550.

Our common stock is quoted on the OTC Bulletin Board under the symbol *HSTH*.

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 focused 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 focused 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 and changed our year end from March 31 to June 30.

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.

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.

Our Current Business

Currently we are 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, we have launched a combination of state-of-the art products and services that include digital video recording technology (DVR), 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 relationships 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

Between September 2007 and June 2008 we completed a four-phase project with a multi-national real estate development company and installed new security devices, upgraded existing security devices and added access control points to a Florida resort with over 750 rooms. With the completion of all phases, we generated more than \$600,000 in revenue.

On August 18, 2008, we signed an agreement with the 131-year-old AMERICAN HUMANE ASSOCIATION (AHA). Under AHA's American Humane Certified(TM) ("AHC"), AHA and HS3 Technologies plan to deploy and fully engage in the development of a Video Monitoring System ("VMS") that can expand the observations and augment the compliance with AHC standards for humane care. HS3 Technologies will conduct beta testing through the installation and integration of five VMS in production facilities and the transportation of animals that reflect the animal species and sub groups that AHC certifies. Upon successful completion of the beta testing, AHA, the leading humane certification organization in the United States, will have a system that can provide expanded, auditable observations that expands its current system of audits for humane animal handling. HS3's technologies and integrated development of its proprietary technology (or real-time analytical technology tools) will expand the observation frequency and provide cross checks to the behavior of animals in a variety of situations that may or may not cause improper care to occur. The parties think this expanded solution can be one of the most successful ways of identifying an issue and provide immediate corrective action by the parties involved. It is the focus of these beta projects to give greater insight and develop a plan of integration that over the next few years will become a standard part of the American Humane Certified compliance program. The program eventually will encompass over 15,000 locations in North America.

Under the agreement, HS3 Technologies is scheduled to install 5 beta sites within sixty days for 3 species: Swine, Chicken, and Cattle. The beta projects for chickens will include one each for broilers and layers. Beta projects for cattle will include one veal producer and one dairy producer. The producers chosen for the initial beta testing have both national and international distribution and represent some of the largest animal protein producers in the world. HS3 anticipates recurring monthly revenue from monitoring each location.

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

Target Market

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

- Residential
- Commercial
- Government

Market Growth Strategy

According to Security Industry Association 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 believe that the number of prospective customers for the security industry is unlimited. With the internet reaching the entire globe we believe that we will be able to provide our security products and services to anyone in the world. To reach our market penetration strategy we plan to 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 plan to also use an aggressive advertising campaign to reach the individual business and home owners to drive business to our dealer network. We also plan on pursuing

several acquisition possibilities that will compliment the current product line and business model and strengthen our company.

Principal Products and Services

HS3 Technologies offers a diverse line of cutting-edge products, services, and customized integrated security solutions that can be applied to any commercial or residential package. We offer such products as Digital Video Recording Technology, OPIE (Outside Portable Investigative Equipment), Home Automation Systems, Video Monitoring, Cellular and Wireless Mesh Networks and Wireless Internet-Linked Satellite Surveillance Systems, Remote Video Monitoring and System Management services. We are in the process of updating our website which will enable customers to purchase online

Digital Video Recording Technology

We provide and manufacture DVRs designed to meet the specific requirements of our customers. We manufacture our DVRs to be integrated with our logical and physical security specifications.

OPIE (Outside Portable Investigative Equipment)

OPIE is a real time surveillance solution consisting of a combination of cutting edge video transmission and storage technologies integrated into a completely mobile platform. OPIE integrates remote video monitoring, motion detection sensors, proprietary wireless Mesh networking, satellite and cellular connectivity into a self contained, self sufficient, mobile platform. The units' unique design allows for the addition of solar panels and deep cycle batteries, allowing OPIE to function independently of external AC power restrictions.

The units can be used for visually monitoring border security, utilities such as water storage areas, power transmission towers, oil and gas pipe lines, construction sites, disaster and first response sites. Our combination of applications and systems make these units truly unique as they work in remote or inaccessible locations where there is no access to electric networks.

Video Monitoring

We offer Video Monitoring and alarm verification services using our Integrated Security Portal located within our Denver Monitoring Center. We combine analytical software, network security, alarm monitoring, and video alarm verification products to provide customers with total security solutions.

Our integrated operating systems provide real-time access through our satellite network to deliver 24/7 security information that is available via the internet to authorized personnel, with the proper security clearance. Additional biometric technology can be added to ensure user identity interface.

Cellular Network and Wireless Mesh Network Units

We have developed a wireless mesh networking product out of the need for remote location video monitoring. When conducting video monitoring for a remote location such as an oil field or power plant, the challenge facing the satellite Internet connection was that it was very limited in range due to cost restraints of laying cable. The wireless mesh network was created to enhance the satellite Internet connection by increasing connectivity over a broader physical range.

High Speed Satellite Internet

We are also capable of providing customers with complete integrated solutions to high-speed internet and surveillance needs. We plan to supply high-speed satellite internet access to all locations in the continental United States. By replacing the need for copper or fiber-optic telephony equipment in the business or home, customers cost savings can be significant. We hope to bring service for the first time to areas and industries currently not able to access high-speed internet cost effectively.

Equipment Leasing

We plan to initiate an equipment leasing program with several equipment leasing companies who will assist us in providing customers with a complete leasing program for our security products. By combining equipment leasing with our security services in one package deal, we believe it will make it simple for our dealers to complete the sale by presenting customers with complete security solutions for one monthly comprehensive fee. The leasing business represents an opportunity for us to capture significantly more business by removing dealer and end-user objections. For the end-user, equipment leasing mitigates the high initial investment in hardware by the end-user that may be cost prohibitive. For this reason, the leasing program is especially geared towards attracting small business owners who are unable to spend up to \$100,000 in security hardware, but who are very willing to pay a monthly fee for security product leasing and monitoring services. The leasing program also increases the probability of customer satisfaction and retention.

Manufacturing

Manufacturing of our security products has been contracted to third party manufacturers. We plan to rely on these manufacturers to produce high quality security products for sale to our customers.

Installation

The installation of our security products has been contracted out to third parties. We will rely on these installers to install our security products.

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.

Research and Development

Our research and development efforts are focused 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 the adaptation 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.

We anticipate expending approximately \$900,000 during the twelve-month period ending June 30, 2009 on research and development activities.

Intellectual Property

We own and operate the duly registered internet domain name: www.HS3Tech.com. The information contained in our website is not part of this current report.

Patents and Proprietary Technology

We are in the process of obtaining a patent on OPIE (Outside Portable Investigative Equipment)

Marketing

We have engaged professional marketing firms to market our products nationally and worldwide.

Employees

As of June 30, 2008, we have 4 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.

RISK FACTORS

Much of the information included in this annual 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 we are 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 security products;
- increase our marketing efforts;
- acquire complementary businesses, security 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.

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

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.

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 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.

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
- 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.

Other Risks

Trends, Risks and Uncertainties.

We have sought to identify what we believe to be the most significant risks to our business, but we cannot predict whether, or to what extent, any such risks may be realized nor can we guarantee that we have identified all possible risks that might arise. Investors should carefully consider all of the risk factors before making an investment decision with respect to our common stock.

We may be unable to continue as a going concern in which case our securities will have little or no value.

Our independent auditors have noted in their report concerning our financial statements as of June 30, 2008 that we have incurred substantial losses since inception, which raises substantial doubt about our ability to continue as a going concern. In the event we are not able to continue operations you will likely suffer a complete loss of your investment in our securities. See our auditors' report on our consolidated financial statements elsewhere in this Form 10-KSB.

Our By-laws contain provisions indemnifying our officers and directors against all costs, charges and expenses incurred by them.

Our By-laws contain provisions with respect to the indemnification of our officers and directors against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, actually and reasonably incurred by him, including an amount paid to settle an action or satisfy a judgment in a civil, criminal or administrative action or proceeding to which he is made a party by reason of his being or having been one of our directors or officers.

Item 2. Description of Property.

Principal Offices

Our principal offices are located at 1800 Boulder Street, Suite 600, Denver, Colorado 80211-6400. Our telephone number at our principal office is (303) 455-2550. 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 2-year term that commenced on November 1, 2007. We believe that our principal office will not be adequate for our needs for the next 2 years.

Item 3. Legal Proceedings.

We know of no material, active 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 shareholder, is an adverse party or has a material interest adverse to our interest.

Item 4. Submissions of Matters to a Vote of Security Holders.

On Friday, March 28, 2008 an annual meeting of stockholders of HS3 Technologies Inc., a Nevada corporation, was held at Suite 600, 1800 Boulder Street, Denver, Colorado USA 80211. The Meeting was held for the following purposes:

Elect: Mark Lana Chief Executive Officer, Treasurer, Secretary and Director

Elect: Robert A. Morrison VP, Corporate and Business Development and Director

Elect: Charles F. Ferris, Ph.D. Director

Elect: Michael Yinger Director

Stockholder ratification of the appointment of Weaver & Martin, LLC as our independent auditors

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

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.

The following table reflects the high and low bid information for our common stock obtained from Big Charts a service of MarketWatch and reflects inter-dealer prices, without retail mark-up, markdown or commission, and may not necessarily represent actual transactions.

The high and low bid prices of our common stock for the periods indicated below are as follows:

National Association of Securities Dealers OTC Bulletin Board		
Quarter Ended⁽¹⁾	High	Low
June 30, 2008	\$0.02	\$0.01
March 31, 2008	\$0.05	\$0.02
December 31, 2007	\$0.15	\$0.03
September 30, 2007	\$0.20	\$0.06
June 30, 2007	\$0.35	\$0.07
March 31, 2007	\$0.45	\$0.13
December 31, 2006	\$0.95	\$0.24
September 30, 2006	\$0.39	\$0.05
June 30, 2006	\$1.28	\$0.32
March 31, 2006	\$2.64	\$1.04
December 31, 2005	\$4.52	\$2.08
September 30, 2005	\$n/a	\$n/a

⁽¹⁾ Our common stock received approval for quotation on July 20, 2005. The first trade occurred on October 12, 2005.

On August 21, 2008, the closing price for the common stock as reported by the quotation service operated by the OTC Bulletin Board was \$0.025.

As of August 21, 2008, there were 73 holders of record of our common stock. As of such date, 39,945,802 common shares were issued and outstanding.

Our common shares are issued in registered form. Empire Stock Transfer Inc., 7251 West Lake Mead Boulevard, Suite 300, Las Vegas, Nevada 89128-8351 (Telephone: (775) 562-4091; Facsimile: (775) 974-1444) is the registrar and transfer agent for our common shares.

Dividend Policy

We have not paid any cash dividends on our common stock and have no present intention of paying any dividends on the shares of our common stock. Our current policy is to retain earnings, if any, for use in our operations and in the development of our business. Our future dividend policy will be determined from time to time by our board of directors.

Recent Sales of Unregistered Securities

Effective September 22, 2008, 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	\$ 5,000.00	Received June 29, 2007
Robert A Morrison	\$100,000.00	Received May 19, 2007
Robert A Morrison	\$ 31,000.00	Received December 31, 2005
Mark Lana	\$ 5,000.00	Received July 31, 2007
Mark Lana	\$ 15,000.00	Received August 15, 2007
Robert A Morrison	\$ 10,000.00	Received 09/10/2007
Robert A Morrison	\$ 9,000.00	Received 10/01/2007
Charles Ferris	\$ 10,000.00	Received 10/04/2007
Mike Yinger	\$ 1,000.00	Received 10/10/2007
Robert A. Morrison	\$ 30,000.00	Received 04/25/2008

On June 6, 2008, we issued 2,500,000 shares of our common stock in a private placement, at a purchase price of \$0.10 per share for gross proceeds of \$250,000 to one subscriber. The shares were issued to one U.S. person (as that term is defined in Regulation S of the Securities Act of 1933) relying upon Rule 506 of Regulation D of the Securities Act of 1933.

On June 4, 2008, we issued 1,820,000 shares of our common stock in a private placement to seven U.S. persons (as that term is defined in Regulation S of the Securities Act of 1933) relying upon section 4(2) and/or Rule 506 of Regulation D of the Securities Act of 1933. The stock was issued to 5 employees and 2 board members.

On January 14, 2008 and February 12, 2008 we entered into two secured financing agreements with Vencore solutions, LLC for \$200,000 each. The loans are for 36 months with a fixed interest rate of 15.499% and a combined monthly payment of \$13,964 (principal plus interest) payable on the 10th of each month. As of June 30, 2008 there is a balance of \$368,693.12 and 31 payments outstanding. The notes are secured by company assets. The Company has issued Vencore Solutions, LLC a Warrant for the purchase of 1,000,000 shares of Common Stock at a exercise price of \$.12 per share expiring on January 14, 2013. The warrants were valued, using the Black-Scholes calculation method, at \$16,814. Also, since these were issued in connection with a loan we booked \$16,135 as a loan discount to the note balance to be amortized to interest expense over the life of the loan.

November 8, 2007, we issued an aggregate of 600,000 shares of our common stock, valued at \$45,000, for services rendered to our company.

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 expired on September 8, 2008.

On November 5, 2007, we issued 2,500,000 shares of our common stock in a private placement, at a purchase price of \$0.10 per share for gross proceeds of \$250,000 to one subscriber. The shares were one to U.S. person (as that term is defined in Regulation S of the Securities Act of 1933) relying upon Rule 506 of Regulation D of the Securities Act of 1933.

On November 1, 2007 we sold 50,000 shares of our common stock for \$5,000.

On September 15, 2007 we issued 35,000 shares of our stock to Connor Hollis for professional services valued at \$3,850 based on the trading price of our stock on the day the Board authorized the stock to be issued.

We sold 250,000 shares of our stock in the quarter ended September 30, 2007 for \$25,000. The shares were issued February 28, 2008.

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 that they have rendered. The valued 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. We also agreed to compensate those directors and they will receive \$25,000 annually. They have the option to receive cash or stock at a price of \$.12 per share. At June 30, 2008 we have recorded a liability of \$45,832 for convertible board fees unpaid and an offsetting professional fee expense.

Equity Compensation Plan Information

We have no long-term incentive plans, other than the Stock Option Plan described below.

Stock Option Plan

On November 9, 2005, the Company adopted the 2005 Stock Option Plan for its directors and employees, reserving a total of 2,500,000 shares of its common stock for issuance pursuant to grants to be made under the stock option plan. As of June 30, 2007, 2,500,000 options have been granted to employees and consultants of our company and no options were available for future grant under this plan.

The purpose of the 2005 Stock Option Plan is to retain the services of valued key employees and consultants of our company and such other persons as shall be select in accordance with the 2005 Stock Option Plan, and to encourage such persons to acquire a greater proprietary interest in our company, thereby strengthening their incentive to achieve the objectives of the shareholders of our company, and to serve as an aid and inducement in the hiring of new employees and to provide an equity incentive to consultants.

The exercise price of shares subject to any option must be at least 100% of the fair market value of the shares on the date of grant. The maximum term of any stock option is 5 years from the date the option is granted. The 2005 Stock Option Plan shall terminate on November 9, 2015.

The following table summarizes certain information regarding our equity compensation plan as at April 16, 2007:

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)
Equity compensation plans approved by security holders	N/A	\$ N/A	N/A
Equity compensation plans not approved by security holders	2,500,000	\$.16	Nil
Total	2,500,000	\$.16	Nil

Item 6. Plan of Operation.

Overview

You should read the following discussion of our financial condition and results of operations together with the audited financial statements and the notes to audited financial statements included elsewhere in this filing prepared in accordance with accounting principles generally accepted in the United States. This discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those anticipated in these forward-looking statements.

Plan of Operations And Cash Requirements

Our operating expenses consist mostly of sales, marketing, and general and administrative expenses. The amount incurred by our company for the year ended June 30, 2008 was \$2,170,606.

We anticipate that we will require up to \$5,100,000 for the 12 months ending June 30, 2009 to develop our security solutions technology products and monitoring services and provide for the expansion and adaptation of existing products to accommodate the requirements of customer needs. We may be required to hire additional sales and marketing, management, and technical personnel and to expand our current monitoring services.

Purchase of Significant Equipment

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

Personnel Plan

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

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 have also used loans from Vencore Solutions, LLC, stockholder loans, and advances from related parties.

Financial Condition, Liquidity and Capital Resources

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

At June 30, 2008, we had a working capital deficit of \$421,351 compared to working capital deficit of \$68,699 at June 30, 2007.

At June 30, 2008, our total current assets were \$438,702 compared to total current assets of \$214,785 as at June 30, 2007.

At June 30, 2008, our total current liabilities were \$860,053 compared to total current liabilities of \$283,784 as at June 30, 2007.

At June 30, 2008, we had cash on hand of \$130,318 compared to \$984 at June 30, 2007.

For the year ended June 30, 2008, we posted a net loss of \$1,556,448 compared to a net loss of \$2,924,327 for the ended June 30, 2007. The principal components of the loss for the year ended June 30, 2008 were payroll, marketing, and general and administrative expenses.

For the year ended June 30, 2008, we incurred operating expenses of \$2,170,516 compared to \$3,010,407 for the year ended June 30, 2007.

We estimate that our monthly burn rate (cash needs) will be \$425,000.

Cash Requirements

We will require additional funds to implement our growth strategy in research and development, and sales and marketing primarily. 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 June 30, 2008

Operating expenses	
Sales and Marketing	\$ 1,250,000
Research and Development	900,000
Consulting and Professional Fees and Wages	350,000
Product Development	350,000

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Public Relations	250,000
Travel and Promotion	400,000
General and Administrative	1,150,000
Total Operating Expenses	2,300,000
Working Capital	4,650,000
Total	\$ 5, 100,000

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 security surveillance 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 three months.

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.

Going Concern

We have incurred losses of \$4,931,386 since inception. 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.

APPLICATION OF 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 warrants and options and the valuation allowance for our deferred income tax benefit.

Item 7. Financial Statements.

Our financial statements are stated in United States dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles.

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

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheet as of June 30, 2008 and 2007

Consolidated Statements of Operations for the years ended June 30, 2008 and 2007

Consolidated Statements of Changes in Stockholders' Equity (Deficit) for the years ended June 30, 2008 and 2007

Consolidated Statements of Cash Flows for the years ended June 30, 2008 and 2007

Notes to the Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Stockholders and Directors
HS3 Technologies, Inc.

We have audited the accompanying consolidated balance sheet of HS3 Technologies, Inc. as of June 30, 2008 and 2007 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the two-year period ended June 30, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 financial statements. An audit also includes 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of HS3 Technologies, Inc. as of June 30, 2008 and 2007 and the consolidated results of its operations and cash flows for each of the years in the two-year period ended June 30, 2008 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and is dependent upon the continued sale of its securities or obtaining debt financing for funds to meet its cash requirements. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans with regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Weaver & Martin, LLC
Kansas City, Missouri
October 7, 2008

HS3 Technologies, Inc.

Consolidated Balance Sheet

June 30, 2008

June 30, 2007

ASSETS**Current Assets**

Cash and cash equivalents	\$	130,318	\$	984
Accounts receivable		215,499		92,902
Inventory		92,885		98,014
Deposit on inventory		-		22,885
Total current assets		438,702		214,785

Furniture, fixtures and equipment, net of accumulated depreciation of \$54,454 and \$26,014 respectively		-		-
		80,880		102,325

Other assets		24,500		-
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Total Assets	\$	544,082	\$	317,110
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LIABILITIES**Current Liabilities**

Accounts payable	\$	215,890	\$	121,611
Accrued liabilities		104,377		26,173
Accrued liabilities, related party		168,717		-
Accrued convertible board fees		45,832		-
Convertible notes payable, related party		212,000		136,000
Long-term debt, current portion		113,237		-
Total current liabilities		860,053		283,784

Long-term debt		242,010		-
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Total Liabilities		1,102,063		283,784
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Commitments and contingencies

		-		-
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STOCKHOLDER'S EQUITY (DEFICIT)

Preferred stock, \$0.001 par value, 2,500,000 shares authorized		-		-
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None issued or outstanding

Common Stock, \$0.001 par value, 50,000,000 authorized,				
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Issued and outstanding 39,945,802 and 31,470,802

shares at June 30, 2008 and June 30, 2007 respectively		39,946		31,471
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Additional paid-in capital		4,333,459		3,658,713
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Unamortized cost stock and warrants issued for services		-		(281,920)
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Accumulated deficit		(4,931,386)		(3,374,938)
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Total Stockholders' Equity (Deficit)		(557,981)		33,326
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Total Liabilities and Stockholders' Equity (Deficit)	\$	544,082	\$	317,110
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See notes to consolidated financial statements

HS3 Technologies, Inc.

Consolidated Statement of Operations	For the Year Ended June 30, 2008	For the Year Ended June 30, 2007
Net Sales	\$ 1,245,527	\$ 203,106
Cost of goods sold	582,977	105,406
Gross profit	662,550	97,700
Operating Expenses:		
Sales & marketing	399,981	12,898
Professional and consulting	337,136	1,469,801
Stock option expense	-	540,755
Payroll expense	795,446	487,216
General and administrative	609,513	480,198
Depreciation	28,440	19,539
Total operating expenses	2,170,516	3,010,407
Income (loss) from operations	(1,507,966)	(2,912,707)
Other income (expense)		
Interest income	90	3,380
Interest expense	(48,572)	(15,000)
Warrant valuation income (loss)	-	-
Total other income (expense)	(48,482)	(11,620)
Net loss	\$ (1,556,448)	\$ (2,924,327)
Net loss per share-basic and diluted	\$ (0.05)	\$ (0.13)
Weighted average number of common shares outstanding	33,820,893	21,783,375

See notes to consolidated financial statements

HS3 Technologies, Inc.**Consolidated Statement of Stockholders'
Equity (Deficit)**

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Unamortized Cost Stock/Warrants Issued for Service	Retained Earnings (Deficit)	Total Stockholders' Equity (deficit)
Balances as of June 30, 2006	17,491,491	\$ 17,492	\$ (17,492)	\$ -	\$ (450,611)	\$ (450,611)
Issuance of shares in conversion of debenture	125,000	125	499,875	-	-	500,000
Issuance of shares in conversion of notes	1,231,811	1,232	121,949	-	-	123,181
Shares issued for cash	10,862,500	10,862	908,138	-	-	919,000
Shares issued for services	1,760,000	1,760	623,040	(165,920)	-	458,880
Warrants issued for services	-	-	982,448	(116,000)	-	866,448
Options issued to employees	-	-	540,755	-	-	540,755
Net (loss) for the fiscal year ended June 30, 2007	-	-	-	-	(2,924,327)	(2,924,327)
Balances as of June 30, 2007	31,470,802	31,471	3,658,713	(281,920)	(3,374,938)	33,326
Shares issued for cash	5,300,000	5,300	524,700	-	-	530,000
Shares issued for services	3,175,000	3,175	204,875	165,920	-	373,970
Warrants issued for services	-	-	16,135	116,000	-	132,135
Purchase of warrants	-	-	(70,964)	-	-	(70,964)

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Net (loss) for the fiscal year ended June 30, 2008	-	-	-	-	(1,556,448)	(1,556,448)
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Balances as of June 30, 2008	39,945,802	\$ 39,946	\$ 4,333,459	\$ -	\$ (4,931,386)	\$ (557,981)
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See notes to consolidated financial statements

HS3 Technologies, Inc.

Consolidated Statement of Cash Flows	For the Year Ended June 30, 2008	For the Year ended June 30, 2007
Cash flows from operating activities:		
Net (loss)	\$ (1,556,448)	\$ (2,924,327)
Adjustments to reconcile net (loss) to net cash provided by (used in) operations:		
Depreciation and amortization	31,538	19,539
Accretion of interest	2,689	-
Warrants, stock, and options issued for service	489,970	1,866,083
Stock issued for conversion of note payable	-	159,182
(Gain) loss on sale of fixed assets	-	(1,213)
Changes in operating assets and liabilities:		
Accounts receivable	(122,597)	(82,957)
Inventory	5,129	14,979
Deposit on inventory	22,885	(14,535)
Accounts payable	94,279	71,939
Accrued expenses	264,753	-
Net cash (used in) operating activities	(767,802)	(891,310)
Cash flow from investing activities		
Proceeds from sale of fixed assets	-	5,200
Purchase of fixed assets	(6,593)	(45,522)
Net cash from (used in) investing activities	(6,593)	(40,322)
Cash flow from financing activities		
Proceeds from sale of warrants	16,135	-
Payments on warrants purchased	(70,964)	-
Payments on convertible and long-term debt	(50,307)	-
Stock issued for cash	530,000	919,000
Proceeds from long-term debt	478,865	-
Net cash flow provided by financing activities	903,729	919,000
Increase in cash and cash equivalents	129,334	(12,632)
Cash and cash equivalents, beginning of period	984	13,616
Cash and cash equivalents, end of period	\$ 130,318	\$ 984
Supplemental cash flow information:		
Interest paid	\$ 26,135	\$ -
Income taxes paid	\$ -	\$ -
Non cash financing activities		
Stock issued for services	\$ 208,050	-

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

(a) Description of Business

On November 9, 2005, we 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, we were a non-operating entity without any assets or liabilities.

Immediately prior to the reorganization, we 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 we 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, we 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 we are treated as the acquiree for accounting purposes, even though we were 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.

On September 6, 2006, we 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.

(b) Basis of Presentation

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States. The Company's fiscal year-end is June 30.

(c) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, ip-Colo. All inter-company balances and transactions have been eliminated.

(d) Accounting Estimates

The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses in the reporting period. The Company regularly evaluates estimates and assumptions related to the useful life and recoverability of long-lived assets, stock-based compensation and deferred income tax asset valuation allowances. The Company bases its estimated and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

(e) Cash and Cash Equivalents

Cash equivalents comprise certain highly liquid instruments with a maturity of three months or less when purchased.

1. Significant Accounting Policies (continued)

(f) Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are recorded at historical cost, net of accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives (3-5 years) . Expenditures for maintenance and repairs are charged to expense.

(g) Inventory

Inventory consists of finished goods purchased from third-party manufacturers and is valued at the lower of average cost or market. Average cost is determined using the first-in, first-out method of accounting.

(h) Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition.

(i) Research and Development Costs

The Company expenses research and development costs as incurred. The Company incurred \$40,042 and \$4,427 research and development cost for years ended June 30, 2008 and June 30, 2007, respectively.

(j) Loss Per Share

Basic and diluted earnings (loss) per share are computed using the weighted average number of shares outstanding during the period. Diluted earnings per share gives effect to all potential diluted common shares outstanding during the period. In periods of net loss, there are no diluted earnings per share since the result would be anti-dilutive.

(k) Financial Instruments

The fair value of financial instruments is determined at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be ascertained with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

(l) Income Taxes

The Company has adopted SFAS No. 109, *Accounting for Income Taxes*, which requires the Company to recognize deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company's consolidated financial statements and tax returns using the liability method. Under this method, deferred tax liabilities and assets are determined based on the temporary differences between the consolidated financial statements and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences

are expected to reverse.

(m) Stock-Based Compensation

Common stock, warrants and options issued for services are accounted for based on the fair market value at the date the services are performed. If the awards are based on a vesting period the fair market value of the awards is determined as vesting is earned. If the services are to be performed over a period of time the value is amortized over the life of the period that services are performed.

1. Significant Accounting Policies (continued)**(n) Concentration of Credit Risk**

We sell products to customers in diversified industries and geographical regions. We continually evaluate the creditworthiness of our customers. We evaluate the collectibility of accounts receivable on a combination of factors. Our policies require us to record specific reserve if we become aware of anything that would cause us to question a specific customer's inability to meet their financial obligations to us. We will record a specific reserve for bad debts to reduce a related receivable when we believe an amount is not collectible. We do not have any reserves for bad debt at June 30, 2008.

(o) Revenue Recognition

We record revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured.

(p) Effect of Recent Accounting Pronouncements

In May 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 163, Accounting for Financial Guarantee Insurance Contracts An interpretation of FASB Statement No. 60 . SFAS No. 163 requires that an insurance enterprise recognize a claim liability prior to an event of default when there is evidence that credit deterioration has occurred in an insured financial obligation. It also clarifies how Statement 60 applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities, and requires expanded disclosures about financial guarantee insurance contracts. It is effective for financial statements issued for fiscal years beginning after December 15, 2008, except for some disclosures about the insurance enterprise's risk-management activities. SFAS No. 163 requires that disclosures about the risk-management activities of the insurance enterprise be effective for the first period beginning after issuance. Except for those disclosures, earlier application is not permitted. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles . SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. It is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles . The adoption of this statement is not expected to have a material effect on the Company's financial statements In March 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment to FASB Statement No. 133 . SFAS No. 161 is intended to improve financial standards for derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. Entities are required to provide enhanced disclosures about: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years beginning after November 15, 2008, with early adoption encouraged. The Company is currently evaluating the impact of SFAS No. 161 on its financial statements, and the adoption of this statement is not expected to have a material effect on the Company's financial statements.

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141 (revised 2007), Business Combinations . This statement replaces SFAS No. 141 and defines the acquirer in a business combination as the entity that obtains control of one or more businesses in a business combination and establishes the acquisition date as the date that the acquirer achieves control. SFAS 141 (revised 2007) requires an acquirer to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquired at the acquisition date, measured at their fair values as of that date. SFAS 141

1. Significant Accounting Policies (continued)

(revised 2007) also requires the acquirer to recognize contingent consideration at the acquisition date, measured at its fair value at that date. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements Liabilities an Amendment of ARB No. 51. This statement amends ARB 51 to establish accounting and reporting standards for the Non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The adoption of this statement is not expected to have a material effect on the Company's financial statements

In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 apply only to entities that elect the fair value option. However, the amendment to SFAS No. 115 Accounting for Certain Investments in Debt and Equity Securities applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provision of SFAS No. 157, Fair Value Measurements. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

(q) Reclassifications

Certain reclassifications have been made to prior periods to conform to current presentation.

2. Going Concern

The accompanying 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 effect 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.

3. Convertible Notes Payable Related Party

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	\$ 100,000
Robert A Morrison	31,000
Mark Lana	12,000

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Mark Lana		15,000
Robert A Morrison		9,000
Robert A Morrison		4,000
Charles Ferris		10,000
Mike Yinger		1,000
Robert A. Morrison		30,000
Total	\$	212,000

4. Common Stock

Stock transactions in fiscal 2007:

On October 10, 2005, we received total gross proceeds of \$500,000 and issued a convertible debenture, convertible into 125,000 shares of common stock at the option of the Company once the value of the Company's common stock exceeds \$4.00 per share. Interest was to accrue and be paid in full at 5% per annum if the acquisition of ip-Colo, Inc. did not occur within 120 days of the closing of the debenture. The acquisition of ip-Colo, Inc. did occur on November 9, 2005 or within 29 days of the closing of the debenture. Thus, no interest was due or payable. Further, the fair value of the Company's stock did exceed \$4.00 per share as quoted on the Over-the-Counter Bulletin Board in November 2005. On October 13, 2006, we converted the outstanding debenture using a conversion price of \$4.00 per share into 125,000 shares of common stock.

In fiscal 2007, we entered into unsecured short-term promissory notes for \$115,000. The stated interest was 8% annually and was due May 9, 2007. Both notes along with accrued interest of \$8,182 were converted into 1,231,811 shares of our common stock.

In fiscal 2007, we sold 8,362,500 shares of our common stock at \$.08 per share and 2,500,000 shares of our common stock at \$.10 per share for total proceeds of \$919,000.

We issued 1,760,000 shares of our stock to consultants for services provided. The value of the services was based on the value of our stock on the date of the agreement and totaled \$982,448. We expensed \$458,880 as professional fees in the year ended June 30, 2007 and \$165,920 in the year ended June 30, 2008.

Stock transactions in fiscal 2008:

In fiscal 2008 we sold 5,300,000 shares of our common stock for \$.10 per share for total proceeds of \$530,000.

In fiscal 2008 we issued 3,175,000 shares of our common stock for services rendered to us. The value of the services was based on the fair market value of our stock on the day the agreements were consummated and the share price ranged from \$.04 to \$.10 per share. The total amount of expense for employees and directors was \$204,200 and for professional fees was \$3,850 for a total amount of \$208,050. In fiscal 2008 we recorded as expense a total of \$373,970 for stock issued for services from unexpired services of fiscal 2007 that were used in fiscal 2008 of \$165,920 and for fiscal 2008 expense of \$208,050. At June 30, 2008 there was no remaining expense for services.

Convertible board fees accrued at June 30, 2008 totalled \$45,832. This may be converted into common stock at the Directors' option at \$0.12 or the rate of the last conversion agreement.

5. Options and Warrants

The Board of Directors has approved a Stock Option Plan (the Plan) authorizing the issuance of a total of 2,500,000 shares pursuant to which directors, officers, employees of the Company are eligible to receive grants of options for the Company's common stock. Each stock option entitles its holder to purchase one common share of the Company. At June 30, 2008 we had granted 2,500,000 options under this plan.

Option and warrant transactions in fiscal 2007:

We granted 2,500,000 options in the year ended June 30, 2007. The options were fully vested. We measured the compensation cost of the options based on the vesting and the market value as determined by the Black-Scholes

pricing model.

For the year ended June 30, 2007, we included as expense \$540,755 relating to the value of vested options.

The fair value of each option award is estimated on the date of grant using the assumptions noted in the following table. Volatility is based on the historical volatility of stock trading, expected term was the estimated exercise period, risk free rate was the rate of a U.S. Treasury instrument of the time period in which the options would be outstanding, and dividend rate was estimated to be zero as we cannot assume that there will be any future dividends.

Weighted average expected volatility	206.64%
Weighted average expected term (in years)	5
Weighted average expected dividends	0%
Weighted average risk free rate	3.00%

The weighted average grant date fair value of the options granted in the year ended June 30, 2007 was \$0.16

In the year ended June 30, 2007, we granted warrants to purchase 7,250,000 shares of our common stock as payment for services rendered. The warrants have a weighted average exercise price of \$.17 per warrant and expire between December 2007 and September 2008. The fair value of the warrants based on the Black-Scholes pricing model totaled \$982,448 (approximately \$0.14 per warrant). The following assumptions were used in the valuation: weighted average stock price-\$.16; weighted average exercise price-\$.12; weighted average life- 2 years; weighted average volatility-120%; weighted average yield-3.0% . In fiscal 2007 we expensed \$670,689 and in fiscal 2008 we expensed \$116,000 relating to these services.

Option and warrant transactions in fiscal 2008:

We purchased and cancelled 5,000,000 of the outstanding warrants for \$70,964.

We sold debentures in fiscal 2008 consisting of long-term debt and warrants. The number of warrants sold was 1,000,000 with an exercise price of \$.12 and a term of 5 years. The warrants were valued based on the Black-Scholes pricing model and the cost was allocated based on the ratio of the fair market value of the warrants and the fair market value of the long-term debt. The total amount allocated to the warrants was \$16,135. The assumptions used in valuing the warrants were: stock price \$.13; exercise price \$.12; life-5 years; volatility101.17%; dividend yield 0% and the yield of a risk free investment 3.08% .

A summary of stock option and warrants is as follows:

	Options	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding 07/01/06	-	-	-	-
Granted	2,500,000	\$ 0.16	7,250,000	\$ 0.17
Canceled	-	-	-	-
Exercised	-	-	-	-
Outstanding 06/30/07	2,500,000	\$ 0.16	7,250,000	\$ 0.17
Granted	-	-	1,000,000	\$ 0.02
Canceled	-	-	5,000,000	\$ 0.12
Outstanding 06/30/08	2,500,000	\$ 0.16	3,250,000	\$ 0.25

6. Related Parties

The Company leases office space from a company owned by a major stockholder. Rent expense under this lease was \$51,200 and \$48,000 for the years ended June 30, 2008 and 2007, 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.

In addition, the Company owes two of its officers accrued liabilities of \$168,717 and -0- as of June 30, 2008 and 2007 respectively. This includes accrued rent of \$62,154 and accrued salaries of \$106,563.

7. Income Taxes

Deferred income taxes are determined based on the tax effect of items subject to different treatment between book and tax bases. There is approximately \$4,930,000 of net operating loss carry-forwards which expire in 2026-2028. The net deferred tax is as follows:

	June 30, 2008	June 30, 2007
Non-current deferred tax asset (liabilities):		
Net operating loss carry-forward	\$ 1,133,900	\$ 545,000
Valuation allowance	(1,133,900)	(545,000)
Total deferred tax net	\$ -	\$ -

A reconciliation of the provision for income taxes to the statutory federal rate for continuing operations is as follows:

	<u>March 31, 2008</u>	<u>March 31, 2007</u>
Statutory tax rate	34.0%	34.0%
Change in valuation allowance	(34.0%)	(34.0%)
Effective tax rate	0.0%	0.0%

8. Long-Term Debt

We sold debentures consisting of a \$400,000 debt instrument that matures in 3 years and 1,000,000 warrants at an exercise price of \$.12 per share for total proceeds of \$400,000. We allocated the proceeds to each instrument based on the fair market value of each. We determined the fair value of the note and interest to be \$400,000 and the fair market value of the warrants to be \$16,814. We allocated the proceeds to each based on the respective percentages of total value. The value of the notes was \$383,865 and the warrants \$16,135. The discount on the notes will be amortized into interest expense based on the straight line method over the life of the loan. For the year ended June 30, 2008 we recorded \$2,689 as additional interest expense. At June 30, 2008 we had \$13,446 discount remaining to amortized into interest. The value of the debenture at June 30, 2008 was \$ 368,693. The current portion of the debt was \$113,237 after discount (\$118,616 principal owed) and long term after discount was \$242,010 (total principal owed in fiscal 2010 is \$166,718 and in fiscal 2011 \$83,359).

In connection with the loan we had loan fees of \$28,000. At June 30, 2008 we expensed \$3,500 of the fees for a balance of \$24,500.

9. Subsequent Events

We obtained loans from a related party, 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.

Robert Morrison	\$12,000.00	received September 16, 2008
Robert Morrison	\$10,000.00	received October 1, 2008

On August 15, 2008 the Company entered into a Financial Communications Consulting Agreement with Wall Street Resources, Inc. to provide written analytical coverage and consultation in matters concerning corporate finance and investor communications. The Company agreed to issue the Consultant a Commencement Bonus payable in the form of 800,000 shares of the Company s 144 restricted Common Stock and \$3,000 in cash. Additionally, the Company will pay the Consultant at a rate of \$2,500 per month during the term of the agreement which is due on the 15th of each month with payments accruing until the Company raises in excess of \$500,000 or becomes cash flow positive.

On August 14, 2008, we entered into an agreement with the American Humane Association (AHA), pursuant to which we plan to engage in the development of a Video Monitoring System under the AHA s American Human Certified . The Video Monitoring System will expand the observations and augment the compliance of the American Human Certified for humane care.

Item 8. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

On July 27, 2007, we decided to engage new auditors as our independent accountants to audit our financial statements. Our Board of Directors approved the change of accountants to Weaver & Martin, LLC, an independent registered firm of Certified Public Accountants. Accordingly, we dismissed Gordon Hughes & Banks, LLP on July 27, 2007.

Item 8A. Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures as of the end of the period covered by this annual report, being June 30, 2008. This evaluation was carried out under the supervision and with the participation of our company's management, including our company's president and our chief executive officer. Based upon that evaluation, our company's president and our chief executive officer concluded that our company's disclosure controls and procedures are effective as of the end of the period covered by this report. There have been no changes in our company's internal controls or in other factors, which could affect internal controls subsequent to the date we carried out our evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods 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 company's reports filed under the Exchange Act is accumulated and communicated to management, including our company's president, as appropriate, to allow timely decisions regarding required disclosure.

Item 8B. Other Information

None.

PART III**Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.***Directors and Executive Officers, Promoters and Control Persons*

As at September 22, 2008, our directors and executive officers, their age, positions held, and duration of such, are as follows:

Name	Position Held with our Company	Age	Date First Elected or Appointed
Mark Lana	Chief Executive Officer, Treasurer, Secretary President and Director	54	November 9, 2005
Robert A. Morrison	Chief Operations Officer and Director	43	June 18, 2007
Charles F. Ferris	Director	61	August 14, 2007

Michael Yinger	Director	51	August 14, 2007
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Business Experience

The following is a brief account of the education and business experience of directors and executive officers during at least the past five years, indicating their principal occupation during the period, and the name and principal business of the organization by which they were employed.

Mark Lana, Chief Executive Officer, President, Treasurer, Secretary and Director

Mr. Lana was appointed as Chief Executive Officer on November 9, 2005 and as a member of our board of directors on November 21, 2005. He assumed the duties of President on July 1, 2008.

Mr. Lana has been an entrepreneur for over 30 years. He owned and operated several multi-unit and corporate extended stay hotels each with a staff of over 10 people in the Denver metro area for the past 20 years. He was involved in the housing industry and built, remodeled and refurbished single family and multi-unit dwellings. Mr. Lana has been involved in developing markets and putting together the financing for commercial real estate transactions and acquisitions. He has been involved with software development for medical transcription services and for payroll efficiencies in the hotel/motel labor market. During the 1990's Mr. Lana was able to develop a system of medical records transcriptions that enabled records to be transcribed at several remote locations and then be centrally transmitted back to the hospital/clinic. His software applications were used by the Denver medical profession for use in delivering radiology reports to medical facilities and physician's offices from remote locations.

Robert A. Morrison, Chief Operations Officer and Director

Mr. Morrison was appointed as President and Director on June 18, 2007. He resigned as President March 4, 2008 and was appointed Chief of corporate and business development. He assumed the function of Chief Operations Officer effective July 1, 2008

For the past 15 years Mr. Morrison has been the owner of RAM Enterprises Inc, a computer networking consulting company that designs, builds and maintains computer networks for various enterprises. Mr. Morrison was a director of ID-Confirm Inc. from December 12, 2004 to January 5, 2007 and was its President, Chief Executive Officer from September 12, 2005 to June 13, 2006, Chief Financial Officer from November 16, 2004 to July 22, 2005 and Chief Technology Officer from July 13, 2006 to January 5, 2007.

Charles F. Ferris, Director

Dr. Ferris was elected as a director on August 14, 2007.

Dr. Ferris is the Founder and President of Strategic Science LLC. He is a specialist on advanced topics in biotechnology, business management, and technology-based economic development. He provides strategic guidance to technology companies in the areas of scientific, business and corporate development, and is passionate about applying these backgrounds to optimize health and wellness outcomes. His professional career has also resulted in significant relationships with many academic, scientific, tech-policy and business opinion leaders. Dr. Ferris previously served as the Director of Biosciences Programs for the State of Colorado's science and technology development agency. The agency was formed to promote public/private consortia and foster research excellence, technology transfer and technology-based business development.

As a retired Lieutenant Colonel from the U.S. Army, Dr. Ferris has an extensive background and training in military medical capabilities and protocols as well as chemical, radiation and biological defense. Dr. Ferris served as Chair of both the Letterman Army Institutional Review Committee and the Animal Care and Use Committee.

A resident of Colorado since 1983, Dr. Ferris has been involved in biological sciences research and business activities for over 20 years. His particular expertise is in the convergence of basic science and emerging technologies and taking these to market.

Dr. Ferris earned both his B.S. (animal science) and M.S. (reproductive physiology) from The Ohio State University, his M.B.A. from the University of Colorado and his Ph.D. (reproductive physiology) from Utah State University.

Dr. Ferris has graduated from numerous Army military medical courses and schools, including the Command and General Staff College.

Michael Yinger, Director

Mr. Yinger was elected as a director on August 14, 2007.

Mr. Yinger is a seasoned senior executive, with experience creating, building, and managing organizations, providing strategic advice via Board of Directors membership, both in the US and internationally. Over the course of his career, Mr. Yinger has delivered positive results (sales growth of 10-20% in a down market), dealt with senior level clients (CxO level), and established efficient organizations and partnerships in a number of different industries, within startups and established companies. He is well versed in business management consulting, including outsourcing (domestically and internationally) and business/integration. Mr. Yinger has direct experience managing technical as well as strategic initiatives, in traditional or matrix management environments.

Committees of the Board

Audit Committee

We do not have an Audit Committee, our entire board of directors performs the functions of an Audit Committee. The current size of our board of directors does not facilitate the establishment of a separate committee.

Nominating Committee

We do not have a Nominating Committee, our entire board of director performs the functions of a Nominating Committee and oversees the process by which individuals may be nominated to our board of directors.

The current size of our board of directors does not facilitate the establishment of a separate committee. We hope to establish a separate Nominating Committee consisting of independent directors, if the number of our directors is expanded.

Compensation Committee

We do not have a compensation committee.

Significant Employees

Our significant employees, their ages and positions held are as follows:

Name	Position Held with our Company	Age
Scott Annis	Chief Technology Officer	39

Scott Annis Chief Technology Officer

Mr. Annis is responsible for the strategic rollout of HS3 Technologies solutions including site-surveys, deployment, implementation, liaison with WildBlue Communication technicians and maintenance of customer installations. Mr. Annis brings over 25 years of experience working with computers, servers, networks, wireless networking and routers.

Prior to joining HS3 Technologies, Mr. Annis founded Nanuke Systems, Inc., a full-service Internet solutions firm. Nanuke Systems provides website and email hosting, wireless Internet access and network design, services and repair. Nanuke Systems specializes in the design, development and implementation of remote access solutions for large corporations. Mr. Annis also attended the University of Colorado at Boulder's Aerospace Engineering Program.

Family Relationships

There are no family relationships between any director or executive officer.

Involvement in Certain Legal Proceedings

Our sole director and executive officer, promoters or control persons have not been involved in any of the following events during the past five years:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offences);
3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
4. being found by a court of competent jurisdiction (in a civil action), the Commission 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.

Code of Ethics

On September 10, 2007, our board of directors adopted a Code of Ethics and Business Conduct that applies to, among other persons, our company's chief executive officer, president and chief financial officer (being our principal executive officer, principal financial officer and principal accounting officer), as well as persons performing similar functions. As adopted, our Code of Ethics and Business Conduct sets forth written standards that are designed to deter wrongdoing and to promote:

1. honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
2. full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the Securities and Exchange Commission and in other public communications made by us;
3. compliance with applicable governmental laws, rules and regulations;
4. the prompt internal reporting of violations of the Code of Ethics and Business Conduct to an appropriate person or persons identified in the Code of Ethics and Business Conduct; and
5. accountability for adherence to the Code of Ethics and Business Conduct.

Our Code of Ethics and Business Conduct requires, among other things, that all of our company's senior officers commit to timely, accurate and consistent disclosure of information; that they maintain confidential information; and that they act with honesty and integrity.

In addition, our Code of Ethics and Business Conduct emphasizes that all employees have a responsibility for maintaining financial integrity within our company, consistent with generally accepted accounting principles, and federal and state securities laws. Any employee who becomes aware of any incidents involving financial or accounting manipulation or other irregularities, whether by witnessing the incident or being told of it, must report it to our company. Any failure to report such inappropriate or irregular conduct of others is to be treated as a severe

disciplinary matter. It is against our company policy to retaliate against any individual who reports in good faith the violation or potential violation of our company's Code of Ethics and Business Conduct by another.

Our Code of Ethics and Business Conduct is being filed with the Securities and Exchange Commission as Exhibit 14.1 to this annual report on Form 10-KSB. We will provide a copy of the Code of Ethics and Business Conduct to any person without charge, upon request. Requests can be sent to: HS3 Technologies Inc., Suite 600, 1800 Boulder Street, Denver, CO 80211-6400.

Audit Committee Financial Expert

Our board of directors has determined that it does not have a member of the audit committee that qualifies as an audit committee financial expert as defined in Item 401(e) of Regulation S-B.

We believe that our entire board of directors is capable of analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues reasonably expected to be raised by our company. In addition, we believe that retaining an independent director who would qualify as an audit committee financial expert would be overly costly and burdensome and is not warranted in our circumstances given the early stages of our development and the fact that we have not generated revenues to date.

Section 16(a) Beneficial Ownership Compliance

Section 16(a) of the Securities Exchange Act requires our executive officers and directors, and persons who own more than 10% of our common stock, to file reports regarding ownership of, and transactions in, our securities with the Securities and Exchange Commission and to provide us with copies of those filings. Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, we believe that during fiscal year ended June 30, 2008, all filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with.

Item 9A. Controls and Procedures.*Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of our management, including our principal executive officer and the principal financial officer, we have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded as of the evaluation date that our disclosure controls and procedures were effective such that the material information required to be included in our Securities and Exchange Commission reports is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms relating to our company, particularly during the period when this report was being prepared.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, for the Company.

Internal control over financial reporting 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 our assets; (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 our receipts and expenditures are being made only in accordance with authorizations of its management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management recognizes that there are inherent limitations in the effectiveness of any system of internal control, and

accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect material misstatements. In addition, effective internal control at a point in time may become ineffective in future periods because of changes in conditions or due to deterioration in the degree of compliance with our established policies and procedures.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in there being a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of the Evaluation Date, based on the framework set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its evaluation under this framework, management concluded that our internal control over financial reporting was not effective as of the Evaluation Date.

Management assessed the effectiveness of the Company's internal control over financial reporting as of Evaluation Date and identified the following material weaknesses:

Insufficient Resources: We have an inadequate number of personnel with requisite expertise in the key functional areas of finance and accounting.

Inadequate Segregation of Duties: We have an inadequate number of personnel to properly implement control procedures.

Lack of Audit Committee: We do not have a functioning audit committee, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures.

Management is committed to improving its internal controls and will (1) continue to use third party specialists to address shortfalls in staffing and to assist the Company with accounting and finance responsibilities, (2) increase the frequency of independent reconciliations of significant accounts which will mitigate the lack of segregation of duties until there are sufficient personnel and (3) may consider appointing audit committee members in the future.

Management, including our Chief Executive Officer and Chief Financial Officer, has discussed the material weakness noted above with our independent registered public accounting firm. Due to the nature of this material weakness, there is a more than remote likelihood that misstatements which could be material to the annual or interim financial statements could occur that would not be prevented or detected.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this annual report.

Changes in Internal Controls Over Financial Reporting

Additionally, there were no changes in our internal controls or in other factors that could significantly affect these controls subsequent to the evaluation date.

Item 10. Executive Compensation.

The particulars of compensation paid to the following persons:

- our principal executive officer;
- each of our two most highly compensated executive officers who were serving as executive officers at the end of the year ended June 30, 2008 who had total compensation exceeding \$100,000; and
- up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at the end of the most recently completed financial year, who we will collectively refer to as the named executive officers, of our years ended June 30, 2008, 2007 and 2006, are set out in the following summary compensation table:

SUMMARY COMPENSATION TABLE									
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Mark Lana ⁽¹⁾ Chief Executive	2008	\$125,000	Nil	\$14,400	Nil	Nil	Nil	Nil	\$139,400
	2007	\$125,000	Nil	Nil	\$43,260	Nil	Nil	Nil	\$168,260

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<i>Officer, President, Treasurer and Secretary</i>	2006	\$ 85,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Robert A. Morrison ⁽²⁾ <i>President</i>	2008 2007 2006	\$115,000 \$115,000 N/A	Nil Nil N/A	Nil Nil N/A	\$33,340 \$151,411 N/A	Nil N/A N/A	Nil N/A N/A	Nil N/A N/A	\$148,340 \$266,411 N/A
Lougene Baird ⁽³⁾ <i>former Chief Operating Officer and Secretary</i>	2007 2006 2005	N/A Nil Nil	N/A Nil Nil	N/A Nil Nil	N/A Nil Nil	N/A Nil Nil	N/A Nil Nil	N/A Nil Nil	N/A Nil Nil
Bonnie McNamara ⁽⁴⁾ <i>former Chief Financial Officer</i>	2007 2006 2005	N/A Nil Nil	N/A Nil Nil	N/A Nil Nil	N/A Nil Nil	N/A Nil Nil	N/A Nil Nil	N/A Nil Nil	N/A Nil Nil

(1) Mr. Lana was appointed President and Chief Executive Officer on November 9, 2005 and resigned as President on June 18, 2007. He assumed the duties of President on July 1, 2008.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth for each named executive officer certain information concerning the outstanding equity awards as of June 30 2008.

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 Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units of Stock 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 Payout Value of Unearned Shares or Other Rights that Have Not Vested
Mark Lana	200,000	200,000	Nil	\$0.1667	March 20, 2012	Nil	Nil	Nil	Nil
Robert Morrison	900,000	900,000	Nil	\$0.1667	March 20, 2012	Nil	Nil	Nil	Nil

Compensation of Directors

We reimburse our directors for expenses incurred in connection with attending board meetings. We have not paid any director's fees or other cash compensation for services rendered as a director since our inception to June 30, 2008.

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 that they have rendered. The valued 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. We also agreed to compensate those directors and they will receive \$25,000 annually. They have the option to receive cash or stock at a price of \$.12 per share. At June 30, 2008 we have recorded a liability of \$45,832 for convertible board fees unpaid and an offsetting professional fee expense.

We have no formal plan for compensating our directors for their service in their capacity as directors, although such directors are expected in the future to receive stock options to purchase common shares as awarded by our board of directors or (as to future stock options) a compensation committee which may be established. Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of our board of directors. Our board of directors may award special remuneration to any director undertaking any special services on our behalf other than services ordinarily required of a director.

Long-Term Incentive Plans

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers, except that our directors and executive officers may receive stock options at the discretion of our board of directors. We do not have any material bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers, except that stock options may be granted at the discretion of our board of directors.

We have no plans or arrangements in respect of remuneration received or that may be received by our executive officers to compensate such officers in the event of termination of employment (as a result of resignation, retirement, change of control) or a change of responsibilities following a change of control, where the value of such compensation exceeds \$60,000 per executive officer.

Item 11. Security Ownership of Certain Beneficial Owners and Management.

As of August 21, 2008, there were 39,945,802 shares of our common stock outstanding. The following table sets forth certain information known to us with respect to the beneficial ownership of our common stock as of that date by (i) each of our directors, (ii) each of our executive officers, and (iii) all of our directors and executive officers as a group. Except as set forth in the table below, there is no person known to us who beneficially owns more than 5% of our common stock. The number of shares beneficially owned is determined under rules of the Securities and Exchange Commission and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has the sole or shared voting power or investment power and any shares which the individual has the right to acquire within 60 days of August 21, 2008 through the exercise of any stock option or other right. Unless otherwise noted, we believe that each person has sole investment and voting power (or shares such powers with his or her spouse) with respect to the shares set forth in the following table:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class⁽¹⁾
Mark Lana 1800 Boulder Street, Suite 600 Denver, CO 80211	2,937,113 ⁽²⁾	7.35%
Robert A. Morrison 1800 Boulder Street, Suite 600 Denver, CO 80211	4,277,113 ⁽³⁾	10.70%
Chuck Ferris 11612 E. 2 nd Ave Aurora, CO 80010	660,000	1.65%
Michael Yinger 10940 S. Parker Road, Suite 151 Parker, CO 80134	660,000	1.65%
Lougene Baird PO Box 5035 Kailua, HI 96745	2,192,949	5.48%
Jens Dalsgaard 171 De3l Oro Lagoon Novato, CA 94949	2,500,000	7.94%
DQ Investment Group 6130 S. Elm Ct. Centennial, CO 80121	5,000,000	12.51%
Directors and Executive Officers as a group (4 people)	8,534,226 common shares	21.30%

(1) Based on 39,945,802 shares of common stock issued and outstanding as of August 21, 2008. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. 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 common stock subject to options or warrants currently exercisable or exercisable

within 60 days are deemed outstanding for the purposes of computing the percentage ownership of the person holding such options or warrants, but are not deemed outstanding for the purposes of computing the percentage ownership of any other person.

- (2) Include 200,000 stock options currently exercisable or exercisable within 60 days
 - (3) Include 900,000 stock options currently exercisable or exercisable within 60 days.
-

Changes in Control

We are unaware of any contract or other arrangement the operation of which may at a subsequent date result in a change of control of our company.

Item 12. Certain Relationships and Related Transactions.

Except as disclosed herein, there have been no transactions or proposed transactions in which the amount involved exceeds the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last three completed fiscal years in which any of our directors, executive officers or beneficial holders of more than 5% of the outstanding shares of our common stock, or any of their respective relatives, spouses, associates or affiliates, has had or will have any direct or material indirect interest.

Item 13. Exhibits*Exhibits required by Item 601 of Regulation S-B*

Exhibit Number	Description
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(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).
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3.2	By-laws (incorporated by reference from our Registration Statement on Form SB-2 filed on August 2, 2004).
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(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).
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(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).
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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).
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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).
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10.5	
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Distribution Agreement with Autostar Technology Private Limited. (incorporated by reference from our Current Report on Form 8-K filed on April 4, 2007).

(16) Code of Ethics

16.1 Code of Ethics and Business Conduct (incorporated by reference from our Annual Report on Form 10-KSB filed on October 10, 2007).

(16) Letter on Change in Certifying Accountant

16.1 Letter from Gordon Hughes & Banks, LLP regarding change in certifying accountant (incorporated by reference from our Form 8-K filed on July 30, 2007).

(31) Section 302 Certifications31.1* Section 302 Certification (Robert A. Morrison).31.2* Section 302 Certification (Mark Lana).**(32) Section 906 Certification**32.1* Section 906 Certification (Robert A. Morrison).32.2* Section 906 Certification (Mark Lana).

*Filed herewith

Item 14. Principal Accountant Fees and Services

The following table sets forth the fees billed to the Company for professional services rendered by the Company's independent registered public accounting firm, for the years ended June 30, 2008 and June 30, 2007:

Services	2008	2007
Audit fees	\$35,000	\$20,000
Tax fees	\$Nil	\$Nil
All other fees	\$Nil	\$Nil
Total fees	\$35,000	\$20,000

Audit Fees. Consist of fees billed for professional services rendered for the audits of our financial statements, reviews of our interim consolidated financial statements included in quarterly reports, services performed in connection with filings with the Securities and Exchange Commission and related comfort letters and other services that are normally provided by Weaver and Martin LLC for the fiscal year ended June 30, 2008 in connection with statutory and regulatory filings or engagements.

Tax Fees. Consist of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and local tax compliance and consultation in connection with various transactions and acquisitions.

We do not use Weaver and Martin LLC, for financial information system design and implementation. These services, which include designing or implementing a system that aggregates source data underlying the financial statements or generates information that is significant to our financial statements, are provided internally or by other service providers. We do not engage Weaver and Martin LLC to provide compliance outsourcing services.

Effective May 6, 2003, the Securities and Exchange Commission adopted rules that require that before Weaver and Martin LLC is engaged by us to render any auditing or permitted non-audit related service, the engagement be:

- approved by our audit committee (the functions of which are performed by our entire board of directors); or
- entered into pursuant to pre-approval policies and procedures established by the board of directors, provided the policies and procedures are detailed as to the particular service, the board of directors is informed of each service, and such policies and procedures do not include delegation of the board of directors' responsibilities to management.

Our entire board of directors pre-approves all services provided by our independent auditors. All of the above services and fees were reviewed and approved by our sole director either before or after the respective services were rendered.

Our board of directors have considered the nature and amount of fees billed by Weaver and Martin LLC and believe that the provision of services for activities unrelated to the audit is compatible with maintaining Weaver and Martin LLC's independence.

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.

HS3 TECHNOLOGIES INC.

By: /s/ Robert A. Morrison
Robert A. Morrison
Chief Operations Officer and Director
Principal Executive Officer
Date: February 23, 2009.

By: /s/ Mark Lana
Mark Lana
Chief Executive Officer, Treasurer, Secretary and Director
Principal Accounting Officer and Principal Financial Officer
Date: February 23, 2009.

Pursuant to the requirements of the Securities Exchange Act of 1934, 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/ Robert A. Morrison
Robert A. Morrison
Chief Operations Officer and Director
Principal Executive Officer
Date: February 23, 2009.

By: /s/ Mark Lana
Mark Lana
Chief Executive Officer, Treasurer, Secretary and Director
Principal Accounting Officer and Principal Financial Officer
Date: February 23, 2009.

By: /s/ Charles F. Ferris
Charles F. Ferris
Director
Date: February 23, 2009.

By: /s/ Michael Yinger
Michael Yinger
Director
Date: February 23, 2009.
