

HS3 TECHNOLOGIES INC.
Form 10-K
September 21, 2009

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

FORM 10-K

(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, 2009**

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:

N/A

(Title of class)

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

Yes [] No [x]

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the last 90 days.
Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-K (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

State issuer's revenues for its most recent fiscal year \$201,794

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.

28,561,576 common shares @ \$0.060 ⁽¹⁾ = \$1,713,695

⁽¹⁾ Average of bid and ask closing prices on September 11, 2009.

(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.

41,995,802 common shares issued and outstanding as of September 11, 2009

DOCUMENTS INCORPORATED BY REFERENCE

None.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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 including, but not limited to the following:

- . certain statements, including possible or assumed future results of operations, in Management's Discussion and Analysis of Financial Condition and Results of Operations;
- . any statements contained herein regarding the prospects for our business or any of our services;
- . any statements preceded by, followed by or that include the words may, should, believes, expects, anticipates, intends, continues, estimates, plans, targets, predicts, attempts, is scheduled, or similar expressions; and
- . other statements obtained herein regarding matters that are not historical facts.

Our business and results of operation are subject to risk and uncertainties, many of which are beyond our ability to control or predict. Because of these risks and uncertainties, actual results may differ materially from those expressed or implied by forward-looking statements, and investors are cautioned not to place undue reliance on such statements, which speak only as of the date thereof. Important factors that could cause actual results to differ materially from our expectations and may adversely affect our business and results of operations, include, but are not limited to those risk factors set forth in this report under the heading Item 1A. Risk Factors.

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, means HS3 Technologies, Inc., unless the context clearly requires otherwise.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

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. On November 9, 2005, we closed on an asset purchase agreement with IP-Colo, Inc. (IPC) wherein we acquired all of the assets of IPC. IPC was 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. On or about October 10, 2005, we changed our name to HS3 Technologies, Inc.

On September 6, 2006, we effected one (1) new for four (4) old reverse stock split of our authorized, issued and outstanding stock. As a result, our 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.

During fiscal year ended June 30, 2007 we: (a) sold 10,862,500 shares of our common stock for total cash proceeds of \$919,000; (b) issued 1,760,000 shares of our common stock for services rendered to us; (c) issued 1,356,811 shares in conversion of notes; and (d) issued 7,250,000 warrants for services rendered to us.

During fiscal year ended June 30, 2008 we: (a) sold 5,300,000 shares of our common stock for total cash proceeds of \$530,000; (b) issued 3,175,000 shares of our common stock for services rendered to us; (c) purchased and cancelled 5,000,000 warrants for \$70,964 and (d) issued 1,000,000 warrants in conjunction with our long-term debt.

During fiscal year ended June 30, 2009 we: (a) have issued 2,050,000 shares of our common stock for services rendered to us or for cancellation of various trade payables and (b) entered into \$857,000 of convertible notes payable with officers and private investors.

Effective February 1, 2009, we signed a ten (10) year agreement with the 130 year old American Humane Association (AHA). HS3 and AHA's relationship is to create a Video Monitoring System which has been indicated by AHA to become a standard part of the American Humane Certified program(AHC), which is a voluntary fee-based program available to producers, processors and haulers of animals raised for food. The AHC program provides independent third-party verification that those businesses treat and care for their animals humanely. Pursuant to the AHA agreement, we will provide the installation, integration, and monitoring of production facilities and the transportation of animals to ensure the husbandry and transportation of the animals conforms to AHC certification standards. Pursuant to the agreement, we will be paid a recurring monthly monitoring and equipment license fee for all monitoring locations attached to the agreement via executed statement of works.

Current Business

Currently we are primarily focused in the security and animal welfare industry. 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 by providing a single source portal to our customers with products and services in combinations that complete the security and monitoring matrix. 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), video monitoring centers, biometric access control, personal biometric identification units, cellular and 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. Our monitoring center in Denver, Colorado serves as a single point integrated security solutions portal, integrating our proprietary analytical software, network security, and video products.

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 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.

In the long-term, our ability to continue as a going concern is dependent upon successful and sufficient acceptance of our current security products, services and solutions by the market. Additionally we expect any new products or services 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.

After successful beta testing of three (3) beta sites and thirteen (13) monitoring locations, we entered into a ten (10) year agreement with the AHA, pursuant to which we are to install and integrate video monitoring systems in production, transportation and slaughter facilities to reflect the animal species and sub groups that the American Human Certified certifies allowing AHA to have a system that can provide real-time analytical technology tools and increase observation frequency. We, in conjunction with AHA, will roll out our products and services for those producers and processors as part of the AHC program.

Corporate Strategy

Our company integrates technology, services and people into solutions that enhance the level of security protection and surveillance services. Our company's goal is to become a security portal, with cutting-edge technology applications and solutions specifically tailored to meet the security needs of government, commercial and residential customers.

All of the products and services, including biometric access control, satellite remote monitoring, and DVRS are all security related. Unlike many of the security companies that focus exclusively on the hardware sales side of the business, our company's value proposition is to use our proprietary products to generate recurring revenue for our company in the form of monitoring and equipment licensing fees. We view the installation of our hardware products as the entry vehicle into a long-term technological relationship with our customers. We continually enhance our existing products by periodically re-designing them to accommodate to the requirement of our customer needs.

Research indicates that the video surveillance market is poised for explosive growth driven in part by step-up security measures according to government mandates for the monitoring of food safety and animal welfare in the coming years, a desire for heightened security, the need to replace existing and aging infrastructures as well as the transition from an analog based industry to a digital one will occur.

We intend to focus our attention on our agreement with AHA which certifies the livestock production cycle from birth-to-death. There are two primary production facilities that are critical in this process; growing houses and slaughter houses. We estimate that the number of large growing houses and slaughter houses suitable for our services and technology to be approximately 10,000 and 300 respectively.

Additional markets that we plan to explore with HS3 products and services are (i) agricultural producers that are concerned with covert animal welfare groups penetrating the security of their operations and (ii) the food processing, transport, and safety monitoring of animal protein production of the business which takes food from slaughter/death to dinner table. That final process is critical for ensuring food safety for consumers. Additionally this can obviate expensive beef and poultry recalls or theft, that cost beef and poultry companies millions of dollars each year.

Principal Products and Services

We offer a diverse line of cutting-edge products, services, and customized integrated security solutions that can be applied to any commercial, agricultural, or residential package. We offer Digital Video Recording Technology, a self-contained remote video outpost-OPIE (Outside Portable Investigative Equipment), Video Monitoring, Cellular and Wireless Mesh Networks and Wireless Internet-Linked Satellite Surveillance Systems, Remote Video Monitoring and System Management Services. We have designed and built ammonia and temperature sensors, and other customer specific digital sensors that are utilized within the livestock industry for the monitoring of animal welfare.

Digital Video Recording Technology

We provide in house manufactured DVRs that are designed to meet the specific requirements of our customers. HS3 manufactured DVR s are durable, efficient, integrated solutions employing HS3 s logical and physical security specifications. Designed with intelligent capabilities and built by our staff insures frame rates and bandwidth demands meeting our monitoring center requirements for efficient transmission and visual reception quality. Typical customer requests are for 4-port DVR s with the largest having been built to date including 16 ports.

OPIE (Outside Portable Investigative Equipment)

OPIE is a self-contained remote video outpost with 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 access to electric and internet networks.is limited or not available.

Video Monitoring

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

Our integrated operating systems provide real-time access through secured networks delivering monitoring information 24/7 via the internet to authorized personnel possessing the proper security clearance. Additional biometric technology can be added to ensure user identity interface.

Cellular and Wireless Mesh Network Units and High Speed Satellite Internet

We have developed and deployed wireless mesh networking products that were created to meet our need for remote location video monitoring. When conducting video monitoring for remote locations such as oil fields or power plants, the challenge for camera location is the limited range due to cost restraints of laying cable. The wireless mesh network was created to enhance satellite Internet connection by increasing connectivity over a broader physical range.

We provide customers with completely integrated surveillance solutions using existing high-speed internet or satellite connectivity. We have access to and can supply 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 internet cost effectively.

Manufacturing

To maintain the highest standards and insure that HS3 DVR s specifications meet the internal transmission requirements of our Denver monitoring center, we will continue manufacturing under the watchful eyes of our staff. Manufacturing of our DVR security products are completed in-house. We additionally plan to rely on camera manufacturers to produce high quality security products for sale to our customers.

Installation

The installation of our security products has been performed by our in-house team of installers. HS3 continues to focus on service and customer satisfaction, not just technology as the total solution we offer customers. We will rely on these installers to install our security products.

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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 unforeseen 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, or by contracted consultants and with individuals who have unique exclusive relationships developed with some of our suppliers.

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. We hold as a trade secret the method and processing performed on video transmitted to our monitoring center and the analytics applied.

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, 2009, we had six (6) full-time employees and no part-time employees. Of those employees, none are covered by collective bargaining agreements.

ITEM 1A. 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 annual 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, equity financing or factoring (selling) our contracted for revenue stream. 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 services which compete directly with our security products and services and some of the companies developing these security products and 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 services non-competitive or obsolete and consequently affect our ability to generate revenues.

We will derive all of our revenues from the sale, licensing or leasing of our security products and services. Such security products and 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 services that meet customer demands. We expect new security products and services to be developed and introduced by other companies that compete with our security products and services. The proliferation of new and established companies offering similar security products and services may reduce demand for our particular security products and 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 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 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 services and implement our business objectives could be adversely effected.

To continue to grow, 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 may 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 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 may 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 quality assurance and efficiency measure, we plan to manufacture our own security products and additionally contract some manufacturing to third parties. We could be adversely affected by an increase in our manufacturer's prices of manufacturing services or a significant decline in our manufacturer's 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 some of 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 customer's 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 services, our potential revenues may be significantly limited.

We expect that a substantial portion, if not all, of our future revenue will be derived from the licensing of our security products and services. We expect that these security products and 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 with positive cash flow.

Although we are in the early stages of developing and implementing the commercialization of our security products and services, there is no assurance that we will be able to successfully develop sales of our security products and 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 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 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 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 services and enhance our current security products and services on a timely and cost-effective basis. Further, our security products and 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 services or enhanced versions of existing security products and services. Also, we may not be able to adapt new or enhanced security products or services to emerging industry standards, and our new security products or services may not be favorably received.

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

We cannot predict with certainty the potential consumer demand for our security products or services or the degree to which we will meet that demand. If demand for our security products or services do 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 services to four primary customer groups; residential, commercial, agricultural, 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. On August 7, 2009, our board recommended increasing the total authorized shares to 200,000,000, which will be included at the annual meeting for shareholder vote.

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 Financial Industry Regulatory Authority, or FINRA, 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 FINRA has adopted rules that require 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, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

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, 2009 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-K

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 plus taxes and utilities from a company owned by a major stockholder and officer of the company, for a 2-year term that commenced on November 1, 2007. We believe that our principal office will be adequate for our needs for the next 2 years.

ITEM 3. LEGAL PROCEEDINGS

We know of no material, existing, or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors,

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officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

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

On November 4, 2009 an annual and special meeting of stockholders of HS3 Technologies Inc., a Nevada corporation, will be held at Suite 600, 1800 Boulder Street, Denver, Colorado USA 80211. The Meeting will be held for the following purposes:

Elect: Mark Lana Chief Executive Officer, Treasurer, and Director Elect: Robert A. Morrison President and Director Elect: Charles F. Ferris, Ph.D. Chairman of the Board and Director

Elect: Michael Yinger Secretary and Director

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

Increase to the number of shares of our common stock from 50,000,000 shares to 200,000,000 shares, par value \$0.001.

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	High	Low
June 30, 2009	\$0.13	\$0.01
March 31, 2009	\$0.11	\$0.01
December 31, 2008	\$0.04	\$0.01
September 30, 2008	\$0.04	\$0.01
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	\$1.28	\$0.32

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On September 11, 2009, the closing price for the common stock as reported by the quotation service operated by the OTC Bulletin Board was \$0.06.

As of September 11, 2009, there were 65 holders of record of our common stock. As of such date, 41,995,802 common shares were issued and outstanding.

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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

On March 1, 2009 we issued 250,000 shares of our common stock to a third party for cancellation of \$21,592 of accounts payable due such third party. The shares were issued to a U.S. person pursuant to the exemption from registration provided under Rule 506 of Regulation D, promulgated under the United States Securities Act of 1933, as amended.

On February 1, 2009, we entered into a \$500,000 loan with William S. Dickey, Chief Operating Officer, pursuant to a debt conversion agreement. The loan bears interest at 15% and a conversion price of \$0.10 per share and is due on demand or converted at the option of the lender. The loan was issued to a U.S. person pursuant to the exemption from registration provided for under Rule 506 of Regulation D, promulgated under the United States Securities Act of 1933, as amended.

On February 1, 2009, we entered into an eleven (11) month Financial Consulting Agreement with William S. Dickey. We issued 1,000,000 shares of our common stock for such services rendered to us. The shares were issued to a U.S. person pursuant to the exemption from registration provided for under Rule 506 of Regulation D, promulgated under the United States Securities Act of 1933, as amended.

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.

In February and March, 2008, we, pursuant to a loan and security agreement, entered into two (2) \$200,000 promissory notes with Vencore Solutions, LLC. 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, 2009 there is a balance of \$242,010. The notes are secured with the company's personal property as defined in the loan and security agreements. The company has issued Vencore Solutions, LLC a warrant for the purchase of 1,000,000 shares of common stock at a purchase price of \$.12 per share with an expiration date of five (5) years after the commencement date of the first loan. 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.

On February 28, 2008, we sold 250,000 shares of our stock for \$25,000.

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.

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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.

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.

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, 2009, 1,500,000 options (with an exercise price of \$.1667) are outstanding which expire in March 2012

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 selected 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 at September 11, 2009:

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 not approved by security holders:			
Options	1,500,000	\$.1667	
Warrants	1,000,000	\$.1200	None

Total	2,500,000	\$.1480	
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ITEM 6. SELECTED FINANCIAL DATA

As a smaller reporting company, we are not required to provide the information required by this Item.

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

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.

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.

Plan of Operations And Cash Requirements

Our operating expenses (selling, general and administrative expenses) consist mostly of wages and benefits, contract services and communication expenses. The amount incurred by our company for the years ended June 30, 2009 and 2008, respectively was approximately \$1.1 million and 2.1 million.

Our cash on hand at June 30, 2009 was approximately \$40,000. We have made a concentrated effort over the prior twelve months to reduce our selling, general and administrative expenses, which currently have a cash burn rate of approximately \$60,000 to \$75,000 per month. Until the time period that additional monitoring locations, pursuant to the AHA contract or other market//customers, are on revenue, we may need to raise additional working capital to fund our current business activities. We intend to raise the additional capital needed to meet these immediate short-term needs primarily through borrowings from officers, directors or private investors or factoring our revenue streams.

Over the long term we will require additional financing in order to acquire equipment, install and monitor additional locations pursuant to the AHA contract, as well as any other expansions into newer markets for us. We anticipate relying on cash flows from operations, equity and/or debt financing and factoring our revenue streams for such expansion. We presently do not have any arrangements for additional financing for the expansion of our operations, and no potential lines of credit or sources of financing are currently in place for the purpose of proceeding with our plan of operations.

Results of Operations for the year ended June 30, 2009 and 2008

Revenue and Cost of goods sold.

We derive revenue from our operations by charging monthly fees for providing integrated equipment, monitoring, labor and other technology services as well as equipment sales to our customers. Our revenue and cost of goods sold for the year ended June 30, 2009 and 2008 are outlined in the table below:

	Year ended June 30,	
<u>2009</u>		<u>2008</u>

VMS Revenue:			
Equipment license/monitoring fees	\$	21,488	\$ 555
Domain/business hosting fees		4,546	9,443
Other		20,072	-
	\$	46,106	\$ 9,998

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	Year ended June 30,	
	<u>2009</u>	<u>2008</u>
Other Revenue:		
Equipment sales	\$ 102,762	\$ 1,013,402
IT Services	52,585	221,968
Other	341	159
	\$ 155,688	\$ 1,235,529
Revenue	\$ 201,794	1,245,527
Cost of goods sold	(71,459)	(582,977)
	\$ 130,335	\$ 662,550

Other revenues for the year ended June 30, 2009 decreased as compared to the comparative period in 2008 as a result of our Company temporarily suspending marketing efforts for our products and services in order to focus exclusively on the AHA beta testing consummation, signing of the agreement and the intended roll-out and implementation. During the year ended June 30, 2008, we had approximately \$784,000 of sales to Nickelodeon pursuant to an agreement that failed to develop into a monitoring arrangement for our Company. Our gross profit percent on equipment sales was 30% and 42% for the year ended June 30, 2009 and 2008, respectively.

VMS revenue is however growing as we have started rolling our locations in conjunction with the AHA contract

Selling, general and administrative expenses.

Our selling, general and administrative expenses for the year ended June 30, 2009 and 2008 are outlined in the table below:

	Year ended June 30,	
	<u>2009</u>	<u>2008</u>
Wages & employee benefits	\$ 607,405	\$ 795,447
Contract services	141,926	359,420
Computer network services	27,312	113,328
Accounting, audit and tax expenses	33,595	42,481
Rent	52,800	51,200
Legal	13,611	74,723
Board fees	50,000	45,832
Telephone	46,125	42,166
Travel, meals and entertainment	19,055	23,188
Research and development	1,233	22,385
Stock transfer/shareholder/proxy fees	1,902	18,580
Insurance	22,294	16,483
Computer server/other	1,155	12,565
Utilities	13,302	8,899
Advertising/promotion/IR	59,272	1,080
Other expenses	18,957	359,893
Bad debt expenses	17,151	154,406

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\$ 1,127,095 \$ 2,142,076

Selling, general and administrative expenses for the year ended June 30, 2009 decreased by 48% as compared to the comparative period in 2008 primarily as a result of our management making a concentrative effort to reduce such costs.

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Contract services for the year ended June 30, 2009 decreased as compared to the comparative period in 2008 primarily as a result of the inclusion in 2008 of \$163,250 of stock issued for services to the independent directors and two third parties and \$85,234 to a former officer for services. Included in the year ended June 30, 2009 is \$20,000 of stock issued for services, \$86,000 for marketing consulting fees and \$17,500 for investment banking fees.

Advertising/promotion/IR expenses for the year end June 30, 2009 increased as compared to the comparative period in 2008 primarily as a result of \$32,500 (including stock issued for services, \$12,000) to Wall Street Resources, pursuant to our Financial Communications Consulting Agreement and \$11,100 for a web site development project. Other expenses for the year ended June 30, 2008 includes \$282,000 of amortization cost of warrants issued late in 2006.

Financial Condition, Liquidity and Capital Resources

Our principal capital resources have been through the issuance of common stock, shareholder loans, advances from related parties and borrowings. Our primary liquidity needs are to fund our working capital requirements and future equipment purchases. Our ability to continue as a going concern is dependent upon obtaining additional working capital to develop our business operations.

	June 30, 2009	June 30, 2008
Current Assets	\$ 438,702	\$ 260,427
Current Liabilities (a)	832,053	1,895,871
Working Capital (deficit)	\$ (393,351)	\$ ((1,635,444)
Long-term debt	\$ 242,010	\$ 109,024
Stockholder s Equity(deficit)	\$ (557,981)	\$ (1,680,808)
Current Liabilities (a)		
Trade accounts payable	\$ 215,890	\$ 75,323
Other accrued liabilities	290,926	514,562
Convertible notes payable	212,000	1,173,000
Long-term debt, current portion	113,237	132,986
	\$ 832,053	\$ 1,895,871

Our primary liquidity needs are to fund our working capital requirements and future capital expenditures. Our ability to continue as a going concern is dependent upon obtaining additional working capital to develop our business operations. We intend to use borrowings, security sales and/or factoring our revenue streams to mitigate the affects of our cash position; however, due to current conditions in the debt and equity markets, no assurance can be given that debt or equity financing, if and when required, will be available.

Working Capital

	June 30, 2009	June 30, 2008	Percentage Increase/ (Decrease)
Current Assets	\$ 260,427	\$ 438,702	(40.6%)
Current Liabilities	1,895,871	832,053	127.9%
Working Capital (deficit)	\$ (1,635,444)	\$ (393,351)	315.8%

Cash Flows

	Year ended June 30,		
	2009	2008	2007
Net cash (used in) operating activities	\$ (908,298)	\$ (767,802)	\$ (891,310)
Net cash (used in) by investing activities	(25,809)	(6,593)	(40,322)
Net cash flow provided by (used in) financing activities	842,381	903,729	919,000
Increase (decrease) in cash and cash equivalents	\$ (91,726)	\$ 129,334	\$ (12,632)

Our cash on hand at June 30, 2009 was approximately \$40,000. We have made a concentrated effort over the prior twelve months to reduce our selling, general and administrative expenses, which currently have a cash burn rate of approximately \$60,000 to \$75,000 per month. Until the time period that additional monitoring locations, pursuant to the AHA contract, or other markets/customers are on revenue, we may need to raise additional working capital to fund our current business activities. We intend to raise the additional capital needed to meet these immediate short-term needs primarily through borrowings from officers, directors or private investors or factoring our revenue streams..

Over the long term we will require additional financing in order to acquire equipment, install and monitor additional monitoring locations pursuant to the AHA contract, as well as any other expansions into newer markets for us. We anticipate relying on cash flows from operations, equity and/or debt financing and/or factoring our revenue streams for such expansion. We presently do not have any arrangements for additional financing for the expansion of our operations, and no potential lines of credit or sources of financing are currently in place for the purpose of proceeding with our plan of operations.

Contractual Obligations

As a smaller reporting company, we are not required to provide tabular disclosure obligations.

Going Concern

We have incurred losses since our inception. Because of these historical losses, we will require additional working capital to develop our business operations. We intend to use borrowings, security sales and/or revenue factoring to mitigate the affects of our cash position; however, no assurance can be given that debt or equity financing, if and when required, will be available.

The continuation of our business is dependent upon obtaining further financing and achieving a break even or profitable level of operations. Any 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 to support our working capital requirements. To the extent that funds generated from operations and any equity and/or debt 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 be able to 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 recorded assets 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, stock and options and the valuation allowance for our deferred income tax benefit.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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, 2009 and 2008

Consolidated Statements of Operations for the years ended June 30, 2009, 2008 and 2007

Consolidated Statements of Stockholders' Equity (Deficit) for the years ended June 30, 2009, 2008 and 2007

Consolidated Statements of Cash Flows for the years ended June 30, 2009, 2008 and 2007

Notes to the Consolidated Financial Statements

HS3 Technologies, Inc.
Condensed consolidated balance sheets

	June 30, 2009	June 30, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 38,592	\$ 130,318
Trade accounts receivable	18,396	215,499
Other receivables	56,427	-
Inventory	147,012	92,885
	260,427	438,702
Furniture, fixtures and equipment, net of accumulated depreciation of \$84,650 and \$54,454 respectively	76,493	80,880
Other assets, net	15,167	24,500
	\$ 352,087	\$ 544,082
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 75,323	\$ 215,890
Other accrued liabilities	514,562	290,926
Convertible notes payable	1,173,000	212,000
Long-term debt, current portion	132,986	113,237
	1,895,871	832,053
Long-term debt	109,024	242,010
Other long-term liabilities	28,000	28,000
Total Liabilities	2,032,895	1,102,063
Stockholders' Equity (Deficit):		
Preferred stock, \$0.0001 par value, 2,500,000 shares authorized, none issued or outstanding	-	-
Common Stock, \$0.001 par value, 50,000,000 authorized, issued and outstanding 41,995,802 and 39,945,802 shares at June 30, 2009 and 2008, respectively	41,996	39,946
Additional paid-in capital	4,385,001	4,333,459
Accumulated deficit	(6,107,805)	(4,931,386)
	(1,680,808)	(557,981)
	\$ 352,087	\$ 544,082

See accompanying notes to condensed consolidated financial statements

HS3 Technologies, Inc.
Condensed consolidated statement of operations

	<u>2009</u>	<u>Year ended June 30,</u> <u>2008</u>	2007
Revenue	\$ 201,794	\$ 1,245,527	\$ 203,106
Cost of goods sold	71,459	582,977	105,406
Gross profit	130,335	662,550	97,700
Operating Expenses:			
Selling, general and administrative	1,127,095	2,142,076	2,990,868
Depreciation and amortization	39,531	28,440	19,539
Total operating expenses	1,166,626	2,170,516	3,010,407
Loss from operations	(1,036,291)	(1,507,966)	(2,912,707)
Other income (expense):			
Interest expense, net	(140,128)	(48,482)	(11,620)
Total other income (expense)	(140,128)	(48,482)	(11,620)
Net loss	\$ (1,176,419)	\$ (1,556,448)	\$ (2,924,327)
Net loss per share-basic and diluted	\$ (0.028)	\$ (0.046)	\$ (0.134)
Weighted average number of common shares outstanding	41,141,692	33,820,893	21,783,375

See accompanying notes to condensed consolidated financial statements

HS3 Technologies, Inc.
Condensed consolidated statement of stockholders equity (deficit)

	Common Stock		Additional	Unamortized	Retained	Total
	Shares	Amount	Paid-in	Stock/Warrants	Earnings	Stockholders
			Capital	Issued for	(Deficit)	Equity
				Service		(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	908,139	-	-	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	-	-	-	-	(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)
Net loss	-	-	-	-	(1,556,448)	(1,556,448)
Balances as of June 30, 2008	39,945,802	\$ 39,946	\$ 4,333,459	\$ -	\$ (4,931,386)	\$ (557,981)
Shares issued for cash	-	-	-	-	-	-
Shares issued for services/cancellation of debt	2,050,000	2,050	51,542	-	-	53,592
Net loss	-	-	-	-	(1,176,419)	(1,176,419)

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Balances as of 41,995,802 \$ 41,996 \$ 4,385,001 \$ - \$ (6,107,805) \$ (1,680,808)
June 30, 2009

See accompanying notes to condensed consolidated financial statements

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HS3 Technologies, Inc.
Condensed consolidated statement of cash flows

	<u>Year ended June 30,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:			
Net loss	\$ (1,176,419)	\$ (1,556,448)	(2,924,327)
Adjustments to reconcile net loss to net cash provided by (used in) operations:			
Depreciation and amortization	39,531	31,538	19,539
Accretion of interest	5,380	2,689	-
Warrants, stock, and options issued for service	53,592	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 and other receivables	140,676	(122,597)	(82,957)
Inventory	(54,127)	5,129	14,979
Deposit on inventory	-	22,885	(14,535)
Accounts payable and accrued liabilities	83,069	359,032	71,939
Net cash (used) in operating activities	(908,298)	(767,802)	(891,310)
Cash flow from investing activities:			
Proceeds from sale of fixed assets	-	-	5,200
Additions to furniture, fixtures & equipment	(25,809)	(6,593)	(45,522)
Net cash (used in) investing activities	(25,809)	(6,593)	(40,322)
Cash flow from financing activities:			
Sale of common stock	-	530,000	919,000
Proceeds from sale of warrants	-	16,135	-
Acquisition of stock warrants	-	(70,964)	-
Convertible notes payable issued for cancellation of accrued liabilities	104,000	-	-
Proceeds from convertible notes payable	857,000	76,000	-
Borrowings (repayments) long-term debt	(118,619)	352,558	-
Net cash flow provided by financing activities	842,381	903,729	919,000
Increase (decrease) in cash and cash equivalents	(91,726)	129,334	(12,632)
Cash and cash equivalents, beginning of period	130,318	984	13,616
Cash and cash equivalents, end of period	\$ 38,592	\$ 130,318	984
Supplemental cash flow information:			
Interest paid	\$ 44,108	\$ 26,135	-
Income taxes paid	\$ -	\$ -	-
Non cash financing activities:			
Stock issued for services	\$ 53,592	\$ 208,050	-

See accompanying notes to condensed consolidated financial statements

HS3 Technologies, Inc.

Notes to condensed consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

(a) Nature of Business

HS3 Technologies, Inc. (HS3 or the Company) was incorporated in Nevada on January 28, 2003. Prior to a name change in October 2005, the Company was known as Zeno, Inc. The Company also changed its fiscal year end from March 31 to June 30. In November 2005, the Company acquired ip-Colo, Inc., in a reorganization, a development stage corporation (herein referred to as ip-Colo). On the date of the reorganization, the Company, a non-operating entity without any assets or liabilities, was to provide advanced wireless technologies integrated with high-speed internet, via satellite, and to provide real-time security and monitoring for many industries.

We offer a diverse line of cutting edge products, services and customized integrated security solutions 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, video monitoring, cellular and wireless mesh networks and wireless internet-linked satellite surveillance systems. This combination of products encompasses a total line that we believe will meet many commercial, agricultural, governmental, and residential customer security needs.

Effective February 1, 2009, we signed a ten (10) year agreement with the 131-year-old American Humane Association (AHA"). HS3 and AHA s relationship is to create a Video Monitoring System (VMS) which has been indicated by AHA to become a standard part of the American Humane Certified (AHC) program, which is a voluntary fee-based program available to producers, processors and haulers of animals raised for food. The AHC program provides independent third-party verification that those businesses treat and care for their animals humanely. Pursuant to the AHA agreement, we will provide the installation, integration, and monitoring of production facilities and the transportation of animals to ensure the husbandry and transportation of the animals conforms to AHC certification standards. Pursuant to the agreement, we will be paid a recurring monthly monitoring and equipment license fee for all monitoring locations attached to the agreement through executed statement of works.

(b) Basis of presentation and use of estimates

The accompanying condensed consolidated financial statements in this annual report on Form 10-K have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, these statements reflect adjustments (consisting only of normal recurring entries), which in our opinion, are necessary for a fair presentation of the financial results for the periods presented. Our accounting and financial reporting policies conform to accounting principles and practices generally accepted in the United States of America. The accompanying consolidated financial statements include the accounts of HS3 and its controlled subsidiaries. All significant inter-company accounts and transactions have been eliminated in the preparation of the accompanying condensed consolidated financial statements We have 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 stockholders.

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 estimates 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.

(c) Cash and cash equivalents

We consider all short-term investments with a remaining maturity of three months or less at the date of purchase to be cash equivalents.

(d) 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 estimated useful lives (3-5 years). Expenditures for maintenance and repairs are charged to expense.

(e) Inventory

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

(f) 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.

(g) 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.

(h) 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.

(i) Income Taxes

The Company has adopted SFAS No. 109, Account 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 expect to reverse.

(j) Equity-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 an extended period of time, the value is amortized over the life of the period that services are performed.

(k) 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 collectability of accounts receivable on a combination of factors. Our policies require us to write off or 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 write off receivables when we believe an amount is not collectible. We do not have any reserves for bad debt at June 30, 2009.

(l) 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.

(m) Reclassifications

Certain amounts in the prior periods have been reclassified to conform to the current period's presentation.

2. GOING CONCERN

The accompanying condensed consolidated financial statements have been prepared assuming that we will continue as a going concern. Our ability to continue as a going concern is dependent upon us obtaining additional working capital to develop our business operations. We intend to use borrowings, stock sales and/or revenue factoring to mitigate the affects of our cash position; however, no assurance can be given that debt or equity financing, if and when required, will be available. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should we be unable to continue as a going concern.

3. OTHER ACCRUED LIABILITIES

Other accrued liabilities are as follows:

	June 30, <u>2009</u>	June 30, <u>2008</u>
Accrued board fees	\$ 95,832	\$ 45,832
Accrued rent, officer	-	62,154
Accrued salaries, officers	293,542	106,563
Accrued interest	115,662	38,075
Payroll liabilities	9,372	30,609
Sales tax payable	154	7,693
	\$ 514,562	\$ 290,926

Board fees to the two independent board of directors are \$25,000 annually which is being deferred until the Company has the ability to pay at which time the board members have the option to receive cash or convert into common stock at the rate of \$0.12 or the rate of the last conversion agreement.

The Company leases office space from a company owned by an officer/director. On March 31, 2009, the Company issued a \$104,000 convertible note payable to the officer/director for cancellation of the accrued rent.

Accrued interest represents interest on the convertible notes payable.

4. CONVERTIBLE NOTES PAYABLE

The Company has been provided with the following unsecured loans (bearing interest from 12% to 15% and convertible between \$0.10 to \$0.12) from officers, directors or private investors pursuant to debt conversion agreements. All principle and interest are due on demand or are converted at the discretion of the provider of the loan.

	June 30 <u>2009</u>	June 30 <u>2008</u>
Officers and/or		
Directors:		
William S. Dickey	\$ 725,000	\$ -
Robert A. Morrison	300,000	174,000
Mark L. Lana	27,000	27,000
Charles Ferris	10,000	10,000
Mike Yinger	1,000	1,000
	\$ 1,063,000	\$ 212,000
Private Investors	110,000	. . .
	\$ 1,173,000	\$ 212,000

During the year ended June 30, 2009, we entered into loans for a total of \$857,000 pursuant to debt conversion agreements. On March 31, 2009, we entered into a \$104,000 loan with Rob Morrison pursuant to a debt conversion agreement for cancellation of accrued rent to such officer.

5. LONG-TERM DEBT

In February and March 2008 the Company, pursuant to a loan and security agreement, entered into two (2) \$200,000 promissory notes. In addition, the Company issued to the lender a warrant for the purchase of one million (1,000,000) shares of common stock at a purchase price of \$.12 per share with an expiration date of five (5) years after the commencement date of the first loan.

The notes have an interest rate of 15.499% and mature in three (3) years from the commencement date, and are collateralized with the Company's personal property as defined in the loan and security agreement. For the year ended June 30, 2009, we recorded \$50,479 as interest expense pursuant to the notes.

Each note also has a final payment fee of \$14,000 that is due on the earlier to occur of the maturity date or prepayment. These fees are being amortized over the life of the loans with the obligation reflected in other long-term liabilities. For the year ended June 30, 2009, we expensed \$9,334.

The \$400,000 proceeds were allocated to each instrument based on the fair market value of each based on the Black-Scholes pricing model. The assumptions used in valuing the warrants were: stock price \$.13; exercise price \$.12, life 5 years; volatility 101.17%; dividend yield 0%; and the yield of a risk free investment 3.08%. 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 accreted into interest expense based on the straight line method over the three (3) year life of the loans. For year ended June 30, 2009 and 2008 we recorded \$5,380 and \$2,689 respectively as additional interest expense. At June 30, 2009 we had \$8,067 discount remaining to be amortized into interest. The value of the loans at June 30, 2009 was \$250,077. The current portion of the debt was \$132,986 after discount (\$138,364 principal owed) and the long term portion of the debt was \$109,024 after discount (\$111,713 principal owed).

6. COMMON STOCK

During fiscal year ended June 30, 2008 we: (a) sold 5,300,000 shares of our common stock for \$.10 per share for total cash proceeds of \$530,000; (b) issued 3,175,000 shares of our common stock for services rendered to us; (c) purchased and cancelled 5,000,000 of the outstanding warrants for \$70,964 and (d) issued 1,000,000 warrants in conjunction with our long-term debt.

On August 15, 2008 the Company entered into a six (6) month Financial Communications Consulting Agreement with Wall Street Resources, Inc. to provide written analytical coverage and consultation 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 which has been accrued for. We valued the 800,000 shares based on the quoted trade price on August 15, 2008 (\$0.015) and recorded \$12,000 as advertising/promotion/IR expense. In addition, 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. At June 30, 2009, \$20,500 has been accrued and included in trade accounts payable pursuant to this agreement.

On February 1, 2009, we entered into a eleven (11) month Financial Consulting Agreement with a third party. We issued the third party 1,000,000 shares of our common stock for services rendered to us. We valued the 1,000,000 shares based on the quoted trade price of February 1, 2009 (\$.020) and recorded \$20,000 as contract services expense.

On March 1, 2009, we issued 250,000 shares of our common stock to a third party for cancellation of \$21,592 of accounts payable due such third party. In addition, we entered into a six (6) month consulting agreement with this third party agreeing to pay the consultant at a rate of \$9,000 per month to provide consultation matters concerning marketing and relationships with potential producers under the AHA agreement.

Pursuant to the 2005 Stock Option Plan, the Board of Directors had granted 2,500,000 options under the plan. At June 30, 2009, 1,500,000 options (with an exercise price of \$.1667) are outstanding which expire in March 2012. In addition, 1,250,000 and 1,000,000 share purchase warrants with an exercise price of \$.12 per share expired on September 8, 2008 and December 4, 2008, respectively.

On January 30, 2009, we entered into a common share purchase agreement wherein we were to acquire 2,821,391 of our common shares from a shareholder for \$56,427 in which we advanced money. The agreement did not close and the parties have rescinded the transaction and we have recorded a receivable back for the money, which is currently outstanding and subject to litigation.

7. WARRANTS AND OPTIONS

The following schedule reflects outstanding warrants and stock options as of June 30, 2009:

	<u>Shares</u>	<u>Date Issued</u>	<u>Strike Price</u>	<u>Expiration Date</u>
Stock Options	1,500,000	March 2007	\$.1667	March 2012
Warrants	1,000,000	February 2008	\$.120	February 2013

8. COMMITMENTS AND CONTINGENCIES

Operating leases. We lease property and equipment under non-cancelable operating leases that extend through July 31, 2010. At June 30, 2009, future minimum lease payments under these non-cancelable operating leases are as follows:

Year Ending June 30:	Property and Equipment
2010	\$ 19,019
2011	118
2012	-
2013	-
2014	-
Thereafter	-
	\$ 19,137

9. SUBSEQUENT EVENTS

In July 2009, we executed eight (8) statement of works pursuant to the Master Licensing and Monitoring Agreement with AHA dated February 1, 2009. These eight statement of works adds 22 monitoring locations to the already 13 beta locations we had on revenue. We are currently working on additional statement of works with AHA that would add approximately 60 additional locations. . Subsequent to year ended June 30, 2009, William S. Dickey loaned us on August 1, 2009 and September 7, 2009 another \$100,000 pursuant to similar debt conversion agreements.

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

None.

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 June 30, 2009 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 Operations Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of June 30, 2009, 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 June 30, 2009.

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 Operating 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

There have been no changes in our internal controls over financial reporting that occurred during the year ended June 30, 2009 that have materially or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*Directors and Executive Officers, Promoters and Control Persons*

As of September 11, 2009, 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, and Director	55	November 9, 2005
Robert A. Morrison	President and Director	44	June 18, 2007
William S. Dickey	Chief Operations Officer	51	February 17, 2009
Charles F. Ferris	Chairman of the Board and Director	62	August 14, 2007
Michael Yinger	Secretary and Director	52	August 14, 2007

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, Treasurer, 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.

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, President 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, resigned from this post & reassumed President on February 1, 2009.

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.

William S. Dickey, Chief Operations Officer

Bill Dickey was elected to act as Chief Operations Officer February 17, 2008.

Mr. Dickey was Executive Vice President, COO and Director of the general partner at TransMontaigne Partners L.P. (2005-2008) and Executive Vice President and COO of TransMontaigne Inc (2000-2008). He has also served as Vice President of TEPPCO Partners, L.P. and Vice President and CFO for Associated Natural Gas, Inc and its successor, Duke Energy Field Services. Bill attended New Mexico State University where he earned a Bachelor of Science in Accounting.

Charles F. Ferris, Chairman of the Board and 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, Secretary and 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	40

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 was filed with the Securities and Exchange Commission as Exhibit 16.1 to our annual report on Form 10-KSB for the year ended June 30, 2007. 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 407(d)(5)(ii) of Regulation S-K.

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, 2009, all filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with.

ITEM 11. EXECUTIVE COMPENSATION

The particulars of compensation paid to the following persons:

- our principal executive officer; and
- each of our two most highly compensated executive officers who were serving as executive officers at the end of the year ended June 30, 2009 who had total compensation exceeding \$100,000.

SUMMARY COMPENSATION TABLE									
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Mark Lana ⁽¹⁾ Chief Executive Officer, Treasurer	2009	\$125,000	0	0	0	0	0	0	\$125,000
	2008	\$125,000	Nil	\$14,400	\$43,260	Nil	Nil	Nil	\$139,400
	2007	\$125,000	Nil	Nil	Nil	Nil	Nil	Nil	\$168,260
Robert A. Morrison ⁽²⁾ President	2009	\$115,000	0	0	0	0	Nil	Nil	\$115,000
	2008	\$115,000	Nil	Nil	\$33,340	N/A	N/A	N/A	\$148,340
	2007	\$115,000	Nil	N/A	\$151,411	N/A	N/A	N/A	\$266,411

(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 and subsequently resigned this role on February 17, 2009.

(2) Mr. Morrison was appointed President 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 and resigned this role on February 17, 2009 and reassumed the role of President.

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 2009.

Name	Option Awards					Stock Awards				
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units 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, Units or Other Rights that Have Not Vested	

									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

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 rendered up to that date. The value of the services was \$86,400 based on the trading price of our stock on the day the shares were approved and this was included as professional fee expense. Subsequent to August 15, 2007, we agreed to compensate our independent directors at \$25,000 annually which may be deferred until we have the ability to pay, at which time the board members have the option to receive cash or convert to common equity. At June 30, 2009 we have accrued \$95,832 for board fees unpaid and an offsetting professional fee expense. On June 4, 2008 we agreed to issue 600,000 shares of our common stock to Mr. Ferris and Mr. Yinger for additional services rendered. The value of the services was \$24,000 based on the trading price of our stock on the day the shares were approved and this was included as professional fee expense.

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 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

As of September 11, 2009, there were 41,995,802 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 September 11, 2009 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⁾	6.99%
Robert A. Morrison 1800 Boulder Street, Suite 600 Denver, CO 80211	4,277,113 ⁽³⁾	10.18%
Chuck Ferris 11612 E. 2 nd Ave Aurora, CO 80010	660,000	1.57%
Michael Yinger 10940 S. Parker Road, Suite 151 Parker, CO 80134	660,000	1.57%
William S. Dickey 6130 S. Elm Court Centennial, CO 80121	1,000,000	2.38%

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class ⁽¹⁾
DQ Investment Group (4) 6130 S. Elm Ct. Centennial, CO 80121	5,000,000	11.91%
Directors and Executive Officers as a group (5 people)	14,534,226	34.60%

(1) Based on 41,995,802 shares of common stock issued and outstanding as of September 11, 2009. 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) Includes 200,000 stock options currently exercisable or exercisable within 60 days

(3) Includes 900,000 stock options currently exercisable or exercisable within 60 days.

(4) Family partnership in which William S. Dickey is a general partner with voting control.

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 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

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.

Director Independence

We currently act with four (4) directors, consisting of Mark Lana, Robert A. Morrison, Charles F. Ferris and Michael Yinger. We have determined that Charles F. Ferris and Michael Yinger qualify as "independent" as the term is used in Item 7(d)(3)(iv)(B) of Schedule 14A under the Securities Exchange Act of 1934, as amended, and as defined by Rule 4200(a)(15) of the NASDAQ Marketplace Rules.

Currently our audit committee consists of our entire board of directors. We currently do not have nominating, compensation committees or committees performing similar functions. There has not been any defined policy or procedure requirements for shareholders to submit recommendations or nomination for directors.

Our board of directors has determined that it does have a member of its audit committee who qualifies as an audit committee financial expert as defined in as defined in Item 407(d)(5)(ii) of Regulation S-K.

From inception to present date, we believe that the members of our board of directors have been and are collectively capable of analyzing and evaluating our financial statements and understanding internal controls and procedures for financial reporting.

ITEM 14. PRINCIPAL ACCOUNTING 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, 2009, 2008 and 2007:

Services	2009	2008	2007
Audit fees	\$ 34,000	\$ 35,000	\$ 20,000
Tax fees	\$ Nil	\$ Nil	\$ Nil
All other fees	\$ Nil	\$ Nil	\$ Nil
Total fees	\$ 34,000	\$ 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 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 has 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.

ITEMS 15. EXHIBITS

Exhibits required by Item 601 of Regulation S-K

Exhibit Number	Description
(3)	Articles of Incorporation and Bylaws
3.1	Articles of Incorporation (incorporated by reference from our Registration Statement on Form SB-2 filed on August 2, 2004).
3.2	

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

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

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

(10) Material Contracts

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

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

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

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

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

10.6 Warrant Purchase Agreement dated November 6, 2007 (incorporated by reference from our Current Report on Form 8-K on November 20, 2007)

10.7 Agreement with the American Humane Association (incorporated by reference from our Current Report on Form 8-K filed on August 14, 2008)

(14) Code of Ethics

14.1 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 Certifications

31.1* 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

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
President and Director
Principal Executive Officer
Date: September 18, 2009

By: /s/ Mark Lana
Mark Lana
Chief Executive Officer, Treasurer, and Director
Principal Accounting Officer and Principal Financial Officer
Date: September 18, 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
President and Director
Principal Executive Officer
Date: September 18, 2009

By: /s/ Mark Lana
Mark Lana
Chief Executive Officer, Treasurer, and Director
Principal Accounting Officer and Principal Financial Officer
Date: September 18, 2009

By: /s/ Charles F. Ferris
Charles F. Ferris
Chairman of the Board and Director
Date: September 18, 2009

By: /s/ Michael Yinger
Michael Yinger
Secretary and Director
Date: September 18, 2009

