HS3 TECHNOLOGIES INC.
Form 10-K
October 06, 2011

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

FORM 10-K

(Mark One)

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

For the fiscal year ended **June 30, 2011**

[ ] 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	**20-3598613**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1800 Boulder Street, Suite 600, Denver, CO	**80211-6400**
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number **303-455-2550**

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

Title of each class	Name of each exchange on which registered
Nil	**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]

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[x]

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[x] 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 [ ]

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 [x]

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

The aggregate market value of Common Stock held by non-affiliates of the Registrant on December 31 , 2011 was $584,308 based on a $0.018 average bid and asked price of such common stock, as of the last business day of the registrant s most recently completed first fiscal quarter.

(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.

82,623,836 common shares issued and outstanding as of September 30, 2011

DOCUMENTS INCORPORATED BY REFERENCE

None.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

PART I

ITEM 1. 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.

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 was to create a Video Monitoring System which was anticipated 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 were to 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. Effective February 28, 2010, AHA terminated the agreement claiming that the Company s showing of a marketing video of animals at a trade show without AHA written permission was an incurable breach of the contract. The Company believes the termination by AHA was a breach of the agreement and on April 30, 2010, the parties entered into a Settlement Agreement And Mutual Release.

On November 4, 2009 at the annual and special meeting of stockholders of the Company, our authorized capital increased to 200,000,000 shares of common stock with a par value of $0.001.

During fiscal year ended June 30, 2011 we: (a) issued 1,700,000 shares of our common stock for services rendered to us; and (b) issued 12,207,200 shares of our common stock for conversion of accrued board fees, accrued interest, accrued salaries and accrued rent due our officers, directors and largest shareholder.

Current Business

Our company has expanded its technical installation service with a focus on the Quick Serve Restaurant market (QSR).

Effective December 10, 2010 we entered into a Master Subcontract Agreement with Insight Direct USA, Inc., an Illinois corporation, and its affiliate Calence, LLC dba Insight Networking, a Delaware limited liability corporation. Pursuant to the agreement, our company will be a master provider of technical and installation services to an internationally renowned QSR chain. Our company s efforts have been refocused toward the services required by the

QSR. Under the terms of the agreement with Insight our company will provide Insight with information technology services set forth in any statement of work issued by Insight. Each statement of work is a separate agreement that identifies a specific scope of work to be performed by our company.

Under the agreement our company s duties include:

- participating in meetings with Insight and clients for whom we are performing services;
- keeping Insight informed as to progress and any delays in our services;
- providing Insight with any operational information, on request, including time sheets, installation scripts, performance logs, survey information, or inventory records related to its performance;

- make a good faith effort to reach mutually acceptable provisions and adjustments with any statement of work to meet client requirements and expectations;
- ensure that our employees, contractors and agents conduct themselves in a professional manner and comply with reasonable requests and standard procedures and policies concerning working hours, safety and security rules applicable to those working at Insight or any client s facilities

Prices for services will be mutually agreed upon and set forth in any statement of work or purchase order issued against such statement of work. Insight will pay all undisputed invoices within 30 days of receipt of invoices from our company and shall receive a 3% discount on any invoices paid within 10 days of receipt.

The agreement is effective until terminated on (i) 45 days prior written notice by either party to the other (ii) if either party becomes insolvent, enters bankruptcy, reorganization or other similar proceedings, admits in writing its inability to pay debts, or makes or attempts to make an assignment for the benefit of creditors.

Our company is providing labor; trained installation teams to install cable, network upgrades of Point of Sale (POS) terminals, install software, and upgrade servers and cameras. The service that our company is providing is necessary for the QSR to meet federally mandated Payment Card Industry Data Security Standards (PCI) compliant requirements assembled by the Payment Card Security Standards Council.

To date our company s installation teams have successfully completed installations in ten states from coast to coast servicing multiple sites within each market. The teams have provided the position of Clean-up team provider to our service offering. Clean-up teams are responsible for resolving technical and installation issues left unfinished by other services providers. We are very comfortable becoming the expert and lead provider of choice to the QSR. It is our ability to acquire highly qualified individuals and allowing them to excel within our company s structure that continues to keep our company s in the forefront of providing exceptional service.

Insight estimates over substantial locations for the QSR will require PCI compliant installation and services to Point of Sale (POS) terminals over the next two years. To complete the estimated number of installations over the period HS3 s will need to train and deploy sufficient numbers of four-man service teams to install approximately 4 locations per week. We currently have five (5) 4-man teams deployed. HS3 technicians complete the two day training and testing at a facility in our Denver monitoring center. Between 10 and 16 qualified candidates participate in each training session with approximately 95% qualifying as Team members . Two additional staff will be required to supervise the field teams .

Our company has recently increased services offered to the expanding self- storage market. Teams trained to service the QSR market have the ability to install systems and provide service to self- storage customers. Installing video cables and cameras, and providing video analytics through our remote video monitoring and data center fill a need lacking with-in the self- storage industry.

Our company anticipates the addition of these two service markets will substantially improve our outlook in the near future.

On April 27, 2011 our company entered into a teaming agreement and employment agreement with Chester A. Gilliam and his company WizardWorks Security Systems Inc. (the Subcontractor). Under the agreement the Subcontractor will provide us with products and services set out in the agreement (the Program). The company will compensate the Subcontractor for participation in the Program by providing up to a $360,000 bonus and the company issued on March 1, 2011 500,000 shares of our company s common stock pursuant to the agreement. The $360,000 bonus will be divided into three annual installments equal to the lesser of $120,000 per annum or 50% of the revenue received from WizardWorks accounts during that period. The Program bonus will be paid at the end of each calendar quarter. If during any quarter the total revenue received from WizardWorks accounts is less than $60,000, the installment for that quarter will be calculated to minimally equal 50% of the total revenues received from

WizardWorks. If over the three year term the amount paid to WizardWorks is less than $360,000 this agreement will continue for one year increments until paid. Our company has the sole right to accelerate payments to reach the agreed $360,000 at any time during the term of the agreement.

In consideration for the above, our company will receive, record, and dispense all revenue from WizardWorks as of January 1, 2011 and may invoice customers under the WizardWorks name or our company s name. At the completion of the bonus payments, our company has the right to assume the WizardWorks name and logo for $1.00. Our company will pay the Subcontractor $400 per month rent for the uses of the Subcontractor s premises. Upon thirty day written notice we may vacate premises, remove all equipment and terminate the rental arrangement.

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 customer security needs. Our monitoring center in Denver, Colorado serves as a single point security solutions portal, integrating our proprietary analytical software, network security, and video products.

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 various customers. All of the products and services, including biometric access control, satellite remote monitoring, and DVRs are security related. Unlike many security companies that focus exclusively on security hardware sales, our company s value proposition is to offer 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 our customer needs.

We are primarily an intellectual capital company. Our company both develops HS3 proprietary technology and acquires and integrates appropriate industry technology to provide surveillance solutions customized to be

The trusted security architect providing vision when it matters.

As a security architect, we provide professional architectural, design and engineering to develop system solutions for our customers as required by our customers. This concept is the foundation of our intellectual capital and core competencies. We use intellectual capital of our employees and the surveillance industry to architect and design solutions that provide customers vision and situational awareness. This acquired knowledge is transformed to innovations that are proprietary to the Company. This occurs in part, through:

- Increased knowledge of new solutions and industry advancements
- Developing new systems
- Product and application enhancements
- Applications of new components
- Designing new, proprietary software

We have a sustainable competitive advantage in our ability to merge existing technology with the latest innovations in satellite broadband service, IP hardware, proprietary software, and access control security products. We have the expertise, capacity, staff, and ability to monitor sites located anywhere in the United States and Canada. Our Denver monitoring facility has access to 1.7 Terabytes per second of ground-based internet capability for interfacing purposes. We developed the technologies, proved the concepts, and started implementation, and market penetration. We have focused on the rural and farm animal/production market to date. There are five primary markets where our technology can excel in providing greater access, better performance and lower cost:

- Producers of Animal Products
- Homeland Security
- Hospitality
- Petroleum Industry
- Educational Facilities

PRODUCERS OF ANIMAL PRODUCTS:

As the developer and architect of a video monitoring system (VMS) and surveillance program, we have refined the capabilities of our satellite video product and other surveillance technologies including their implementation. We also have the ability to provide service to remote areas underserved by high speed internet or cable providers.

Within a climate of increasing concerns over food safety, security and animal welfare a tremendous market is evolving. We have developed surveillance products primarily video, to address these issues in the livestock production industry and to a lesser extent the food processing industry. Our solutions are developed to convey to consumers a sense of confidence in the quality of the food they eat, and that the producer has incorporated appropriate stewardship in animal production processes. For the producer this provides risk mitigation, enhanced production and value added branding.

Through the combined use of proprietary technology, including innovations, video analytics, and digital video recorders (DVR) our company has developed state-of-the-art wireless, internet linked cellular, and satellite linked surveillance systems. HS3 is in a unique position to be the first company with national surveillance capabilities, to provide an independent 3rd party monitoring verification system to the public that increases their level of confidence in fundamentally important industries. HS3 s surveillance and monitoring provides these assurances with a certified humane brand, whether acquired or created and generated in house. HS3 registered the trademarked MONIPRO for this purpose.

Animal protein producers desiring increased market share and greater margins require value in programs they utilize. The true measures of value can be assessed through increased profits and the realization of risk mitigation.

HS3 s surveillance program allows:

- Producers to demonstrate stewardship with archived video.
- Producers to employ HS3 as a third party verifier of video for the establishment and certification labeling of food products at the market shelf, i.e. the logo/brand assures consumer that the food they purchased for their family has been raised humanely and handled safely.
- Producers to monitor animal behavior at remote locations and improve production efficiencies including herd disease awareness.
- Management to assure employees work within standards required to maintain the highest levels of risk mitigation and animal stewardship.
- Rebuttal to undercover video by animal activist groups.

Our company s VMS and surveillance program provide the above criteria and was modeled after a typical cable TV system. We offer a very low cost of entry. The equipment is provided to the Producers who pay a monthly equipment license fee with requisite subscription fees for monitoring services. To further lower barriers of entry, HS3 s program removes the high front end equipment costs to the producers.

HS3 intends to enter and penetrate into the animal welfare, protein and production business by entering into contracts with various producers, associations, and/or companies that can use HS3 s surveillance services as a part of any value-added welfare/stewardship and production brand that they choose. As the architect of the surveillance system, HS3 is able to provide specific elements (as designed & tailored by the producer/company) of our monitoring services to customers while maintaining ownership of the proprietary VMS system.

Over the last 12 months, HS3 has determined proof of market and penetration concept of the technology and also of the business model. HS3 s strategy is to attain market penetration with HS3 as a vendor to associations/producers and/or companies desiring various certification programs. HS3 plans to seize the initiative in the livestock arena because there is a significant opportunity to expand our service to meet the needs of additional protein producers in pork, beef, poultry, and dairy industries.

HOMELAND SECURITY:

We have installed remote video products for the U.S. Coast Guard, enabling the monitoring of and relaying of the physical location of freight trains at ports of entry. The product relays GPS and live video over a cellular network.

Covert Deployment System has been one of the many technologically advanced products we have developed. The covert deployment products allow for the utilization of cellular technology and provide a very small system for loss prevention operations. These systems utilize SMS messaging for alerting and motion detection or other triggers to activate video and record perpetrators on the enclosed drive and send attached photos to the our secured portal. It is estimated there are 13,000 active train locomotives currently in the United States spread over 7 companies. Homeland Security is concerned about the risk to the public should a locomotive and its cargo become hijacked or compromised.

We have developed and deployed a biometric access control system which limits access to the locomotive. In addition, we implemented GPS and video monitoring transmitted real-time over a cellular network to a centralized monitoring center. We have completed beta testing on 28 locomotives with good results and feedback.

HOSPITALITY:

As in America s schools, security for the hospitality industry is becoming increasingly important. Hotels are trending toward increasing guest security measures as a result of injury and liability litigation. Additionally hotel operators are becoming more concerned with improving general security for guests. Our internet protocol surveillance system enhances and augments the hotel s ability to monitor the hotel s perimeter and access to guest areas.

We can also provide hotels a reliable source for web hosting. An ancillary advantage of our video monitoring system is the ability for the hotel to offer video on web sites as an inexpensive, effective advertising tool.

PETROLEUM INDUSTRY:

The petroleum industry spends millions of dollars and man hours monitoring oil and gas wells throughout the country. Many oil and gas wells are in remote areas and, aside from typical maintenance and production monitoring, there is a constant threat of vandalism, sabotage and product theft. Today, all monitoring of wells requires that an employee be physically present at a well to perform necessary inspections. We are working with industry leaders to eliminate this labor-intensive process. After installation of our Petroleum Surveillance Package, our customers can monitor their assets from anywhere in the world using the internet. In addition, we have, and continues to form strategic alliances with providers of complementary monitoring products that mesh with our satellite products and provide well operators with real-time information to enhance well production.

We have researched, developed and installed a remote monitoring device called OPIE an **O**utdoor **P**ortable **I**nvestigative **E**quipment surveillance vehicle. The device has been used to successfully monitor gas wells in remote Wyoming for three years. The original concept having been proven to the customer, an oil and gas producer, has expressed desire in purchasing additional OPIEs for their expansion to new fields.

EDUCATIONAL FACILITIES:

Even in today s high-speed world, there are numerous school districts - rural and urban - waiting for high-speed internet access and video monitoring. We can provide the services required for maintaining and improving security.

The Federal Government has mandated schools comply with the Homeland Security Act, which in part requires video surveillance. With our system installed, security information is available via the internet and our secured portal to individuals with the proper security clearance.

Providing schools with satellite broadband access to the internet at megabytes-per-second speeds, web hosting services, and the ability to observe activities in and around the school with digital cameras make our Company a uniquely positioned provider. Our advanced technology and low cost of entry structure allows us to offer education facilities products meeting requirements of Homeland Security.

CONSTRUCTION PROJECTS:

HS3 is working with three national construction companies to provide remote video security deploying the company s OPIE product. When installed, OPIE provides recurring revenue through live video monitoring of remote job sites. Captured video is transmitted to the Denver monitoring center for analytics and event classification. Management is confident that the increasing need for remote security will continue, and open untapped markets for our proprietary cost effective solution. Uniquely positioned our company feels the market for our OPIE technology will continue to grow for years to come.

HS3 is continuing to work with a national livestock trailer manufacturing company to provide its proprietary video technology in trailers that monitor animal welfare and handling during transportation, loading, and unloading. Our company is in the second year of deploying this technology and has reached a threshold where it s ready for this market. HS3 has the technology and capability to provide the solution to the livestock industry, solving transportation monitoring requirements.

SELF-STORAGE FACILITIES:

Over the last 30 years the self-storage industry has typically employed part-time guard services to randomly check their properties during off hours. HS3 has a solution that offers continuous surveillance utilizing our company s technology and Denver monitoring center to provide 24/7/365 monitoring, improving both monitoring and reduced costs.

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.

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.

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.

We incurred expenses in the amount of $6,850 for the year ended June 30, 2011 and $5,222 for the year ended June 30, 2010

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 in the future may engage professional marketing firms to market our products nationally and worldwide.

Employees

As of June 30, 2011, our company had six (6) full-time employees and no part-time employees. Of those employees, none are covered by collective bargaining agreements.

REPORTS TO SECURITY HOLDERS

We are required to file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission and our filings are available to the public over the internet at the Securities and Exchange Commission s website at http://www.sec.gov. The public may read and copy any materials filed by us with the Securities and Exchange Commission at the Securities and Exchange Commission s Public Reference Room at 100 F Street N.E. Washington D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-732-0330. The SEC also maintains an Internet site that contains reports, proxy and formation statements, and other information regarding issuers that file electronically with the SEC, at http://www.sec.gov.

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 may not maitain commercial operations with sustainable,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 was approved at our November 2009 annual shareholder meeting.

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, 2011 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. PROPERTIES

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 from a company owned by a major stockholder and officer of the company. We believe that our principal office will be adequate for our immediate and future needs.

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

ITEM 4. [REMOVED AND RESERVED]

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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, 2011	$0.070	$ 0.007
March 31, 2011	$0.020	$0.012
December 31, 2010	$0.032	$0.020
September 30, 2010	$0.012	$0.010

June 30, 2010	$0.01	$0.01
March 31, 2010	$0.02	$0.02
December 31, 2009	$0.04	$0.03
September 30, 2009	$0.06	$0.04
June 30, 2009	$0.08	$0.08

On September 30, 2011, the closing price for the common stock as reported by the quotation service operated by the OTC Bulletin Board was $0.018

As of September 30, 2011, there were 65 holders of record of our common stock. As of such date, 82,623,836 common shares were issued and outstanding.

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

Dividend Policy

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

Recent Sales of Unregistered Securities

On June 24, 2011, our company issued 12,207,200 shares of our common stock for conversion of accrued board fees, salaries, rent and interest as well as some trade payables due our officers, directors and largest shareholder. The shares were issued at the average quoted trade price for the period from May 16, 2011 through June 24, 2011 ($.04445).

On April 1, 2011 our Board voted and our company issued 600,000 shares of our common stock to an employee. We valued the 600,000 shares based on the quoted trade price on April 1, 2011 ($0.012) and recorded $7, 200 as stock for services expense.

On April 27, 2011 our company entered into a teaming agreement and employment agreement with Chester A. Gilliam and his company WizardWorks Security Systems Inc. (the Subcontractor). Under the agreement the Subcontractor will provide us with products and services set out in the agreement (the Program) over a three (3) year period and the company will compensate the Subcontractor for participation in the Program by providing up to a $360,000 bonus and the company issued on March 1, 2011 500,000 shares of our company s common stock pursuant to the agreement. We valued the 500,000 shares based on the quoted trade price on March 1, 2011 ($.012) and recorded $6,000 as stock for services expense.

On October 4, 2010 our Board voted to issue 600,000 shares of our common stock for financial consulting services rendered to us. We valued the 600,000 shares based on the quoted trade price on October 4, 2010 ($.0097) and recorded $5,820 as stock for services expense.

During the fiscal year ended June 30, 2010 we: (a) issued 4,500,000 shares of our common stock for $225,000 which was used to repay $150,000 of convertible and subordinated notes payable; (b) issued 15,500,000 shares of our common stock to convert $775,000 of convertible notes payable; (c) issued 5,870,834 shares of our common stock to two officers for cancellation of $181,996 of accrued salaries, and (d) issued 250,000 shares of our common stock for services rendered to us.

During fiscal year ended June 30, 2009 we: (a) issued 1,800,000 shares of our common stock for financial services rendered to us (valued at $32,000) and (b) issued 250,000 shares of our common stock for cancellation of $21,592 of accounts payable to a third party.

Equity Compensation Plan Information

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

<u>Stock Option Plan</u>

On November 9, 2005, our 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.

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.

As of June 30, 2010, 1,300,000 stock options (with an exercise price of $.1667) were outstanding with an expiration date of March 22, 2012. Effective June 24, 2011, the Board accepted the cancelation of the 1,300,000 stock options.

Purchase of Equity Securities by the Issuer and Affiliated Purchases

We did not purchase any of our shares of common stock or other securities during our fourth quarter of our fiscal year end June 30, 2011.

ITEM 6. SELECTED FINANCIAL DATA

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

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.

Plan of Operations And Cash Requirements

Our operating expenses (selling, general and administrative expenses) consist mostly of wages and benefits, contract services, board fees and other professional service fees. The amount incurred by our company for the years ended June 30, 2011 and 2010, respectively was approximately $472,000 and $536,000.

Our cash on hand at June 30, 2011 was $13,341. 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 per month. Our principal capital resources have been through the subscription and issuance of common stock, stockholder loans, advances from related parties and utilization of our $250,000 revolving line of credit facility. In the future, we anticipate relying on cash flows from operations and our revolving line of credit facility for the purpose of proceeding with our plan of operations.

Results of Operations for the year ended June 30, 2011 and 2010

Revenue and Cost of goods sold.

We primarily derive revenue from our operations by (i) providing technical installation services to the QSR market and (ii) by charging monthly fees for providing integrated equipment, monitoring, hosting, 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, 2011 and 2010 are outlined in the table below:

	Year ended June 30, 2011		Year ended June 30, 2010	
Contract Revenue:				
Equipment license/monitoring fees	$	25,972	$	50,315
QSR revenue		1,203,653		-
Revenue sharing from teaming agreement		57,067		-
Domain/business hosting fees		3,753		7,852
Discounts taken		(19,255)		-
	$	1,271,190	$	58,167
Other Revenue:				
Equipment sales		18,398		30,395
IT services		20,837		21,596
Other revenue/(expenses)		(24)		3,112
	$	39,211	$	55,103
Revenue	$	1,310,401		113,270
Cost of goods sold		(742,412)		(75,877)
	$	567,989	$	37,393

Contract revenues for the year ended June 30, 2011 increased as compared to the comparative period in 2010 as we started to focus on the QSR part of our business starting in December 2010 and the start effective January 1, 2011 of our revenue sharing from the teaming agreement. During the fiscal year ended June 30, 2011 we serviced 531 QSR locations.

Selling, general and administrative expenses.

Our selling, general and administrative expenses for the year ended June 30, 2011 and 2010 are outlined in the table below:

	Year ended June 30, 2011	Year ended June 30, 2010
Wages & employee benefits	$ 255,988	$ 232,857
Other contract labor/equipment	21,570	84,176
Board fees	50,000	37,500
Stock for services	19,020	29,250
Accounting, audit and tax expenses	31,500	30,750
Legal	3,842	21,527
Stock transfer/shareholder/proxy/filing fees	6,171	2,698
Professional fees/filings	4,680	5,131
Rent	2,182	17,600
Utilities	26,016	22,101
Computer network services	720	1,852
Computer server/internet fees	2,576	3,246
Advertising/domain registration	256	4,781
Telephone	13,812	56,076
Travel, meals and entertainment	11,852	15,411
Sales & marketing & R&D	3,380	1,666
Insurance	34,505	21,418
Postage/printing	2,888	2,216
Bank service charges	1,667	1,381
Office/computer supplies	8,818	4,789
Automobile expenses	7,471	3,883
Dues & subscriptions	696	1,134
Taxes/licenses & permits	6,327	4,574
Penalties & interest	2,327	3,665
Bad debt expense	46,556	2,397
Other misc, expenses / (income)	(5,251)	(76,570)
	$ 559,469	$ 535,509

Without the other misc. expenses /(income), selling, general and administrative expenses for the year ended June 30, 2011 decreased by approximately 8% as compared to the comparative period in 2010 primarily as a result of our management making a concentrative effort to reduce such costs. Other contract labor / equipment for the year ended June 30, 2010 includes approximately $33,000 in fees paid to third parties assisting us in attempting to raise capital. Other misc. expenses/(income) for the year ended June 30, 2010 includes the gain realized from the Settlement Agreement and Mutual Release with AHA.

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 under our revolving line of credit agreement. Our primary liquidity needs are to fund our working capital requirements and future equipment purchases. Our ability to continue as a going concern may be dependent upon obtaining additional long-term capital to develop our business operations.

	June 30, 2011	June 30, 2010
Current Assets	$ 427,013	$ 137,322
Current Liabilities (a)	(1,010,449)	(1,327,027)
Working Capital (deficit)	$ (583,436)	$ (1,189,705)
Long-term debt	$ -	$ -
Stockholder s equity(deficit)	$ (557,821)	$ (1,149,350)
Current Liabilities (a)		
Trade accounts payable	$ 103,058	$ 114,393
Other accrued liabilities	25,121	495,110
Subordinated notes payable	711,270	580,500
Revolving line of credit	150,000	-
Other liabilities	21,000	28,000
Long-term debt, current portion	-	109,024
	$ 1,010,449	$ 1,327,027

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 and expand our business operations. We intend to use borrowings from our revolving line of credit, equity sales and/or further shareholder loans and advances from related parties to mitigate the affects of our cash position.

<u>Working Capital</u>

	June 30, 2011	June 30, 2010	Percentage Increase/ (Decrease)
Current Assets	$ 427,013	$ 137,322	211%
Current Liabilities	1,010,449	1,327,027	(24%)
Working Capital (deficit)	$ (583,436)	$ (1,189,705)	51%

<u>Cash Flows</u>

	Year ended June 30, 2011	2010
Net cash (used in) operating activities	$ (710,533)	$ (438,893)
Net cash (used in) by investing activities	(15,705)	(15,915)
Net cash flow provided by (used in) financing activities	704,664	451,131
Increase (decrease) in cash and cash equivalents	$ (21,574)	$ (3,677)

Our cash on hand at June 30, 2011 was $13,341. 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 per month. In the future, we anticipate relying on cash flows from operations and our revolving line of credit facility 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

Until year ended June 30, 2011, we have incurred losses since our inception. Because of these historical losses, we may require additional working capital and long term capital to develop our business operations. We intend to use borrowings from our revolving line of credit facility, equity sales and/or future shareholder loans and advances from related parties to mitigate the affects of our cash position.

The continuation of our business is dependent upon us maintaining and achieving a break even or profitable level of operations. There are no assurances that we will be able to either (i) maintain a level of revenues adequate to break even and 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 debt financing are insufficient, we will have to raise additional capital through equity offerings. No assurance can be given that additional debt financing or equity infusion 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

Stockholders and Directors
HS3 Technologies, Inc.

We have audited the accompanying consolidated balance sheet of HS3 Technologies, Inc. as of June 30, 2011 and 2010 and the related consolidated statements of operations, stockholders equity, and cash flows for each of the years in the two-year period ended June 30, 2011. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of HS3 Technologies, Inc. as of June 30, 2011 and 2010 and the consolidated results of its operations and cash flows for each of the years in the two year period ended June 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

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

/S/ Weaver Martin & Samyn, LLC
Kansas City, Missouri
October 4, 2011

HS3 Technologies, Inc.
Condensed consolidated balance sheets

	June 30, 2011	June 30, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 13,341	$ 34,915
Trade accounts receivable	351,248	8,449
Other receivables	-	7,913
Inventory	62,424	86,045
	427,013	137,322
Fixed assets, net of accumulated depreciation of $139,150 and $114,538 respectively	25,615	34,522
Other assets, net	-	5,833
	$ 452,628	$ 177,677
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	$ 103,058	$ 114,393
Other accrued liabilities	25,121	495,110
Subordinated notes payable	711,270	580,500
Note payable, current portion	150,000	-
Long-term debt, current portion	21,000	109,024
Other liabilities	-	28,000
	1,010,449	1,327,027
Long-term debt	-	-
Total Liabilities	1,010,449	1,327,027
Stockholders Equity (Deficit):		
Preferred stock, $0.0001 par value, 2,500,000 shares authorized, none issued or outstanding	-	-
Common stock owed, not issued,- 0- and 600,000 shares at June 30, 2011 and 2010, respectively	-	600
Common Stock, $0.001 par value, 200,000,000 authorized, issued and outstanding 82,623,836 and 68,116,636 shares at June 30, 2011 and 2010, respectively	82,624	968,117
Additional paid-in capital	6,117,246	5,569,526
Accumulated deficit	(6,757,691)	(6,787,593)
	(557,821)	(1,149,350)
	$ 452,628	$ 177,677

See accompanying notes to condensed consolidated financial statements

HS3 Technologies, Inc.
Condensed consolidated statement of operations

	Year ended June 30, 2011		2010
Revenue	$	1,310,401	$	113,270
Cost of goods sold		742,412		75,877
Gross profit		567,989		37,393
Operating Expenses:				
Selling, general and administrative		559,469		535,509
Depreciation and amortization		30,445		44,577
Total operating expenses		589,914		580,086
(Loss) from operations		(21,925)		(542,693)
Other income (expense):				
Interest expense		(60,875)		(137,095)
Forgiveness of debt		112,702		-
Total other income (expense)		51,827		(137,095)
Net Income/(loss)	$	29,902	$	(679,788)
Net income(loss) per share-basic and diluted	$	0.0004	$	(0.0117)
Weighted average number of common shares outstanding		69,555,130		58,093,645

See accompanying notes to condensed consolidated financial statements

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

	Common Stock				Common Stock Owed Not Issued		Additional Paid-in Capital		Retained Earnings (Deficit)		Total Stockholders Equity (Deficit)
	Shares		Amount								
Balances as of June 30, 2009	41,995,802	$	41,996	$	-	$	4,385,001	$	(6,107,805)	$	(1,680,808)
Shares issued for cash	4,500,000		4,500		-		220,500		-		225,000
Shares issued for conversion of debt	15,500,000		15,500		-		759,500		-		775,000
Shares issued for cancellation of debt	5,870,834		5,871		-		176,125		-		181,996
Shares issued for services	250,000		250		-		28,400		-		28,650
Shares owed for services, not issued	-		-		600				-		600
Net loss	-		-				-		(679,788)		(679,788)
Balances as of June 30, 2010	68,116,636	$	68,117	$	600	$	5,569,526	$	(6,787,593)	$	(1,149,350)
Shares issued for conversion of debt	12,207,200		12,207		-		530,400		-		542,607
Shares issued for services	2,300,000		2,300		(600)		17,320		-		19, 020
Net income	-		-		-		-		29,902		29,902
Balances as of June 30, 2011	82,623,836	$	82,624		-	$	6,117,246	$	(6,757,691)	$	(557,821)

See accompanying notes to condensed consolidated financial statements

HS3 Technologies, Inc.
Condensed consolidated statement of cash flows

		Year ended June 30, 2011		2010
Cash flows from operating activities:				
Net income(loss)	$	29,902	$	(679,788)
Adjustments to reconcile net loss to net cash provided by (used in) operations:				
Depreciation and amortization		30,445		44,577
Accretion of interest		2,689		5,380
Warrants, stock, and options issued for service		19,020		29,250
(Gain) loss on sale of fixed assets		-		22,644
Changes in operating assets and liabilities:				
Accounts and other receivables		(334,886)		58,461
Inventory		23,621		60,967
Accounts payable and accrued liabilities		(481,324)		19,618
Net cash (used) in operating activities		(710,533)		(438,893)
Cash flow from investing activities:				
Additions to fixed assets		(15,705)		(15,915)
Net cash (used in) investing activities		(15,705)		(15,915)
Cash flow from financing activities:				
Sale of common stock		-		225,000
Convertible notes payable issued for cancellation of accrued liabilities		-		-
Proceeds(repayments) revolving line of credit		150,000		-
Proceeds(repayments)convertible notes payable		-		(25,000)
Proceeds(repayments)subordinated notes payable		130,770		207,500
Borrowings (repayments) long-term debt		(118,713)		(138,364)
Other accrued liabilities converted to equity		542,607		181,996
Net cash flow provided by financing activities		704,664		451,131
Increase (decrease) in cash and cash equivalents		(21,574)		(3,677)
Cash and cash equivalents, beginning of period		34,915		38,592
Cash and cash equivalents, end of period	$	13,341	$	34,915
Supplemental cash flow information:				
Interest paid	$	41,102	$	29,203
Income taxes paid	$	-		-
Non cash financing activities:				
Stock issued for services	$	19,020	$	29,250
Stock issued for other accrued liabilities		542,607		181,996
Stock issued for convertible notes payable		-		775,000
Subordinated notes payable issued for convertible notes payable		-		373,000

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.

(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) Income/(Loss) Per Share

Basic and diluted income/(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 follows ASC subtopic 740-10 (formerly Statement of Financial Accounting Standard No. 109, (Accounting for Income Taxes) for recording the provision for income taxes. ASC 740-10 requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that is more likely than not that some portion of all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected 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 have $25,000 reserves for bad debt at June 30, 2011.

(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) Recent Pronouncements

In January 2010, FASB issued ASU No. 2010-06 Improving Disclosures about Fair Value Measurements. This update provides amendments to Subtopic 820-10 that requires new disclosure as follows: 1) Transfers in and out of Levels 1 and 2. A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. 2) Activity in Level 3 fair value measurements. In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). This update provides amendments to Subtopic 820-10 that clarifies existing disclosures as follows: 1) Level of disaggregation. A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities. 2) Disclosures about inputs and valuation techniques. A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. These disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this ASU did not have a material impact on the Company s financial statements.

In February 2010, FASB issued ASU No. 2010-9 - Amendments to Certain Recognition and Disclosure Requirements. This update addresses certain implementation issues related to an entity s requirement to perform and disclose subsequent-events procedures, removes the requirement that public companies disclose the date of their financial statements in both issued and revised financial statements. According to the FASB, the revised statements include those that have been changed to correct an error or conform to a retrospective application of U.S. GAAP. The amendment is effective for interim and annual reporting periods in fiscal year ending after June 15, 2010. The adoption of this ASU did not have a material impact on the Company s financial statements.

In December 2010, the FASB issued Accounting Standards Update No. 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations (Topic 805) Business Combinations (ASU 2010-29)*, to improve consistency in how the pro forma disclosures are calculated. Additionally, ASU 2010-29 enhances the disclosure requirements and requires description of the nature and amount of any material, nonrecurring pro forma adjustments directly attributable to a business combination. ASU 2010-29 is effective for us in fiscal 2011 and should be applied prospectively to business combinations for which the acquisition date is after the effective date. Early adoption is permitted. The adoption of the ASU did not have a material impact on the Company s financial statements.

In May, 2011, The FASB issued ASU 2011-4, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS. The objective of this amendment is to achieve common fair value measurement and disclosure requirements in U.S GAAP and IFRS. This amendment is to ensure that fair value has the same meaning in U.S. GAAP and IFRS and that their respective fair value measurement and disclosure requirements are the same. This guidance is effective for the first quarter of 2012. The Company does not expect that this authoritative guidance will have any material effect on the Company s financial statements.

The Company has considered all new accounting pronouncements and has concluded that there are no new pronouncements that may have a material impact on results of operations, financial condition, or cash flows, based on current information.

(n) 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 from our revolving line of credit facility, equity sales and/or further shareholder loans and advances from related parties 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. FIXED ASSETS

Fixed assets consisted of the following:

	June 30, 2011	June 30, 2010
Computer hardware	$ 118,978	$ 109,337
Leasehold improvements	10,500	10,500
Opie/VMS installed	11,295	5,231
Vehicles	23,992	23,992
	164,765	149,060
Accumulated depreciation	(139,150)	(114,538)
	$ 25,615	$ 34,522

During the years ended June 30,2011 and 2010, depreciation expense was $24,612 and $35,244 respectively.

4. OTHER ACCRUED LIABILITIES

Other accrued liabilities are as follows:

	June 30, 2011	June 30, 2010
Accrued board fees	$ -	$ 133,332
Accrued salaries, officers	-	80,000
Accrued rent, officer	-	61,505
Accrued interest	-	218,176
Payroll liabilities	25,081	1,569
Sales tax payable	40	528
	$ 25,121	$ 495,110

On June 24, 2011, the company issued 12,207,200 shares of our common stock for conversion of accrued board fees ($137,062), salaries ($80,000), rent ($76,535), interest ($234,010) and trade payables ($14,999) due our officers, directors and largest shareholder. The shares were issued at the average quoted trade price for the period from May 16, 2011 through June 24, 2011 ($.04445). Remaining accrued board fees as of June 24, 2011 not converted into equity ($46,270) were replaced with new subordinated notes payable.

5. SUBORDIINAED NOTES PAYABLE

Subordinated notes payable outstanding are as follows:

	June 30, 2011	June 30, 2010
William S. Dickey	$ 550,000	$ 500,000
Robert A. Morrison	75,000	80,500
Charles Ferris	18,770	-
Michael Yinger	27,500	-
Greg Dickey	20,000	-
Mira Fine	20,000	-
	$ 711,270	$ 580,500

Expense on these notes bear interest at 12% and are on a month to month term. The Company recorded $40,138 interest for the year ended June 30, 2011. Subsequent to June 30, 2011, $61,770 of these subordinated notes payable have been paid by the Company.

6. 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, 2011, we recorded $6,189 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 liabilities. For the year ended June 30, 2011, we expensed $5,833.

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.

On December 30, 2010 the Company entered into a loan payment modification/settlement agreement with the lender in which we paid $65,000 as a one-time payment and will pay a remaining balance of $36,000 as the settlement of the outstanding balance and accrued interest on these notes. The discount on the notes was accrued into interest expense through the date of the settlement agreement. For the year ended June 30, 2011 we recorded $2,689 as additional interest expense and amortized $5,833 of other assets. The lender also subordinated to our subordinated notes payable. The $36,000 will be paid at $3,000 a month through January 10, 2012 at zero interest. As of June 30, 2011, $21,000 remains outstanding pursuant to the modification/settlement agreement.

7. NOTE PAYABLE

On December 17, 2010, the Company entered into a one year promissory note with a commercial bank. The note is a revolving line of credit, wherein the Company can receive advances up to $250,000. The note bears interest at

3.85% and is guaranteed pursuant to a Guaranty Fee Agreement between William S. Dickey and the Company, wherein the Company pays Mr. Dickey a monthly fee of $1,250 to provide the guaranty. At June 30, 2011 the Company had $150,000 outstanding on this line of credit.

8. INCOME TAXES

The Company follows ASC subtopic 740-10 (formerly Statement of Financial Accounting Standard No. 109, (Accounting for Income Taxes) for recording the provision for income taxes. ASC 740-10 requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that is more likely than not that some portion of all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included n the provision for deferred income taxes in the period of change.

Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

The Company s operations for the year ended June 30, 2010 resulted in losses, thus no income taxes have been reflected in the accompanying statements of operations. The Company s operations for the year ended June 30, 2011 resulted in income but was offset by operating loss carry-forwards.

As of June 30, 2011, the Company has net operating loss carry-forwards which may or may not be used to reduce future income taxes payable. Current Federal Tax Law limits the amount of loss available to offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited. A valuation allowance has been recorded to reduce the net benefit recorded in the financial statements related to this deferred asset. The valuation allowance is deemed necessary as a result of the uncertainty associated with the ultimate realization of these deferred tax assets.

9 COMMON STOCK

During fiscal year ended June 30, 2009 we: (a) issued 1,800,000 shares of our common stock for financial services rendered to us (valued at $32,000) and (b) issued 250,000 shares of our common stock for cancellation of $21,592 of accounts payable to a third party.

During fiscal year ended June 30, 2010 we: (a) issued 4,500,000 shares of our common stock for $225,000 which was used to repay $150,000 of convertible and subordinated notes payable; (b) issued 15,500,000 shares of our common stock to convert $775,000 of convertible notes payable; (c) issued 5,870,834 shares of our common stock to two officers for cancellation of $181,996 of accrued salaries, and (d) issued 250,000 shares of our common stock for services rendered to us.

On February 28, 2010 the Board voted to issue 600,000 shares of our common stock for financial consulting services rendered to us effective February 1, 2010. We valued the 600,000 shares based on the quoted trade price on February 1, 2010 ($.04) and recorded $24,000 as contract services expense. As of June 30, 2010, these shares are owed, but not issued. These shares were issued on October 4, 2010.

On October 4, 2010 the Board voted to issue 600,000 shares of our common stock for financial consulting services rendered to us. We valued the 600,000 shares based on the quoted trade price on October 4, 2010 ($.0097) and recorded $5,820 as stock for services expense.

On April 27, 2011 our company entered into a teaming agreement and employment agreement with Chester A. Gilliam and his company WizardWorks Security Systems Inc. (the Subcontractor). Under the agreement the Subcontractor will provide us with products and services set out in the agreement (the Program) over a three (3) year period and the company will compensate the Subcontractor for participation in the Program by providing up to a $360,000 bonus and the company issued on March 1, 2011 500,000 shares of our company s common stock pursuant to the agreement. We valued the 500,000 shares based on the quoted trade price on March 1, 2011 ($.012) and recorded $6,000 as stock for services expense.

On April 1, 2011 the Board voted and the company issued 600,000 shared of our common stock to an employee. We valued the 600,000 shares based on the quoted trade price on April 1, 2011 ($0.012) and recorded $7, 200 as stock for services expense.

On June 24, 2011, the company issued 12,207,200 shares of our common stock for conversion of accrued board fees, salaries, rent and interest as well as some trade payables due our officers, directors and largest shareholder. The shares were issued at the average quoted trade price for the period from May 16, 2011 through June 24, 2011 ($.04445).

Pursuant to the 2005 Stock Option Plan, the Board of Directors had granted 2,500,000 options under the plan of which 1,300,000 were outstanding as of March 31, 2011. Effective June 24, 2011 the Board accepted the cancellation of the 1,300,000 stock options from three employees, (with an exercise price of $.1667 per share) which were to expire on March 22, 2012.

10. WARRANTS AND OPTIONS

At June 30, 2011 there are 1,000,000 outstanding warrants at a strike price of $.120 and expiring in February 2013. There are no outstanding stock options.

11. CONCENTRATIONS AND CONTINGENCIES

The Company s operating lease was up October 31, 2009. The Company s lease is month to month.

Sales to one major customer represented 93% of sales and 83% of accounts receivable for the year ended June 30, 2011.

12. FAIR VALUE MEASUREMENTS

The Company adopted ASC Topic 820-10 on July 1, 2010 to measure the fair value of its financial assets required to be measured on a recurring basis. The adoption ASC Topic 820-10 did not impact the Company s financial condition or results of operations. ASC Topic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC Topic 820-10 defines fair values as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability. The three levels of the fair value hierarchy under ASC Topic 820-10 are described below:

Level 1 Valuations based on quoted prices in active markets or identical assets or liabilities that an entity has the ability to access.

Level 2 Valuations based on quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable for substantially the full term of the assets or liabilities.

Level 3 Valuations based on inputs that are supportable by little or no market activity and that are significant to the fair value of the asset or the liability.

The Company has no level 3 assets or liabilities.

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of June 30, 2011:

	Level 1	Level 2	Level 3	Fair Value

Cash and cash equivalents	$ 13,341	-	-	$ 13,341
Trade accounts receivable	-	351,248	-	351,248
Inventory	62,424		-	62,424
Other receivables	-	-	-	-
Trade accounts payable	103,058		-	103,058
Accrued liabilities	25,121		-	25,121
Notes payable	861,270			861,270

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of June 30, 2010:

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	$ 34,915	-	-	$ $34,915
Trade accounts receivable	-	8,449	-	8,449
Inventory	86,045		-	86,045
Other receivables	-	7,913	-	7,913
Trade accounts payable	-	114,393	-	114,393
Accrued liabilities	-	495,110	-	495,110
Notes payable	-	580,500		580,500

13 SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date these financial statements were issued and has determined that there are no transactions that need to be recorded or disclosed.

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, 2011 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, 2011.

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, 2011 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 23, 2011, 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	58	November 9, 2005
Robert A. Morrison	President and Director	47	June 18, 2007
Charles F. Ferris	Chairman of the Board and Director	65	August 14, 2007
Michael Yinger	Secretary and Director	55	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. 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 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.

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.

Involvement in Certain Legal Proceedings

None of our directors, executive officers, promoters or control persons has been involved in any of the following events during the past ten years:

1. A petition under the Federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;

2. Such person was convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

3. Such person was the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:

i. Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity

ii. Engaging in any type of business practice; or

iii. Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;

4. Such person was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph (f)(3)(i) of this section, or to be associated with persons engaged in any such activity;

5. Such person was found by a court of competent jurisdiction in a civil action or by the Commission to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended, or vacated;

6. Such person was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;

7. Such person was the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:

i. Any Federal or State securities or commodities law or regulation; or

ii. Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or

iii. Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

8. Such person was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

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, 2011, 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:

SUMMARY COMPENSATION TABLE									
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Stock Awards ($)**	**Option Awards ($)**	**Non-Equity Incentive Plan Compensa-tion ($)**	**Nonqualified Deferred Compensation Earnings ($)**	**All Other Compensa-tion ($)**	**Total ($)**
Mark Lana(1) *Chief Executive Officer, Treasurer*	2011 2010	$Nil $Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	80,000 (3) Nil	80,000 Nil
Robert A. Morrison(2) President	2011 2010	$Nil $Nil	Nil Nil	Nil Nil	Nil Nil	Nil N/A	Nil N/A	Nil N/A	Nil Nil

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

(3) On June 24, 2011 the Company converted $80,000 of deferred salary to Mr. Lana into equity, issuing him 1,799,800 shares of common stock.

Stock Options/SAR Grants

There were no equity or and non-equity awards granted to the named executives in 2011*:*

Outstanding Equity Awards at Fiscal Year End

There were no outstanding equity awards as of June 30, 2011.

Option Exercises

During our Fiscal year ended June 30, 2011 there were no options exercised by our named officers

Pension, Retirement or Similar Benefit Plans

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers. We have no 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 the board of directors or a committee thereof.

Indebtedness of Directors, Senior Officers, Executive Officers and Other Management

None of our directors or executive officers or any associate or affiliate of our company during the last two fiscal years, is or has been indebted to our company by way of guarantee, support agreement, letter of credit or other similar agreement or understanding currently outstanding.

Family Relationships

There are no family relationships between any of our executive officers or directors.

Compensation of Directors

Compensation to our independent directors is $25,000 annually which may be deferred until we have the ability to pay, at which time the board members have the option to received cash or convert to common equity.

On June 23, 2011 there was $183,332 of accrued board fess through the period ending June 30, 2011. On June 24, 2011, We issued the following shares and entered into subordinated notes payable to our two (2) independent directors for payment of the $183,332 accrued board fees.

	Shares Issues	New Subordinated Notes
Charles Ferris	1,640,000	$ 18,770
Michael Yinger	1,443,600	27,500
	3,083,600	$ 46,270

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 30, 2011, there were 82,623,836 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 30, 2011 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(1)**	**Percent of Class(1)**
Mark Lana *1800 Boulder Street, Suite 600* *Denver, CO 80211*	7,018,578	8.49%
Robert A. Morrison *1800 Boulder Street, Suite 600* *Denver, CO 80211*	15,749,082	19.06%
Chuck Ferris *11612 E. 2nd Ave* *Aurora, CO 80010*	2,500,000	3.03%
Michael Yinger 10940 S. Parker Road, Suite 151 *Parker, CO 80134*	2,373,600(3)	2.87%
Directors and Executive Officers as a group (4 people)	**27,641,260**	**33.45%**
William S. Dickey 6130 S. Elm Court *Centennial, CO 80121*	22,521,000(2)	27.26%

(1) Based on 82,623,836 shares of common stock issued and outstanding as of September 30, 2011. 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 5,000,000 shares to DQ Investment Group, a family partnership controlled by Mr. Dickey.

(3) Includes 250,000 shares to Pythia, a Company under control of Mr. Yinger.

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, 2011 and 2010:

Services		**2011**		**2010**
Audit fees	$	31,500	$	30,750
Tax fees	$	Nil	$	Nil
All other fees	$	Nil	$	Nil
Total fees	$	31,500	$	30,750

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, FINANCIAL STATEMENT SCHEDULES

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).
3.3	Certificate of Change filed with the Nevada Secretary of State on December 1, 2009 (incorporated by reference from our Quarterly report on Form 10-Q filed on February 12, 2010).
(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)
10.16	Master Subcontract Agreement effective December 10, 2010 with Insight Direct USA, Inc. (incorporated by reference from our Current Report on Form 8-K filed April 28, 2011)
10.17	Teaming Agreement and Employment Agreement dated February 1, 2011 with Chester Gilliam (incorporated by reference from our Current Report on Form 8-K filed April 28, 2011).
(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)
(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: October 5, 2011

By: /s/ Mark Lana
Mark Lana
Chief Executive Officer, Treasurer, and Director
Principal Accounting Officer and Principal Financial Officer
Date: October 5, 2011

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: October 5, 2011

By: /s/ Mark Lana
Mark Lana
Chief Executive Officer, Treasurer, and Director
Principal Accounting Officer and Principal Financial Officer
Date: October 5, 2011

By: /s/ Charles F. Ferris
Charles F. Ferris
Chairman of the Board and Director
Date: October 5, 2011

By: /s/ Michael Yinger
Michael Yinger
Secretary and Director

Date: October 5, 2011