Z3 ENTERPRISES, INC.
Form 10-Q
December 19, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended **September 30, 2011**

or

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

For the transition period from __________________ to __________________________
Commission file number: 000-53443

Z3 ENTERPRISES, INC.
(Name of registrant as specified in its charter)

Nevada	75-3076597
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7322 S. Rainbow Blvd., Suite 194, Las Vegas, Nevada	89139
(Address of principal executive offices)	(Zip Code)

(702) 508-9255
(Registrant's telephone number, including area code)

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

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

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-T (232.405 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 o No [X]

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 the definitions 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 [ ] Small 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 registrant had 48,409,875 shares of Common Stock outstanding as of December 13, 2011.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this report contains predictions, estimates and other forward-looking statements that relate to future events or the Company's future financial performance. These statements involve known and unknown risks, uncertainties and other factors that may cause the 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 the forward-looking statements. These risks and other factors include those listed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report, and some of which we may not know. In some cases, one can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," the negative of these terms or other comparable terminology.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. The Company discusses many of these risks in the annual report on Form 10-K in greater detail under the heading "Risk Factors." Given these uncertainties, one should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent the management's beliefs and assumptions only as of the date of this report. One should read the annual report on Form 10-K and this quarterly report on Form10-Q and the documents that have been filed as exhibits to these reports completely and with the understanding that the actual future results may be materially different from what management expects.

Except as required by law, the Company assumes no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

The risks affecting the Company's business include, among others: lack of other sources of funding, the Company's continuing compliance with applicable laws and regulations, product acceptance, competition in the industry and technological changes.

All forward-looking statements, whether made in this report or elsewhere, should be considered in context with the various disclosures made by the Company about its business.

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PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements.

Z3 ENTERPRISES, INC. AND SUBSIDIARY

(A Development Stage Company)

CONSOLIDATED BALANCE SHEET

	As of September 30, 2011 Un-Audited	
ASSETS		
Current assets		
Cash	$	49,295
Prepaid expenses		683,700
Investment deposit		100,000
Intellectual property deposit		75,000
Total current assets		907,995
Long term portion of prepaid expense	398,814	
Total assets	$	1,306,809
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$	58,904
Notes payable-related party		649,904
Total current liabilities		708,808
Total liabilities		708,808
Stockholders' equity		
Common stock; $.001 par value; 105,000,000 shares authorized, 48,259,875 shares issued and outstanding as of September 30, 2011		48,260
Additional paid-in capital		9,963,224

Common stock payable		350,120
Common stock receivable		(8,000,000)
Accumulated deficit during development stage		(1,763,603)
Total stockholders' equity		598,001
Total liabilities and stockholders' equity	$	1,306,809

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

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Z3 ENTERPRISES, INC. AND SUBSIDIARY

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended Sept. 30, 2011 Un-Audited	**From inception (March 24, 2011) through Sept. 30, 2011 Un-Audited**
Revenue	$ -	$ -
Cost of goods sold	-	-
Gross profit	-	-
Operating expenses		
Professional fees	85,342	269,417
General and administrative	4,521	23,206
Independent contractors	358,425	1,433,655
Prototype development	35,715	37,325
Total operating expenses	484,003	1,763,603
Net loss	$ (484,003)	$ (1,763,603)
Basic loss per common share	$ (0.01)	
Basic weighted average common shares outstanding	48,259,875	

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

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Z3 ENTERPRISES, INC. AND SUBSIDIARY

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

		From March 24, 2011 (Date of Inception) through Sept 30.2011 Un-Audited
Cash flows from operating activities:		
Net loss	$	(1,763,603)
Adjustments to reconcile net loss to		-
net cash used by operating activities:		-
Stock compensation		1,451,877
Changes in operating assets and liabilities:		-
Increase in accounts payable		47,267
Net cash used by operating activities		(264,459)
Cash flows from investing activities:		
Cash acquired through reverse merger		37
Net cash used by investing activities		37
Cash flows from financing activities:		
Repayment to notes payable – related party		(3,000)
Proceeds from notes payable - related party		316,717
Net cash provided by financing activities		313,717
Net increase in cash and cash equivalents		49,295
Cash, beginning of period		-
Cash, end of period	$	49,295
Supplemental Schedule of non-cash activities		
Shares issued for prepaid services	$	(1,082,514)
Prepaid expense acquired under reverse merger	$	(375,003)
Intangible asset acquired under reverse merger	$	(75,000)
Deposit acquired under reverse merger	$	(100,000)
Accounts payable acquired under reverse merger	$	11,637
Notes payable acquired under reverse merger	$	336,187
Common stock receivable acquired under reverse merger	$	(8,000,000)

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

Z3 ENTERPRISES, INC. AND SUBSIDIARY

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011

1 . DESCRIPTION OF BUSINESS AND HISTORY

Description of business and history - Z3 Enterprises, Inc., a Nevada corporation (formerly known as Bibb Corporation) (hereinafter referred to as "Z3E" or "The Company"), was incorporated in the State of Nevada on July 22, 2002. The Company's principal operations were to produce fully integrated multi-media products targeting the marginally literate. The Company changed its focus to health and wellness books; educational entertainment and reality show programming; feature films and special event marketing upon entering into a Joint Venture Agreement (the "Joint Venture Agreement") with Phoenix Productions and Entertainment Group (PPEG) in September 2010.

From September 2010 through March 2011, Z3E pursued business opportunities, but agreements were never fulfilled and the entertainment projects have been terminated.

On March 29, 2011, Z3 Enterprises entered into a Share Exchange Agreement to acquire 100 shares, constituting all of the issued and outstanding shares of HPEV Inc. ("HPEV") in consideration for the issuance of 22,000,000 shares of Z3E common stock. Upon closing of the Share Exchange on April 15, 2011, HPEV became a wholly owned subsidiary of Z3.

The terms of the Share Exchange Agreement require the current board of directors of Z3E (the "Board") to designate Quentin Ponder and Tim Hassett as directors of Z3E, as well as two other directors to be named later by HPEV. The Board has not yet appointed Mr. Ponder and Mr. Hassett to the Board due to current Bylaw restrictions. The Company plans to amend the bylaws and make these appointments as soon as practicable.

Control of Z3E changed hands on April 15, 2011 with the issuance of 21,880,000 shares of Z3E common stock to the original shareholders of HPEV pursuant to the terms of the as amended Share Exchange Agreement. An additional 120,000 shares will be issued prior to the year end which will complete the issuance of 22,000,000 shares of Z3E common stock to HPEV, Inc. under the terms of the as amended Share Exchange Agreement.

For accounting purposes, the acquisition of HPEV, Inc by Z3 Enterprises, Inc. has been recorded as a reverse acquisition of a public company and recapitalization of Z3 Enterprises, Inc. based on factors demonstrating that HPEV represents the accounting acquirer.

HPEV was incorporated under the laws of the State of Delaware on March 25, 2011 to commercialize the technology from patents developed by two of its shareholders. Activities during its start-up stage were nominal.

Subsequent to the closing of the Share Exchange, Z3E changed its business focus to attempting to commercialize the HPEV technologies in a variety of markets by licensing its conversion system to fleet owners, vehicle dealers and service centers. The Company also plans to license its heat pipe technologies to engine and vehicle component manufacturers.

On May 5, 2011, a total of 7 patents (1 granted, 6 pending) were assigned to HPEV by Thermal Motors Innovations, LLC, a company controlled by the developers of the patents. Since then, two other patents have been applied for and remain to be assigned.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The patents and patents-pending assigned to HPEV cover composite heat pipes and their applications as well as an electric load assist. The utilization of composite heat pipes should increase the horsepower of electric motors and enhance the lifespan and effectiveness of heat-producing vehicle components. The parallel vehicle platform enables vehicles to alternate between two sources of power.

The newly-merged Company plans to commercialize the patents by implementing and licensing a plug-in hybrid electric vehicle conversion system based on the parallel vehicle platform. The Company also intends to license heat pipe technology to manufacturers of vehicle parts such as brakes, resistors and calipers.

The Company is currently sourcing the components to perform its initial conversion. The conversion, if successful, will be used to showcase the effectiveness of the technology, generate data and function as a marketing tool to generate orders. The target markets include consumer, commercial and fleet vehicles ranging from cars to tractor-trailer trucks and buses.

To prove the effectiveness of heat pipe technology under extreme conditions, the Company has signed agreements with racing teams to test its technology in high performance vehicle components.

As operations have consisted of general administrative and pre-production activities, Z3 Enterprises is considered a development stage company in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 915.

On June 29, 2011, Ross Giles informed the Board of Directors that he will resign as Z3E’s Chief Executive Officer, President, Treasurer and Secretary effective upon the filing of all Z3E reports with the Securities and Exchange Commission that were then currently past due, specifically the first quarter 10Q.

On June 29, 2011, the Board appointed Quentin Ponder as Z3E's Chief Executive Officer and President, effective on the date of the filing of the first quarter 10Q. On October 20, 2011, as a result of the filing of the Form 10Q, Quentin Ponder replaced Ross Giles as the CEO and President of the Company.

2. GOING CONCERN

The Company incurred net losses of approximately $1,763,603 during the period from March 24, 2011 (Date of Inception) through September 30, 2011 and has not fully commenced its operations. The Company is still in the development stages, raising substantial doubt about the Company's ability to continue as a going concern without additional capital infusion. At this time, the Company is seeking additional sources of capital through the issuance of debt, equity, or joint venture agreements, but there can be no assurance the Company will be successful in accomplishing its objectives.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

It is possible management may decide that the Company cannot continue with its business operations as outlined in the current business plan because of a lack of financial resources and may be forced to seek other potential business opportunities that may be available.

Z3 ENTERPRISES, INC. AND SUBSIDIARY

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES

Presentation and disclosure - It is management's opinion that all adjustments necessary for a fair statement of results for the interim period have been made, and all adjustments are of a normal recurring nature.

Year end - The Company's year end is December 31.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes - The Company accounts for its income taxes in accordance with Income Taxes Topic of the FASB ASC 740, which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

Management believes the Company will have a net operating loss carryover to be used for future years. Such losses may not be fully deductible due to the significant amounts of non-cash service costs as well as restrictions on carryovers resulting from reverse mergers. The Company has established a valuation allowance for the full tax benefit of the applicable operating loss carryovers.

Current tax laws limit the amount of loss available to be offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited.

Net loss per common share - The Company computes net loss per share in accordance with the Earning per Share Topic of the FASB ASC 260. Under the provisions of ASC, basic net loss per share is computed by dividing the net loss available to common stockholders for the period by the weighted average number of shares of common stock outstanding during the period. The calculation of diluted net loss per share gives effect to common stock equivalents; however, potential common shares are excluded if their effect is anti-dilutive. For the period from March 24, 2011 (Date of Inception) through September 30, 2011, no options and warrants were outstanding.

Stock Based Compensation - Stock based compensation is accounted for using the Equity-Based Payments to Employees Topic of the FASB ASC 718, which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for services. It also addresses transactions in which an entity incurs liabilities in exchange for services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. The Company determines the value of stock issued at the date of grant. The Company also determines at the date of grant the value of stock at fair market value or the value of services rendered (based on contract or otherwise) whichever is more readily determinable.

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Stock based compensation for non-employees is accounted for using the Stock Based Compensation Topic of the FASB ASC 505. The Company uses the fair value method for equity instruments granted to non-employees and will use the Black Scholes model for measuring the fair value of options, if issued. The stock based fair value compensation is determined as of the date of when performance commitment is established or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

Financial Instruments - The carrying amounts reflected in the consolidated balance sheets for cash and accounts payable approximate the respective fair values due to the short maturities of these items. The Company does not hold any investments that are available-for-sale.

Concentration of risk - A significant amount of Z3E's assets and resources have been dependent on the financial support of Phoenix Productions and Entertainment Group. The Company is pursuing other avenues of financial support.

Revenue recognition - Revenues are recognized in accordance with the Securities and Exchange Commission Staff Accounting Bulletin No. 104 ("SAB 104"), "Revenue Recognition in Financial Statements". The Company recognizes revenues when all of the following criteria are met: 1) there is persuasive evidence that an arrangement exists, 2) delivery of goods has occurred, 3) the sales price is fixed or determinable, and 4) collection is reasonably assured.

Advertising costs - The Company recorded no advertising and promotion costs for the quarter ended September 30, 2011.

Research and development - Costs of research and development are expensed in the period in which they are incurred.

Legal Procedures - The Company is not aware of, nor is it involved in any pending legal proceedings.

New accounting standards- The Company has evaluated the recent accounting pronouncements through ASU 2011-09 and believes that none of them will have a material effect on the Company's financial statements.

4. STOCKHOLDERS' EQUITY

The Company has 105,000,000 common shares authorized and 48,259,875 issued and outstanding as of September 30, 2011.

On April 1, 2011, 600,000 Z3E common shares valued at $0.70 per share as of the date of the agreement were issued to Brian Duffy in exchange for his consulting services. The Company agreed to issue a total of 1,100,000 shares to Brian Duffy as compensation for services, 500,000 remain unissued and a stock payable of $350,000 was recorded.

On March 29, 2011, Z3 Enterprises entered into a Share Exchange Agreement to acquire 100 shares, constituting all of the issued and outstanding shares of HPEV Inc., a Delaware corporation ("HPEV"), in consideration for the issuance of 22,000,000 shares of Z3E common stock. For accounting purposes, the acquisition of HPEV, Inc. by Z3 Enterprises, Inc. has been recorded as a reverse acquisition of a public company and recapitalization of Z3 Enterprises, Inc. based on factors demonstrating that HPEV represents the accounting acquirer.

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On April 4, 2011, 21,880,000 shares out of the 22,000,000 shares of Z3E common stock were issued to Tim Hassett, Quentin Ponder, Mark Hodowanec and Darren Zellers. 120,000 shares remain to be issued and were recorded as stock payable. Since the shares were deemed to be founder shares of HPEV, Inc. the Company recorded the value at par.

Prior to the reverse merger, Z3E had 23,956,690 common shares outstanding. Due to the recapitalization of Z3E with HPEV, the shares were deemed issued as of April 15, 2011 as part of the reverse merger and recapitalization. The value of the shares was based on the net asset value of Z3E as of April 15, 2011, the date the merger was deemed closed.

On May 11, 2011, 1,823,185 common shares valued at $0.75 per share as of the date of the agreement were issued to Capital Group Communication, Inc. in exchange for investor relations services covering a period of twenty four-months valued at $1,367,389. See Note 8 for further information.

On November 1, 2011, the Board of Directors authorized the issuance of 150,000 shares of restricted common stock to Dr. George Tweddel in exchange for $50,000 in funding.

5. RELATED PARTY TRANSACTIONS

As a consequence of the reverse merger, HPEV took over the obligations of Z3E consisting of accounts payable of $11,637 (non related party) and a note payable balance of $336,187 due to Phoenix Productions and Entertainment Group, Inc., a significant shareholder of the Company's common stock. The terms of the loan agreement do not require payment of interest and repayment of the loan is to begin 15 days after receipt of initial revenues related to projects funded by PPEG loan. Maturity of the loan is perpetual or upon mutual agreement of both parties or if conditions are breached or default.

During the period from inception (March 24, 2011) to September 30, 2011, Judson Bibb, Director, advanced $20,200 in interest free, unsecured, due on demand advances. As of September 30, 2011, $20,200 remains due and payable.

During the three months period ended September 30, 2011, Phoenix Productions and Entertainment Group, Inc. made loans to Z3 Enterprises of $110,500 leaving a balance due as of September 30, 2011 of $629,704.

6. INVESTMENT DEPOSIT

The Company has the negotiating rights that come with a non-refundable, earnest deposit of $100,000 that Z3E provided to Trinity Springs, Ltd ("Trinity"). Z3E previously entered into an Asset Purchase and Sale Agreement with Trinity Springs, Ltd. ("Trinity"), to purchase Trinity for $18,600,000. The $100,000 deposit would be credited to the buyer at closing.

Final realization of the agreement was dependent upon the approval of Trinity's board and shareholders. That approval was never granted, so on March 24, 2011, Z3E terminated the Agreement. Discussions concerning the purchase of Trinity Springs are on-going and the Company has not written off the $100,000 deposit.

Z3 ENTERPRISES, INC. AND SUBSIDIARY

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011

7 . INTELLECTUAL PROPERTY

Z3E has acquired various intangible rights to the works of the Aleem Brothers many of which featured Jimi Hendrix.

In consideration for the rights, the Z3 Enterprises provided a good faith deposit of $75,000. The intangible rights are recorded on the Company's books as an intellectual property deposit.

Z3 Enterprises wholly owned subsidiary, HPEV, Inc., has been assigned the rights to one issued patent and six other patents pending. The issued patent and five patents-pending all relate to the utilization of heat pipes to remove heat from various types of electric motors and generators. By removing heat in a more efficient manner, the heat pipes provide lower costs and improved performance benefits. The seventh patent-pending is an electric load assist that makes it possible for plug-in hybrid electric vehicles to utilize power in any combination from the gas or diesel engine and an electric motor installed on-board.

8. PREPAID EXPENSE

Z3E had $187,501 in stock-based prepaid expense for investment banking services to be performed by Network 1 Financial Services. As of September 30, 2011, the balance is $0.

On May 11, 2011, 1,823,185 common shares valued at $0.75 per share were issued to Capital Group Communication, Inc. in exchange for investor relations services valued at $1,367,389. The services are for a 24 month term as of September 30, 2011. The prepaid balance is $1,082,514.

9. COMMON STOCK RECEIVABLE

On September 2, 2011, Z3E and Richard Glisky signed a Rescission Agreement (Agreement) to rescind an Agreement for the Acquisition of Harvest Hartwell CCP, LLC (HHCCP), a Michigan limited liability company. The Agreement for Acquisition was originally signed on September 30, 2010.

As called for in the Rescission Agreement, Z3 Enterprises assigned 100% of its interests in HHCCP to the previous owner, Richard Glisky. Richard Glisky, in turn, assigned 1,920,000 shares of Z3E common stock back to Z3E which the Company intends to have cancelled. As of December 4, 2011, the 1,920,000 shares of Z3E common stock had not been returned to the Company. Consequently, the Company has an $8,000,000 stock receivable recorded on its books.

10. SUBSEQUENT EVENTS

On October 3, 2011, PPEG paid audit and bookkeeping expenses on behalf of Z3E in the amount of $7,150. In addition on October 11, 2011, PPEG provided a loan to Z3 Enterprises' subsidiary, HPEV, Inc., in the amount of $10,000. The loans were made pursuant to a Loan Agreement signed on September 7, 2010 between, Z3 Enterprises and PPEG. Loans under the PPEG Loan Agreement are interest-free. On October 20, 2011, Z3E's 10-Q for the first quarter of 2011 was filed and Ross Giles' resignation as CEO, President, Treasurer and Secretary became effective. Quentin Ponder succeeded him.

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Z3 ENTERPRISES, INC. AND SUBSIDIARY

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011

Ross Giles was not under an employment contract; therefore, he is due no further remuneration. As of October 24, 2011, Quentin Ponder is being compensated by HPEV at the rate of $5,000 per month through his consulting firm.

On October 30, 2011, the Board of Directors granted a non-statutory, fully vested stock option to purchase 200,000 shares of the Company’s common stock at a purchase price of $0.55 per share to Crone Law Group for services rendered and payments defrayed. The fair value of this transaction will be determined at a later date.

On November 1, 2011, the Board of Directors authorized the issuance of 150,000 shares of restricted common stock to Dr. George Tweddel in exchange for $50,000 in funding.

On November 10, 2011, the Board of Directors appointed Judson Bibb to serve as the Secretary of the Company.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

The Company began its development stage in July 2002. Since inception, it has focused primarily on research and development activities, organizing the Company, finding and negotiating with vendors, raising capital and laying the groundwork to take the Company public.

The original planned principal operations were to produce fully integrated multi-media products targeting the marginally literate. That changed when the Company signed a Joint Venture Agreement with Phoenix Productions and Entertainment Group (PPEG) and thereby commenced substantial operations and the focus shifted to health and wellness books; educational, entertainment and reality show programming as well as feature films and special event marketing.

As a result of the joint venture, the Company changed its name from Bibb Corporation to Z3 Enterprises, Inc. A few months later, PPEG bought out the majority shareholder of the Company and the Company changed control.

From September 2010 through March 2011, the Company pursued business opportunities with Usee, Inc. and Usee Ca, Inc.; and Trinity Springs, Ltd., respectively, but the respective acquisition agreements were never consummated and the projects were terminated.

On December 24, 2010, the Company executed a Memorandum of Understanding with Taharqa Aleem and Tunde Ra Aleem (the Aleem Brothers) whereby Z3E was to acquire various intangible rights to the print and musical works of the Aleem Brothers who formed a band called The Ghetto Fighters. The memorandum provided for the transfer of all rights, title and interest to full extent possible under law to unreleased recordings of The Ghetto Fighters featuring Jimi Hendrix, among other properties.

The memorandum also provided for cash payments of $500,000 from the Company to the Aleem Brothers, the issuance of $500,000 worth of the Company's common stock and royalty payments ranging from 20% to 50% from projects based on the print and musical works.

The Aleem Brothers requested and received $75,000 in good faith money.

The Company's due diligence raised questions about some of the claims being made. On March 11, 2011, the Company proposed to nullify the terms of the agreement and replace it with one that more accurately reflected the scope and value of the works being acquired.

A new contract was presented by the Company to the Aleem Brothers and there was no response. Consequently, the Company terminated the contract and requested return of the funds advanced. To date, the funds have not been returned.

As a result, the agreement remained on the Company's books. Since then, the Company's direction has changed. It is no longer involved in entertainment projects.

In March 2011, management was presented with an opportunity that they believed should generate revenues far earlier than the typical timeline for income related to films and other entertainment projects.

To that end, on April 15, 2011, the Company acquired HPEV, Inc, a Delaware corporation, through a Share Exchange Agreement that would soon hold 1 patent and 6 patents-pending which cover a variety of composite heat pipes and heat pipe applications as well as a patent-pending related to electric load assist and parallel vehicle platform that enables vehicles to alternate between two sources of power. The initial patent and patents-pending were assigned to HPEV on May 5, 2011. Two additional patents-pending are in the process of being assigned to HPEV.

HPEV's technologies in combination with existing technologies should enable the Company to convert any existing internal combustion vehicle on the road into a plug-in hybrid electric vehicle which should result in reduced energy and maintenance costs as well as emissions.

Subsequent to the acquisition of HPEV, Inc., the Company changed its business focus to that of HPEV.

The share exchange transaction with HPEV, Inc. and its shareholders was treated as a reverse acquisition, with HPEV, Inc. as the accounting acquirer and Z3 Enterprises, Inc. as the acquired party. Unless the context suggests otherwise, when this report references business and financial information for periods prior to the consummation of the reverse acquisition, it is referring to the business and financial information of HPEV, Inc. and references subsequent to the consummation of the reverse acquisition are referring to consolidated business and financial information of Z3 Enterprises, Inc. and HPEV, Inc.

HPEV began its development stage on March 24, 2011. Since inception, the Company has focused primarily on research and development activities, organizing the Company, finding and negotiating with vendors, and raising capital.

The planned principal operations are to commercialize the technology from patents developed by two of the Company's current shareholders.

As a result of the Share Exchange Agreement signed on March 29, 2011, HPEV became a subsidiary of Z3 Enterprises, Inc. as of April 15, 2011, the date the merger was deemed closed. For accounting purposes, the acquisition of HPEV, Inc by Z3 Enterprises, Inc. has been recorded as a reverse acquisition of a public company and recapitalization of Z3 Enterprises, Inc. based on factors demonstrating that HPEV, Inc. represents the accounting acquirer. Subsequently, Z3E changed its business direction and now plans to commercialize the patents. To that end, the initial patents and patents-pending were assigned to HPEV on May 5, 2011. The assignment consisted of one patent and six patents-pending which cover a variety of composite heat pipes and heat pipe applications as well as a patent pending related to electric load assist and parallel vehicle platform that enables vehicles to alternate between two sources of power. Two additional patents-pending are in the process of being assigned to HPEV.

HPEV's technologies in combination with existing technologies should enable the Company to convert any existing internal combustion vehicle on the road into a plug-in hybrid electric vehicle which should result in reduced energy and maintenance costs as well as emissions.

The Company has an accumulated deficit of $1,763,601 since inception through September 30, 2011. The Company's liabilities totaled $708,808 and equity total $598,001 as of September 30, 2011. The Company has generated no revenue in 2011. As a result, it has been issued a "substantial doubt" going concern opinion from the auditors.

OVERVIEW

As a consequence of its April 15, 2011 acquisition of HPEV, Inc, the Company plans to commercialize the Hybrid Plug-in Electric Vehicle or HPEV retrofit system and utilize heat pipe technology that should dramatically improve a broad spectrum of products.

To that end: HPEV has been assigned seven patents (1 awarded, 6 pending with another 2 patents-pending remaining to be assigned) covering technology that increases the power density of electric motors and a parallel vehicle platform. A parallel vehicle platform enables a vehicle to run on two sources of power.

By combining HPEV's new technologies with existing technologies into a retrofit system, it should be possible to convert any vehicle on the road today into a plug-in, hybrid electric vehicle. Hybrid vehicles run on either gas or diesel and electric power depending on which is more efficient for the speed and driving conditions. The increase in efficiency reduces the load on the engine and that reduces energy and maintenance costs as well as emissions.

Depending on the vehicle, payback for the conversion could be anywhere from two months to two years.

A prototype will be used to showcase the effectiveness of the technology, generate data and function as a marketing tool to generate orders. The Company's initial conversion is due for completion in late first quarter or early second quarter of 2012. The target markets include fleet, commercial and consumer vehicles ranging from SUVs to tractor-trailer trucks and buses.

As the existing infrastructure at most vehicle maintenance facilities is sufficient to perform the conversions, the Company plans to license the technology to automotive dealers and service centers nationwide as well as to fleet owners.

The Company intends to license its exclusive heat pipe technology as well. Composite heat pipes can be used to convey thermal energy away from heat sources such as engines or even brake calipers and resistors. The pipes operate without using pumps or moving parts and should enable the engines to run cooler. The cooler an engine runs, the more horsepower it can generate and the longer the engine may last. A cooler motor is also less likely to suffer heat-related failure.

Consequently, the composite heat pipes should benefit any device which relies on an engine -- everything from small appliances to boats and airplanes -- as well as devices that generate heat such as automatic weapons and brake systems.

STRATEGY

The Company's strategy hinges on the initial conversion of a standard truck into a plug-in hybrid electric vehicle. A Ford F350 will be used to showcase the validity of the technology, generate data and function as a marketing tool to generate orders. The target markets include consumer, commercial and fleet vehicles ranging from cars to tractor-trailer trucks and buses.

It is estimated that the first conversion should be ready by late first quarter or early second quarter of 2012. As the existing infrastructure in vehicle maintenance facilities is sufficient to perform the retrofits, the Company plans to license the technology to fleet owners and service centers nationwide as well as automotive dealers. Auto dealers should have a particular interest in the technology. They have existing space to offer services, want additional revenue streams and seek ways to increases sales of SUVs and trucks. Z3E will provide training and components while the fleet, service center and dealer mechanics will perform the retrofits.

By utilizing networks of affiliates and distributors to market its products, the Company plans to keep its overhead low and focus on training and coordinating the supply chain that will produce the components that will be shipped directly to fleet owners, automobile dealers or service centers for the conversion process.

To that end, the Company is soliciting pre-orders and pre-license agreements from fleet owners and dealerships. All new agreements reached and licenses signed will be used to begin promoting the technology.

In conjunction with the completion of the initial conversion, the Company intends to start with a regional roll out on the East and West Coasts, specifically targeting the two states with the toughest environmental regulations: California and New York.

The Company will rely on a highly structured, comprehensive marketing strategy in which each element cross-promotes and reinforces the others. The marketing mix will include: social media marketing, an online video channel, public relations to trade and consumer media, seminars for consumers and automotive professionals, participation in environmental events and co-op advertising.

The repetition coming from a number of avenues will build credibility and enhance retention. More importantly, it helps cut through the clutter of competing messages that bombard consumers every day.

The cross-promotion strategy also builds awareness and helps generate sales by creating a number of avenues that lead potential licensees to the Company's offerings.

The Company also intends to commercialize and license its composite heat pipe technology to enhance the lifespan and effectiveness of individual truck and automotive products such as brake rotors, resistors and calipers. The initial phase of commercialization will rely on the signing of research and development agreements with electric motor manufacturers and high performance racing teams.

RECENT EVENTS

On March 29, 2011, HPEV entered into a share exchange agreement with Z3 Enterprises Inc., a Nevada corporation, which was amended on June 14, 2011. HPEV exchanged one hundred percent of the shares of its issued and outstanding for 22,000,000 shares of common stock of Z3E.

The terms of the Share Exchange Agreement require the current board of directors of Z3E (the "Board") to designate Quentin Ponder and Tim Hassett as directors of Z3E as well as two other directors to be named later by HPEV. The Board has not yet appointed Mr. Ponder and Mr. Hassett to the Board due to current Bylaw restrictions. The Company plans to amend the bylaws and make these appointments as soon as practicable.

The Company currently trades on the Pink Sheets.

On May 5, 2011, HPEV Inc. was assigned the rights to one awarded patent and six patents-pending which cover composite heat pipes applications and a parallel vehicle platform. Two additional patents-pending are in the process of being assigned to HPEV. The newly-merged Company intends to commercialize the patents by implementing and licensing a plug-in hybrid electric vehicle conversion system based on the parallel vehicle platform. The Company also intends to incorporate its heat pipe technology in automotive components such as brakes.

On June 29, 2011, Ross Giles informed the Board of Directors that he will resign as Z3 Enterprises' Chief Executive Officer, President, Treasurer and Secretary effective upon the filing of all reports with the Securities and Exchange Commission that were then currently past due, specifically the first quarter 10Q.

On June 29, 2011, the Board appointed Quentin Ponder as the Company's Chief Executive Officer and President, effective on the date of the filing of the first quarter 10Q.

On July 13, 2011, the Company filed a provisional patent application for a composite heat pipe cooled brake system.

On October 3, 2011, PPEG paid audit and bookkeeping expenses on behalf of Z3E in the amount of $7,150. In addition, on October 11, 2011, PPEG provided a loan to Z3 Enterprises' subsidiary, HPEV, Inc., in the amount of $10,000.

The loans were made pursuant to a Loan Agreement signed on September 7, 2010 between, Z3 Enterprises and PPEG. Loans under the PPEG Loan Agreement are interest-free.

On October 5, 2011, HPEV, Inc. and John Galt Racing ("JGR") signed an agreement to test HPEV composite heat pipe technology in JGR vehicle brakes, rotors and calipers. The composite heat pipes will be integrated into the components manufactured by third parties, then installed on a GT3 Cup Championship car. A similar agreement was signed with Goldcrest Motorsports on October 17, 2011.

On October 20, 2011, Z3E's 10-Q for the first quarter of 2011 was filed and Ross Giles' resignation as CEO, President, Treasurer and Secretary became effective. Quentin Ponder succeeded him,

Ross Giles was not under an employment contract; therefore, he is due no further remuneration. As of October 24, 2011, Quentin Ponder is being compensated by HPEV at the rate of $5,000 per month through his consulting firm.

On October 30, 2011, the Board of Directors granted a non-statutory, fully vested stock option to purchase 200,000 shares of the Company's common stock at a purchase price of $0.55 per share to Crone Law Group for services rendered and payments defrayed.

On November 1, 2011, the Board of Directors authorized the issuance of 150,000 shares of restricted common stock to Dr. George Tweddel in exchange for $50,000 in funding.

On November 10, 2011, the Board of Directors appointed Judson Bibb to serve as the Secretary of the Company.

Operating Results for the Three Months ended September 30, 2011

REVENUE AND OPERATING EXPENSES:

For the three months ended September 30, 2011 and from inception (March 24, 2011) to September 30, 2011, the Company had no revenues. As a development stage business, the Company's efforts during third quarter of 2011 were focused on getting the new business established.

As the Company has yet to generate revenues, management has tried to minimize operating expenses. For the three months ended September 30, 2011, the Company's total operating expenses were $484,003. For the period from inception (March 24, 2011) to September 30, 2011, the Company's total operating expenses were $1,763,603 The majority of the operating expenses were due to shares issued for independent contractor expenses and expenses incurred in the process of creating the initial conversion.

For the three months ended September 30, 2011, the Company had a net loss of $484,003. For the period from inception (March 24, 2011) to September 30, 2011, the Company had a net loss of $1,763,603.

The Company’s loss per share during the three month period ended September 30, 2011 was $.01.

LIQUIDITY AND CAPITAL RESOURCES:

For the nine months ended September 30, 2011, the Company incurred losses from operations of $1,763,603. On September 30, 2011, the Company had cash of $49,295, an accumulated deficit of $1,763,603 and working capital of $199,187. The auditors have expressed substantial doubt about the ability of the Company to continue as a going concern unless it is able to raise funds or generate revenues.

The following table provides selected financial data about the Company for the quarter ended September 30, 2011.

Balance Sheet Data:	**9/30/2011**
Cash in bank	$49,295
Total assets	$1,306,809
Total liabilities	$708,808
Stockholders' equity	$598,001

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The Company is in the process of creating the initial conversion and there is no guarantee it will be successful in completing the proposed business plans.

To date, the Company has primarily relied on loans from PPEG to fund the business. During the three months ended September 30, 2011, PPEG provided a loan of $110,500. On October 3, 2011, PPEG paid audit and bookkeeping expenses on behalf of Z3E in the amount of $7,150. In addition, on October 11, 2011, PPEG provided a loan to Z3 Enterprises' subsidiary, HPEV, Inc., in the amount of $10,000.

The loans were made pursuant to a Loan Agreement signed on September 7, 2010 between, Z3 Enterprises and PPEG. Loans under the PPEG Loan Agreement are interest-free.

On November 1, 2011, the Board of Directors authorized the issuance of 150,000 shares of restricted common stock to Dr. George Tweddel in exchange for $50,000 in funding.

Management believes that future private placements of equity capital and debt financing are needed to fund the short term projected needs for operations and development. Additional financing may not be available on acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to realize its business plans, which could significantly and materially restrict operations.

ASSETS AND LIABILITIES:

Current assets on September 30, 2011 consisted of cash totaling $49,295, investment deposit of $100,000, intellectual property deposit at $75,000 and prepaid expenses of $1,082,515.

Total assets were $1,306,809 as of September 30, 2011.

The Company's accounts payable totaled $58,904 as of September 30, 2011. The Company has also recorded a liability of $629,704 in loans from Phoenix Productions and Entertainment Group (PPEG) as of September 30, 2011. In addition, $20,200 was recorded in liabilities in loan to Judson Bibb, Director, as of September 30, 2011.

As mentioned above, management believes the Company will require additional capital to fully implement the business plan. There can be no assurance that the Company will be able to secure additional capital or, if available, on commercially acceptable terms. Until such time the business plan can be fully implemented, it is unlikely that the Company will be able to reverse the continuing losses in which case shareholders have the potential to lose their entire investment.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any current off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Not applicable; as the Company is considered a smaller reporting company.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company’s principal executive and financial officer evaluated the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) and determined that the disclosure controls and procedures were not effective as of the end of the period covered by this Quarterly Report on Form 10-Q. The evaluation considered the procedures designed to ensure that the information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and communicated to Company management as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting

During the period covered by this Quarterly Report on Form 10-Q, there was no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(d) and 13d-15(d) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(c) Inherent Limitations of Disclosure Controls and Internal Controls over Financial Reporting

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Projections of any evaluation or effectiveness to future periods are subject to risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors

Not applicable: the Company is considered a smaller reporting company.

Item 2. Unregistered Sales of Equity Securities

During the quarter ended September 30, 2011, the Company had 48,259,875 common shares issued and outstanding. There were no shares issued during the quarter.

At all times relevant:

- the purchaser had the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and to obtain any additional information which management possessed or could acquire without unreasonable effort or expense that is necessary to verify the accuracy of information furnished;

- at a reasonable time prior to the sale of securities, management advised the purchaser of the limitations on resale of the securities; and

In issuing the foregoing securities, the Company relied on the exemptive provisions of Section 4(2) and/or Regulation D of the Securities Act.

Item 3. Defaults Upon Senior Securities.

None

Item 5. Other Information

None

Item 6. Exhibits

Exhibit No.	Description
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10.1	Agreement for the Exchange of Common Stock of HPEV, Inc. dated March 29, 2011 among the Company, HPEV, Inc., Tim Hassett, C. Quentin Ponder, B. Mark Hodowanec and D. Darren Zellers (incorporated by reference to Exhibit 10.4 to the registrant's Form 10-K filed with the SEC on October 3, 2011).
10.2	Addendum to Share Exchange dated June 14, 2011 among the Company, HPEV, Inc., Tim Hassett, C. Quentin Ponder, B. Mark Hodowanec and D. Darren Zellers (incorporated by reference to Exhibit 10.2 to the registrant's Form 8-K filed with the SEC on August 19, 2011).
31.1*	Certification of Principal Executive Officer and Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certifications of Principal Executive Officer and Principal Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Z3 ENTERPRISES, INC.

Date: December 13, 2011 By: /s/ Quentin Ponder
Quentin Ponder

Chief Executive Officer, President,
(Principal Executive Officer and

Principal Financial Officer)