

Edgar Filing: XSUNX INC - Form 10QSB

XSUNX INC
Form 10QSB
February 17, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10QSB

Quarterly Report under Section 13 or 15(d) of
the Securities Exchange Act of 1934

CIK NO.: 0001039466

For Quarter Ended December 31, 2003

Commission File Number: 000-29621

XSUNX, INC.

(Name of Small Business Issuer in its charter)

COLORADO 84-1384159

State of incorporation or organization IRS Employer ID Number

65 Enterprise, Aliso Viejo, CA 92656

(Address of principal executive offices) (Zip Code)

Issuer's telephone number: (949) 330-8060

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 the filing requirements for at least the past 90 days.

Yes X No ____

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

As of February 12, 2004 the number of shares outstanding of the registrant's only class of common stock was 111,298,148.

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

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

XSUNX, INC.
(FORMERLY SUN RIVER MINING, INC.)

(AN DEVELOPMENT STAGE COMPANY)
FINANCIAL STATEMENTS

December 31, 2003
(UNAUDITED)

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Michael Johnson & Co., LLC.
9175 Kenyon Ave., #100
Denver, CO 80237
Phone: 303-796-0099
Fax: 303-796-0137

ACCOUNTANTS' REVIEW REPORT

Board of Directors
XSUNX, Inc.
Denver, CO

We have reviewed the accompanying balance sheet of XSUNX, Inc. (A Development Stage Company) as of December 31, 2003 and the related statements of operations for the three-months ended December 31, 2003 and 2002 and the period February 27, 1997 (inception) to December 31, 2003 and cash flows and stockholders' equity for the three-months ended December 31, 2003 and 2002 and for February 25, 1997 (inception) to December 31, 2003 included in the accompanying Securities and Exchange Commission Form 10-QSB for the period ended December 31, 2003. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of person responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the balance sheet as of September 30, 2003, and the related statements of operations, stockholders' equity and cash flows for the year then ended (not presented herein). In our report dated December 13, 2003, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying balance sheets as of December 31, 2003 is fairly stated in all material respects in relation to the balance sheet from which it has been derived.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, conditions exist which raise substantial doubt about the

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Company's ability to continue as a going concern unless it is able to generate sufficient cash flows to meet its obligations and sustain its operations. Management's plans in 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/ Michael Johnson & Co., LLC
 Michael Johnson & Co., LLC
 Denver, CO
 February 14, 2004

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XSUNX, INC.
 (Formerly Sun River Mining, Inc.)
 (A Development Stage Company)
 Consolidated Balance Sheets
 (Unaudited)

| | December 31, 2003 |
|--|----------------------|
| | ----- |
| ASSETS: | |
| Current assets: | |
| Cash | \$ 307 |
| | ----- |
| Total current assets | 307 |
| | ----- |
| Other assets: | |
| Patents | 3 |
| Deposit - Lease | 1,500 |
| | ----- |
| Total other assets | 1,503 |
| | ----- |
| TOTAL ASSETS | \$ 1,810 |
| | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | |
| Current Liabilities: | |
| Accounts Payable | \$ 8,596 |
| Accrued Officers Salaries | 27,500 |
| Notes Payable | 5,000 |
| | ----- |
| Total current liabilities | 41,096 |
| | ----- |
| Stockholders' Equity: | |
| Preferred Stock, par value \$0.01 per share; 50,000,000 shares authorized; no shares issued and outstanding | - |
| Common Stock, no par value; 500,000,000 shares authorized; | |

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| | |
|---|--------------|
| 111,298,148 shares issued and outstanding at December 31, 2003 and 768,148 outstanding at December 31, 2002 | 2,821,726 |
| Deficit accumulated during the exploratory stage | (2,861,012) |
| | ----- |
| Total stockholders' profit (deficit) | (39,286) |
| | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 1,810 |
| | ===== |

See Accountants' Review Report

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XSUNX, INC.
(Formerly Sun River Mining, Inc.)
(A Development Stage Company)
Consolidated Statements of Operations
(Unaudited)

| | Three-Months Ended December 31, | | Feb. 25, 1 (Inception) December 2003 |
|--------------------------|------------------------------------|-------|---|
| | 2003 | 2002 | |
| Revenue | \$ - | \$ - | |
| Expenses: | | | |
| Abandoned Equipment | - | - | |
| Bank Charges | - | - | 1, |
| Consulting | - | - | 1,004, |
| Depreciation | - | - | 3, |
| Directors' Fees | - | - | 11, |
| Due Diligence | - | - | 45, |
| Equipment Rental | - | - | 1, |
| Impairment loss | - | - | 923, |
| Legal & Accounting | 5,346 | 884 | 166, |
| Licenses & Fees | - | - | 6, |
| Meals & Entertainment | 112 | - | 4, |
| Office Expenses | 2,621 | - | 16, |
| Officer's Salaries | 27,500 | - | 408, |
| Postage & Shipping | 144 | - | 3, |
| Printing | 129 | - | 5, |
| Public Relations | 465 | - | 104, |
| Rent | 2,905 | - | 10, |
| Taxes | - | - | 4, |
| Telephone | 641 | - | 31, |
| Transfer Agent Expense | 1,550 | 375 | 14, |
| Travel | 222 | - | 59, |
| | ----- | ----- | ----- |
| Total Operating Expenses | 41,635 | 1,259 | 2,830, |

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| | | | |
|------------------------|-------------|------------|------------|
| Other Income (Expense) | | | |
| Interest Expense | - | - | 71, |
| Interest Income | - | - | |
| Forgiveness of Debt | - | - | (40, |
| | ----- | ----- | ----- |
| Net (Loss) | \$ (41,635) | \$ (1,259) | \$ (2,861, |
| | ----- | ----- | ----- |

Per Share Information:

| | | |
|---|-------------|------------|
| Weighted average number of common shares outstanding | 111,248,148 | 15,362,970 |
| | ----- | ----- |
| Net Loss per Common Share | * | * |
| | ----- | ----- |

* Less than \$.01

See Accountants' Review Report

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XSUNX, INC.
(Formerly Sun River Mining, Inc.)
(A Development Stage Company)
Consolidated Statement of Cash Flows
(Unaudited)

Indirect Method

| | Three-Months Ended December 31, | |
|--|------------------------------------|--------|
| | 2003 | 2002 |
| | ----- | ----- |
| Cash Flows from Operating Activities: | | |
| Net Loss | \$ (41,635) | \$ (1, |
| Adjustments to reconcile net loss to cash used in operating activities: | | |
| Issuance of Common Stock for Services | - | |
| (Increase) in Deposits | (1,500) | |
| Increase in Accrued Expenses - Officers | 27,500 | |
| Increase in Accounts Payable | 10,942 | 1, |
| | ----- | ----- |
| Net Cash Flows Used for Operating Activities | (4,693) | |
| | ----- | ----- |
| Cash Flows from Investing Activities: | | |
| Purchase of Intangible Assets | - | |
| | ----- | ----- |
| Net Cash Flows Used for Investing Activities | - | |
| | ----- | ----- |
| Cash Flows from Financing Activities: | | |

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| | | |
|--|--------|-------|
| Proceeds from Notes Payable | 5,000 | |
| Issuance of Common Stock | - | |
| | ----- | ----- |
| Net Cash Flows Provided by Financing Activities | 5,000 | |
| | ----- | ----- |
| Net Increase (Decrease) in Cash | 307 | |
| | ----- | ----- |
| Cash and cash equivalents - Beginning of period | - | |
| | ----- | ----- |
| Cash and cash equivalents - End of period | \$ 307 | |
| | ===== | ===== |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash Paid During the Year for: | | |
| Interest | \$ - | |
| | ===== | ===== |
| Income Taxes | \$ - | |
| | ===== | ===== |
| NON-CASH TRANSACTIONS | | |
| Common stock issued in exchange for services | \$ - | |
| | ===== | ===== |

See Accountants' Review Report

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XSUNX, INC.
(Formerly Sun River Mining, Inc.)
(A Development Stage Company)
Consolidated Statement of Stockholders' Equity (Deficit)
December 31, 2003
(Unaudited)

| | Common Stock | | Deficit Accumulated During the Exploration Stage | |
|--|--------------|---------|--|-------|
| | # of Shares | Amount | | To |
| | ----- | ----- | ----- | ----- |
| Inception - February 25, 1997 | - | \$ - | \$ - | |
| Issuance of stock for cash 3/97 | 5,000 | 100 | - | |
| Issuance of stock for cash 3/97 | 5,590 | 111,800 | - | 1 |
| Issuance of stock to Founders 3/97 | 14,110 | - | - | |
| Issuance of stock for Consolidation 4/97 | 445,000 | 312,106 | - | 3 |
| Issuance of stock for cash 8/97 | 2,900 | 58,000 | - | |
| Issuance of stock for cash 9/97 | 2,390 | 47,800 | - | |
| Net Loss for Year | - | - | (193,973) | (1) |
| | ----- | ----- | ----- | ----- |
| Balance - September 30, 1997 | 474,990 | 529,806 | (193,973) | 3 |
| | ----- | ----- | ----- | ----- |
| Issuance of stock for services 11/97 | 1,500 | 30,000 | - | |
| Issuance of stock for cash 9/98 | 50,000 | 200,000 | - | 2 |

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| | | | | |
|-------------------------------------|-------------|-------------|---------------|-------|
| Consolidation stock cancelled 9/98 | (60,000) | (50,000) | - | (|
| Issuance of stock for cash 9/98 | 200 | 4,000 | - | |
| Net Loss for year | - | - | (799,451) | (7 |
| | ----- | ----- | ----- | ----- |
| Balance - September 30, 1998 | 466,690 | 713,806 | (993,424) | (2 |
| | ----- | ----- | ----- | ----- |
| Issuance of stock for cash 10/98 | 21,233 | 159,367 | - | 1 |
| Issuance of stock for services 1/99 | 40,000 | 40,000 | - | |
| Issuance of stock for cash 1/99 | 37,500 | 296,125 | - | 2 |
| Issuance of stock for services 1/99 | 25,000 | 276,500 | - | 2 |
| Issuance of stock for cash 2/99 | 7,500 | 70,313 | - | |
| Issuance of stock for cash 4/99 | 45,225 | 122,108 | - | 1 |
| Issuance of stock for salaries 6/99 | 70,000 | 147,000 | - | 1 |
| Issuance of stock for cash 9/99 | 40,000 | 69,200 | - | |
| Net Loss for year | - | - | (1,482,017) | (1,4 |
| Balance - September 30, 1999 | 753,148 | 1,894,419 | (2,475,441) | (5 |
| | ----- | ----- | ----- | ----- |
| Issuance of stock for cash 9/00 | 15,000 | 27,000 | - | |
| Net Loss for year | - | - | (118,369) | (1 |
| | ----- | ----- | ----- | ----- |
| Balance - September 30, 2000 | 768,148 | 1,921,419 | (2,593,810) | (6 |
| | ----- | ----- | ----- | ----- |
| Extinguishment of debt | - | 337,887 | - | 3 |
| Net Loss for year | - | - | (32,402) | (|
| | ----- | ----- | ----- | ----- |
| Balance - September 30, 2001 | 768,148 | 2,259,306 | (2,626,212) | (3 |
| | ----- | ----- | ----- | ----- |
| Net Loss for year | - | - | (47,297) | (|
| | ----- | ----- | ----- | ----- |
| Balance - September 30, 2002 | 768,148 | 2,259,306 | (2,673,509) | (4 |
| | ----- | ----- | ----- | ----- |
| Issuance of stock for Assets 7/03 | 70,000,000 | 3 | - | |
| Issuance of stock for Cash 8/03 | 9,000,000 | 225,450 | - | 2 |
| Issuance of stock for Debt 9/03 | 115,000 | 121,828 | - | 1 |
| Issuance of stock for Accruals 9/03 | 115,000 | 89,939 | - | |
| Issuance of stock for Services 9/03 | 31,300,000 | 125,200 | - | 1 |
| Net Loss for year | - | - | (145,868) | (1 |
| | ----- | ----- | ----- | ----- |
| Balance - September 30, 2003 | 111,298,148 | 2,821,726 | (2,819,377) | |
| | ----- | ----- | ----- | ----- |
| Net Loss for period | - | - | (41,635) | (|
| | ----- | ----- | ----- | ----- |
| Balance - December 31, 2003 | 111,298,148 | \$2,821,726 | \$(2,861,012) | \$ (|
| | ===== | ===== | ===== | ===== |

All shares have been adjusted for the 1 for 20 reverse split.

See Accountants' Review Report

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XSUNX, INC.
(FORMERLY SUN RIVER MINING, INC.)
Notes to Financial Statements
December 31, 2003

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(Unaudited)

Note 1 - Presentation of Interim Information:

In the opinion of the management of XSUNX, Inc., the accompanying unaudited financial statements include all normal adjustments considered necessary to present fairly the financial position as of December 31, 2003 and the results of operations for the three-months ended December 31, 2003 and 2002 and for the period February 25, 1997 (inception) to December 31, 2003, and cash flows for the three-months ended December 31, 2003 and 2002 and the for the period February 25, 1997 (inception) to December 31, 2003. Interim results are not necessarily indicative of results for a full year.

The financial statements and notes are presented as permitted by Form 10-Q, and do not contain certain information included in the Company's audited financial statements and notes for the fiscal year ended September 30, 2003.

Note 2 - Going Concern:

The Company's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company is in the exploration state and has not earned any revenue from operations. The Company's ability to continue as a going concern is dependent upon its ability to develop additional sources of capital or locate a merger candidate and ultimately, achieve profitable operations. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties. Management is seeking new capital to revitalize the Company.

The Company has made substantial investments this last year in the development of intellectual property assets as part of a business-restructuring plan. The purpose of these investments was to acquire patented solar electric glass technology. The Company believes that its patented solar electric technology has a number of marketing opportunities in the multi-billion dollar worldwide architectural glass markets.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Cautionary and Forward Looking Statements

In addition to statements of historical fact, this Form 10-QSB contains forward-looking statements. The presentation of future aspects of XsunX, Inc. ("XsunX," the "Company" or "issuer") found in these statements is subject to a number of risks and uncertainties that could cause actual results to differ

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materially from those reflected in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," or "could" or the negative variations thereof or comparable terminology are intended to identify forward-looking statements.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause XsunX's actual results to be materially different from any future results expressed or implied by XsunX in those statements. Important facts that could prevent XsunX from achieving any stated goals include, but are not limited to, the following:

Some of these risks might include, but are not limited to, the following:

- (a) volatility or decline of the Company's stock price;
- (b) potential fluctuation in quarterly results;
- (c) failure of the Company to earn revenues or profits;
- (d) inadequate capital to continue or expand its business, inability to raise additional capital or financing to implement its business plans;
- (e) failure to commercialize its technology or to make sales;
- (f) rapid and significant changes in markets;
- (g) litigation with or legal claims and allegations by outside parties;
- (h) insufficient revenues to cover operating costs.

There is no assurance that the Company will be profitable, the Company may not be able to successfully develop, manage or market its products and services, the Company may not be able to attract or retain qualified executives and technology personnel, the Company's products and services may become obsolete, government regulation may hinder the Company's business, additional dilution in outstanding stock ownership may be incurred due to the issuance of more shares, warrants and stock options, or the exercise of warrants and stock options, and other risks inherent in the Company's businesses.

The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Readers should carefully review the factors described in other documents the Company files from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-QSB and Annual Report on Form 10-KSB filed by the Company in 2003 and any Current Reports on Form 8-K filed by the Company.

Financial Condition and Changes in Financial Condition

The Company has made equity investments in the development of intellectual property assets as part of a business-restructuring plan. The purpose of these investments was to acquire patented solar electric glazing technology. The Company believes that its patented solar electric glazing

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technology has a number of market opportunities in the multi-billion dollar worldwide architectural glass markets.

The Company intends to continue to make investments in the commercial development of these patents through the course of the next year. To finance these development efforts we are currently engaged in on going capital formation efforts to fund the Company's projected deficits for development costs in the current year.

Through the successful commercial development of these patents the Company anticipates being able to take advantage of commercial opportunities to provide governments, developers, businesses and architects with a commercially viable method for converting large areas of architectural glass into electrical power producing systems. Upon the completion of our commercialization process the Company anticipates the majority of revenues to be derived from the licensing of our technology.

Management believes the summary data presented herein is a fair presentation of the Company's results of operations for the periods presented. Due to the Company's change in primary business focus and new business opportunities these results may not necessarily be indicative of results to be expected for any future period. As such, future results of the Company may, in the future, differ significantly from previous periods.

Results of Operations for the Three-Month Period Ended December 31, 2003 Compared to the Same Period in 2002

The Company incurred expenses totaling \$41,635 for the three months ending December 31, 2003 compared to \$1,259 for the same period in 2002. The increase of \$40,367 resulted primarily from the increase to general and administrative expenses due to a change of operations necessary for the development of the Company's new business plan as a provider of patented solar electric technologies. The Company generated no revenues in this period as well as for the same period in 2002. The net loss for the three months ending December 31, 2003 was \$(41,635) as compared to a net loss of (\$1,259) for the same period 2002. Operating costs in the development of the Company's business plan are expected to continue for the foreseeable future as the Company continues to increase expenditures in the commercial development of its new business opportunities.

Liquidity and Capital Resources

The Company had net working capital (deficit) at December 31, 2003 of \$(39,286) as compared to a working capital of \$2,346 at September 30, 2003. There were no cash flows provided from operations during the three months ended December 31, 2003. For the three months ended December 31, 2003 the Company's capital needs have been met by loans and the issuance of notes to senior executives of the company.

Cash and cash equivalents at December 31, 2003 were \$1,810, a decrease of \$536 from September 30, 2003. During the three-month period ended, December 31, 2003, the Company used \$41,635 net cash in operating activities as compared to using \$1,259 for the same period 2002. This increase of cash used in operations of \$40,376 was primarily a result of the increase in general and administrative expenses due to a change of operations necessary for the development of the Company's new business plan.

We had, at December 31, 2003, working capital of \$307. We anticipate that there will be no cash generated from operations in the current year necessary to

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fund our current and anticipated cash requirements. We plan to obtain additional financing from equity and debt placements. We have been able to raise capital in a series of equity and debt offerings in the past. While there can be no assurances that we will be able to obtain such additional financing, on terms acceptable to us and at the times required, or at all, we believe that sufficient capital can be raised in the foreseeable future.

Subsequent Events

The Company intends to continue to make investments in the development and commercialization of its patented solar electric glazing processes. To finance these efforts the Company is currently engaged in on going capital formation efforts to fund these capital requirements for development, commercialization, general and administrative costs in the current year.

In furtherance of these financing efforts the Company entered into a private placement agreement on December 19, 2003 for the sale of up to 3,000,000 shares of common stock pursuant to Regulation S of the Act. The purchaser will have to and until December 31, 2004 to deliver one or more purchase notices to the Company. The agreement provided for a variable purchase price based on a percentage of the five-day average closing price on the date of a purchase with a floor price of \$.25 cents net to the Company. The Company may terminate this agreement upon 3 days notice to the purchaser. The Company anticipates, but cannot be assured, that should the entire 3,000,000 shares be placed the approximate net proceeds to the Company may total \$750,000. The purchaser intends to acquire the shares for their own account with no present intention of dividing their interest with others or of reselling or otherwise disposing of all or any portion of the shares. The shares were offered in a private transaction, which was not part of a distribution of the shares. As of the date of this report there have been no shares issued or purchased subject to this private placement.

Item 3. CONTROLS AND PROCEDURES

The Company's Chief Executive Officer, and Chairman have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this quarterly report and, based on this evaluation, have concluded that the disclosure controls and procedures are effective.

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings - None.

Item 2. Changes in securities - None.

Item 3. Defaults upon senior securities - None.

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- Item 4. Submission of matters to a vote of security holders - None.
- Item 5. Other information - None.
- Item 6. Exhibits and reports on Form 8-K
- A. Exhibits: 31 Sarbanes Oxley Certification
32 Sarbanes Oxley Certification
- B. Reports filed on Form 8-K
- 8-K filed 10/2/03
8-K/A filed 10/29/03

SIGNATURES

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

Dated: February 13, 2004

XSUNX, INC.

By: \s\ Tom M. Djokovich
Tom M. Djokovich, Chief Executive Officer,
President and acting Chief Financial Officer

Pursuant to the requirements of Section 12 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.

Directors

By: \s\ Brian Altounian

Dated: February 15, 2004

Chairman of the Board, Secretary

By: \s\ Tom Djokovich

Dated: February 13, 2004

Director, President, CEO and acting CFO

By: \s\ Thomas Anderson

Dated: February 15, 2004

Director