

# ANALYST RESEARCH & REPORT

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Stock symbol: XSNX.OB.....Float: 768,149  
Stock price 11/30/04: \$.50.....Common shares 11/30/04: 112.3 million  
52-week price range: \$.25 - 2.00.....Equity market capitalization: \$ 56.15mm

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November 30, 2004](#)

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**NOVEMBER 30, 2004  
COMPANY SNAPSHOT**

- ◆ XsunX, Inc (also referred to as “XsunX” or the “Company”) offers investors the opportunity to realize significant gains from a revolutionary breakthrough technology in the Photovoltaic industry.
- ◆ XsunX, Inc. has developed Power Glass™ – a breakthrough solar technology that allows glass windows to produce electricity from the power of the sun.
- ◆ The Company is leveraging its broad portfolio of patents to commercialize Power Glass™ technology as the solution for integrating renewable power generating properties onto millions of square feet of modern architectural glass and building facades.

XsunX believes that Power Glass™ technology can provide an ideal solution for the wide scale integration of real energy producing products into living and working environments – all without causing disruptive and costly changes to lifestyles. Given the current and emerging market opportunities, XsunX represents a sound investment opportunity as it has a proven business model, a solid and experienced management team and a well defined business strategy.

**Mission Statement:**

- ◆ XsunX intends to maximize shareholder value by being the recognized leader in the Building Integrated Photovoltaics industry.
- ◆ The Company aims to commercialize the XsunX Power Glass™ solar cell structure and manufacturing process
- ◆ As a competitive alternative to non-energy producing coatings and glazing for applications in the worldwide architectural glass, optical film, and plastics markets.

**Company:** XsunX, Inc  
**Address:** 65 Enterprise  
Aliso Viejo, CA 92656  
**Contact:** Tom Djokovich  
**Web Site:** <http://www.xsunx.com>  
**Industry Category:** Energy -- Photovoltaic  
**Market Category:** Building Integrated Photovoltaic (BIPV)

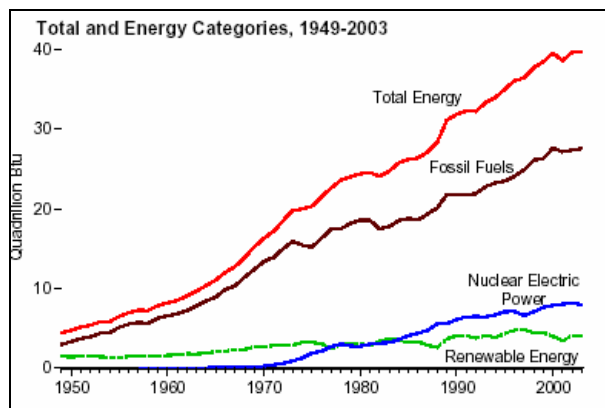
- ◆ XsunX, Inc. was founded in February 1997 as a Colorado C-Corporation and is a publicly-traded company on the NASDAQ "Over-the-Counter Bulletin Board" market (the OTCBB).
- ◆ In 2004, the Company qualified to conduct business in the State of California under the XsunX, Inc. name and currently finds its corporate headquarters in Aliso Viejo, California. XsunX holds three patents specific to the design and use of semi-transparent solar cells on transparent substrates such as glass.
- ◆ In September 2004 XsunX licensed the intellectual property and patent assets of Colorado-based MVSystems and intends to continuously develop and patent new technologies that will provide a sustainable competitive advantage.

## INTRODUCTION

Worldwide energy consumption has significantly increased over the past two decades due in large part to new energy demands from emerging third world markets including Asia and South America. This increase in worldwide demand for energy has added significant pressure on the United States, the world's largest consumer of energy, with respect to price and supply availability.

- ◆ According the US Department of Energy, total US energy consumption reached 40 quadrillion British thermal units (Btu) in 2003, as compared to 20 quadrillion Btu's in 1980.
- ◆ With global demand for electricity estimated to increase by more than 70% over the next 15 years, this rapid growth will only further strain and expose the limitations of the world's energy resources.
- ◆ Moreover, the United States' dependence on foreign oil as a key source of energy has reached a dangerous level in today's post September 11<sup>th</sup> geopolitical environment. Uncertainty in energy sources has been exemplified by recent social unrest, terrorism, increasing power shortages, price volatility, and difficult access to even ample supplies of energy.

With respect to the environment, global climate change and health issues have stepped up pressure on countries, local communities and multinational corporations to find and use more environmentally friendly ways to meet the world's growing energy demands. The growth of clean-energy technologies is at the top of nearly every government's and corporation's list of solutions to offsetting rising costs stemming from growing environmental issues. As a result of the increase in energy demand, geopolitical uncertainty and the growing environmental concerns of current energy resources, delivering new forms of energy is no longer just a good idea – it is a requirement.



*Source: US Department of Energy*

Photovoltaic (PV) is the science of capturing and converting solar energy into electricity. It is estimated that every minute enough solar energy reaches the surface of the planet to meet the energy demands of the whole world for an entire year. However, traditional forms of solar energy have proven to be too restrictive and costly. Conventional solar cells are typically opaque, architecturally limiting, and usually placed in confined and limited areas, such as roof tops, while operating at nearly double the cost – as compared to the local power company. Today, significant advanced to PV technology has enabled the deployment of Building Integrated Photovoltaics (BIPV). This technology allows photovoltaic material, in the form of photoelectric panels, to be incorporated into the design of the building; thus, providing a new and smart way to integrate additional sources of power production into the operation of buildings. As the BIPV category of the photovoltaic industry is beginning its rapid growth into the US, and worldwide markets,

- ◆ ***XsunX is positioned as the first company dedicated to the large scale commercialization of BIPV through its patented breakthrough technology -- Power Glass™.***
- ◆ ***This revolutionary technology enables every building to be a virtual power plant by utilizing the power of the sun, through the skin of the building, in an aesthetically sound and structurally safe environment.***

#### **INDUSTRY OVERVIEW:**

The US photovoltaics industry has the distinction of being the world's leader in research, technology, manufacturing, and markets. During the last several years, though, other foreign interests have recognized the critical importance of this technology and have accelerated their own strategic incentives toward securing dominant global positions. Three key attributes of this electricity source are fueling the intense world interest in photovoltaics:

- ***Environment:*** PV is truly a clean, emission-free renewable electrical generation technology, with substantial potential and competitiveness in the world's future energy mix.
- ***Technology:*** PV is elegant, reliable, manufacturable, consumer-friendly, and can be deployed in a wide range of applications.
- ***National Interest:*** PV is critical to our energy security, strategic technology, and long-term economic growth. As a "distributed" generation source, this technology acts as a network—not a grid—and is much less susceptible to large-scale outages caused by disasters of natural or human origin. It mitigates our dependence on foreign energy supplies, while providing distinct benefits to our domestic economy.

## Market Analysis

- ◆ According to the US Department of Energy, the global photovoltaic industry reached \$4.7 billion in worldwide sales in 2003 and is expected to grow at a rate in excess of 15-20% per year over the next several decades.
- ◆ Between 2010 and 2025, the market is forecast to reach \$40 billion in annual sales. Among the most compelling aspects to the solar electric opportunity is the sheer size and scope of the present antiquated energy marketplace which, in the US alone, stands at over \$350 billion annually.

The growth and success of XsunX will be characterized by the growth in the new development of commercial buildings and improvements in public infrastructures, both domestically and internationally. According to the November 2004 issue of the Engineering News-Record, the industry management firm FMI Corp expects a 5.8% increase in new commercial developments, in the US, for the fiscal year ending 2005. This growth is forecast to continue well into the decade with the development of new skyscrapers in such markets as California, New York, North Carolina, Florida, Texas, and Illinois. In addition, large and medium sized international markets are seeing a surge in commercial development – including Germany, Japan, Italy and Vietnam. As a result, XsunX stands at the forefront of an explosive industry ripe for wide scale adoption of the Power Glass™ technology.

## Target Markets

- ◆ The Company believes that one of the primary markets for Power Glass™ technology will be the makers and fabricators of architectural and industrial glass – including such companies as Corning, Inc., Asahi Glass Company and PPG Industries.
- ◆ In today's, highly competitive, multi-billion dollar glass industry, the XsunX Power Glass™ will become a source of competitive advantage for many glass manufacturers – as solar glazing technology is a competitive alternative to non-energy producing coating and glazing and is a highly needed and anticipated feature by the glass industry.
- ◆ The Company intends to take advantage of this commercial opportunity to provide governments, developers, businesses and architects with a commercially viable method for converting today's large areas of architectural glass into virtual power plants.

## PRODUCT HIGHLIGHTS

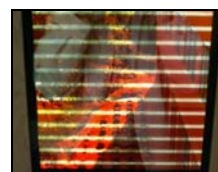
- ◆ The Company's technique for making solar electric glass leverages two distinctly different technologies that have not previously been linked.
- ◆ By adding known processing techniques to those commonly used in the solar industry, the Company has been able to create and protect a structure that is both transparent and photovoltaic.
- ◆ XsunX has focused on the development of very thin semi-transparent coatings and films that create large area monolithic solar cell structures that see-through in design and structure. This semi-transparency makes Power Glass™ glazing desirable for placing over glass, plastics, and other see-through objects. Using patented processes, such as reel-to-reel manufacturing techniques and multi-terminal cell structure designs, XsunX is working to commercialize large area cell manufacturing processes.

Power Glass™ represents a new breed of solar cell design that balances solar cell efficiencies and manufacturing costs with broad applications and uses. By balancing energy density and energy efficiency in product form factors that cover large portions of our environments, the Company anticipates that the XsunX process may provide as much as a 100% efficiency-to-cost gain that may for the first time provide return on investment or "ROI" ratios that make sense. This works because the XsunX process operates at up to as much as 50%, or half, the efficiency of conventional amorphous opaque solar cells yet its preliminary manufacturing cost estimates are anticipated to run at 25% of conventional solar cells. As a result, Power Glass™ provides an opportunity for up to 75% of a buildings exterior surface to produce electricity in a cost efficient manner. Power Glass™ has ubiquitous applications -- including, but not limited to:

- **Large Buildings -- Architectural Glass:**

XsunX glazing could be applied to the windows of large buildings, turning these structures into virtual power plants. Electrical power generated can be used to run building systems. While the total amount spent annually on building products is over a trillion dollars, the total expenditure for XsunX solar electric glass could swell into the billions.

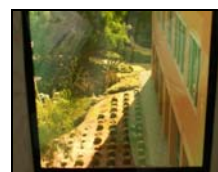
**XsunX  
Power Glass™**



*First Generation*

- **Industrial and Public Facilities -- Canopy, Skylight, Roofs & Laminates:**

XsunX glazing could be applied to the various transparent surfaces of large manufacturing and public facilities to supply a clean and renewable portion of electrical power. XsunX believes that these types of products and applications will provide economic feasibility for the wide scale adoption of integrated use of Power Glass™ technologies. Film produced by companies such as 3M using the XsunX process could be supplied to building material manufacturers worldwide for development and use in numerous applications.



*Second Generation*

#### **About Photovoltaic Technology**

- ◆ PV is a semiconductor-based technology (similar to the microchip) used to convert light energy into direct current electricity, using no moving parts, consuming no fuel, and creating no pollution.
- ◆ Photoelectric panels consist of many individual solar cells connected in series. These panels are made of materials such as silicon -- one of the most common elements on earth. The individual cell is designed with a positive and a negative layer, just like in a battery, that overlap other cells to create an electric field between multiple cells.
- ◆ As photons are absorbed in the cell, their energy causes electrons in the cell to be knocked loose. The electrons then move toward the bottom layer of the cell and exit through a conductive layer to connecting wires. This flow of electrons is what is called electricity. By first combining solar cells to create panels and panels to create photovoltaic arrays, we can produce just the right amount of electricity to perform a specific job, no matter how large.

#### **THE PATENTS**

XsunX has been awarded, and exclusively owns, the following three patents from the United States Patent and Trademark Office for use in the development and commercialization of Power Glass™:

1. *Transparent Solar Cell and Method of Fabrication - United State Patent Number 6,180,871 - granted on January 30, 2001.* (Device)
2. *Transparent Solar Cell and Method of Fabrication - United State Patent Number 6,320,117 - granted on November 20, 2001.* (Method of Fabrication)
3. *Transparent Solar Cell and Method of Fabrication - United States Patent Number 6,509,204 - granted on January 21, 2003.* (Formed with a Schottky barrier diode and method of its manufacture)

In addition, XsunX has licensed the patent and technology portfolio of MVSystems, Inc. The MVSystems portfolio represents over thirty years of photovoltaic technology design, development, and best practices. Further, MVSystems provides XsunX with expertise in the design of manufacturing systems necessary for the commercialization of the Power Glass™ technology. The following are two of the key patents licensed from MVSystems:

4. *Semiconductor Vacuum Deposition System And Method Having A Reel-To-Reel Substrate Cassette: US6, 258,408 B1: July 10th, 2001.* (Method of Fabrication)
5. *US Provisional Patent Application serial number 60/536,151- three terminal and four terminal solar cells, solar cell panels, and method of manufacture.* (Device and Method of Fabrication)

## GROWTH PLAN

- ◆ The Company's strategy is to complete the development and commercialization of its Power Glass™ process and enter into licensing agreements with channel partners who will manufacture and distribute products made with the XsunX solar electric glass technology.
- ◆ In this manner, glass manufacturers will incorporate the Power Glass™ technology into their manufacturing process as an “original equipment manufacturer” (OEM) and sell the finished product to their consumers.
- ◆ The Company will offer non-exclusive licensing rights and expects to generate no less than a 3% royalty on gross sales.
- ◆ By licensing the Power Glass™ technology to glass manufacturers, the Company increases shareholder value by reducing operating expenses and saves significant capital in plant, property and equipment. As a result, XsunX intends to reinvest a significant amount of its retained earnings in R&D in an effort to continuously develop new technologies that will maintain the Company's sustainable competitive advantage.

## KEY MANAGEMENT

The Company's management team has combined experience of nearly 100 years. Detailed below are management team biographies and relevant professional experience:

- **Tom M. Djokovich, President and Chief Executive Officer, Director**  
Mr. Djokovich was the founder and served from 1995 to 2002 as the Chief Executive Officer of Accesspoint Corporation, a vertically integrated provider of electronic transaction processing and e-business solutions for merchants. Under Mr. Djokovich's guidance, Accesspoint became a member of the Visa/MasterCard association, the national check processing association NACHA, and developed one of the payment industry's most diverse set of network based transaction processing, business management and CRM systems for both Internet and conventional points of sale. Prior to Accesspoint, Mr. Djokovich founded TMD Construction and Development in 1979. TMD provided management for multimillion-dollar projects incorporating at times hundreds of employees, subcontractors and international material acquisitions for commercial, industrial and custom residential construction services as a licensed building firm in California. In 1995 Mr. Djokovich developed an early Internet based business-to-business ordering system for the construction industry. Mr. Djokovich also currently serves as a Director and Chairman of the Audit Committee for Roaming Messenger, Inc., a publicly reporting company that provides a breakthrough software solution for delivering real-time actionable information for Homeland Security, emergency response, military and enterprise applications.
- **Dr. Arun Madan, Chairman Scientific Advisory Board**  
Dr. Arun Madan has been appointed as Chairman of XsunX's Scientific Advisory Board. Dr. Madan has worked with the Company in its initial phase helping to establish working models and a foundation of research and development on which XsunX recently launched phase two of its development efforts to bring breakthrough photovoltaic technologies to market. Dr. Madan is a Research Professor in the Department of Metallurgical and Materials Engineering at The Colorado School of Mines, President of MVSystems Inc. and an adjunct at The University of Waterloo, Canada. He became one of the originators of Amorphous Silicon technologies in 1970 and fabricated the first TFT (thin film transistor) as part of his Ph.D thesis. With over 30 years of leading edge scientific accomplishments he has published well over one hundred scientific papers, published a text book now in use at several universities

and holds fourteen patents on thin film semiconductor technology as well as advanced vacuum semiconductor deposition systems. In addition to his recognized leadership in the fields of thin film semiconductors and solar cells, he is the founder of two firms, Glasstech Solar Inc. in 1985 and MVSystems, Inc. in 1989. As founder of these firms he has gained over twenty years of international business, marketing and management experience successfully establishing technology sales exceeding \$150 million dollars. Leveraging his extensive scientific, business and leadership capabilities he has led teams of scientists/engineers in multi-disciplinary programs providing contract research and development work for a multitude of domestic and international agencies and firms including the National Renewable Energy Laboratory (USA), BP-Solar (USA), Shell (The Netherlands), Kovio (USA), Zettacore (USA), QinetiQ (UK), ENEA (Italy) and Pacific Solar (Australia) etc.. Dr Madan received his Ph.D. - Physics from the University of Dundee, Scotland.

#### **Board of Directors**

- **Brian Altounian, Secretary and Chairman of the Board**

Mr. Altounian has over 16 years of experience in the area of finance, administration and operations. Most recently, he served as Executive Vice President of Plyent, Inc., a provider of a proprietary software solution that allows dynamic wireless Web access by Web enabled wireless thin clients, such as cell phones and personal digital assistants (PDAs). Mr. Altounian previously served as the Vice President of Finance for Lynch Entertainment, a producer of family television series' for the Nickelodeon and Disney Channels. While at Lynch, he established subsidiary corporations, purchased and oversaw the construction of a state-of-the-art television studio facility, and built the infrastructure of the company. Prior to joining Lynch Entertainment, Mr. Altounian held key management positions at numerous entertainment companies including Director of Finance and Administration at Time Warner Interactive; Finance Manager for National Geographic Television; and Manager of Business Services for WQED, the nation's first community-owned public television station. He also founded his own consulting company, BKA Enterprises, a firm that supported and advised entertainment and multimedia companies in the areas of financial and business management. Mr. Altounian holds an undergraduate degree from UCLA and an MBA from Pepperdine University.

- **Thomas Anderson, Director**

Mr. Anderson has spent much of the last 10 years working as a geologist in the environmental consulting field. His primary focus has been stratigraphic, hydro geologic, and geochemical characterization, and remediation of hazardous waste sites. Mr. Anderson completed a M.S. in Environmental Science and Engineering at the Colorado School of Mines in 1998. Since 1998, he has provided consulting services to the Department of Energy and Department of Defense for complex problems encountered during characterization and remediation of radioactive and hazardous waste sites. He has been a Senior Environmental Scientist at Concurrent Technologies Corp. from November 2000 to date. From March 2000 to November 2000 he was employed as a hydrologist at Stone & Webster Engineering, Inc. From July 1998 to March 2000 he was employed by Advanced Integrated Management Services as an Environmental Scientist/Engineer. From 1997 to 1998 he was a research assistant at Colorado School of Mines in Graduate Program/Environmental Science.

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