

SECURITY AND EXCHANGE COMMISSION

Washington. D. C. 20549

FORM 10-Q SB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended November 30, 1995 Commission File No. D-9376

ALPHA SOLARCO INC.

(Exact name of registrant as specified in its charter)

Colorado
State or other jurisdiction of
incorporation or organization

31-0944136
(I.R.S. Employer
Identification No.)

510 East University Drive, Phoenix, Arizona
(Address of principal executive offices)

85004
(Zip Code)

Registrant's telephone number, including area code: (602)252-3055

Indicate by check mark whether the registrant (1) has filed all reports required to be filed in Section 13 or 15(d) of the Security 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Class	Number of Shares Outstanding as of 11/30/95
No Par Value Common Stock	1,910,788

ALPHA SOLARCO, INC.

The financial information included herein is Unaudited; however such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for interim periods.

ALPHA SOLARCO INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

November 30, 1995 and May 31, 1995

	November 30, 1995 (Unaudited)	May 31, 1995	(A)
ASSETS			
Cash and Cash equivalents	\$266	\$2,002	
Accounts receivable:			
Trade	566,812	467,992	
Employees	2,600	650	
Prepaid expenses	368	104	
	-----	-----	
Total current assets	570,046	470,748	
Property and equipment, at cost:			
Land	169,750	169,750	
Machinery and equipment	2,472,050	2,492,050	

Furniture and fixtures	94,098	94,098
Leasehold improvements	27,894	32,093
Buildings	420,398	420,398
Computer equipment	20,056	18,724
Construction in progress	1,829	1,828
	-----	-----
	3,206,075	3,228,941
Less accumulated depreciation	1,554,473	1,399,183
	-----	-----
	1,651,602	1,829,758
Note receivable - officer	40,000	40,000
Patent rights and organization costs	414	414
Investment in Chinese Joint Venture	89,670	89,670
Proprietary solar energy technology, research and development, and other intangible assets	1	1
Other assets	20,020	12,159
	-----	-----
	150,105	142,244
	-----	-----
	\$2,371,753	\$2,442,750
	=====	=====

(A) The May 31, 1995 condensed amounts are from the Company's audited financial statements.

See accompanying notes.

ALPHA SOLARCO INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

November 30, 1995 and May 31, 1995
(Continued)

	November 30, 1995 (Unaudited)	May 31, 1995	(A)
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Notes payable	\$337,155	\$698,823	
Current maturity of long-term debt	10,546		
Accounts payable	638,852	680,900	
Accrued liabilities	0	24,500	
Billings in excess of revenue	65,767	473,560	
	-----	-----	
Total current liabilities	1,052,320	1,877,783	
Long-term debt, less current maturities	57,117	0	
Convertible notes		5,700	
Stockholders' equity:			
Common stock, without par value 200,000,000 authorized; 1,910,788 shares outstanding	14,235,421	13,384,710	
Less shares held in treasury	(376,235)		
	-----	-----	
	13,859,186	13,384,710	
Accumulated deficit	(12,596,870)	(12,825,443)	
	-----	-----	
Total stockholders' equity	1,262,316	559,267	
	-----	-----	
	\$2,371,753	\$2,442,750	
	=====	=====	

(A) The May 31, 1995 condensed amounts are from the Company's audited financial statements.

See accompanying notes.

ALPHA SOLARCO INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Six Months ended November 30	
	1995	1994
Revenues:		
Net Sales	\$949,066	\$1,918,778
Interest	12	1,820
Other	45,837	31,468
	-----	-----
	994,915	1,952,066
Costs and expenses:		
Cost of Sales	463,713	1,211,018
General and administrative	299,674	586,345
Advertising and promotion	653	87,958
Research and development	0	12,542
Interest	2,302	
Consulting services	0	75,963
	-----	-----
	766,342	1,973,826
Net gain (loss)	\$228,573	(\$21,760)
	=====	=====
Net gain (loss) per share	\$0.12	(\$0.02)
	=====	=====

See accompanying notes.

ALPHA SOLARCO INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Quarter ended November 30,	
	1995	1994
Revenues:		
Net Sales	\$660,933	\$831,256
Interest	0	410
Other	36,370	4,449
	-----	-----
	697,303	836,115
Costs and expenses:		
Cost of Sales	170,042	851,896
General and administrative	115,566	276,081
Advertising and promotion	653	63,614
Research and development	0	0
Interest	832	0
Consulting services	0	34,327
	-----	-----
	287,093	1,225,918
Net gain (loss)	\$410,210	(\$389,803)
	=====	=====
Net gain (loss) per share	\$0.21	(\$0.39)
	=====	=====

See accompanying notes.

ALPHA SOLARCO INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

Six Months ended
November 30

	----- 1995	1994 -----
Cash flows from operating activities:		
Net gain (loss)	\$228,573	(\$21,760)
Adjustments to reconcile net gain (loss) to net cash used in operating activities:		
Depreciation and amortization	179,488	163,270
Loss on sale of equipment	0	0
Elimination of convertible notes	(5,700)	
Decrease (increase) in:		
Accounts receivable	(100,770)	212,147
Inventory		110,203
Prepaid expenses	(264)	(23,337)
Other assets	(7,861)	(51,549)
Increase (decrease) in:		
Accounts payable	(42,048)	(360,096)
Accrued liabilities	(24,500)	5,398
Billings in excess of revenues	(407,793)	(294,597)
	-----	-----
Net cash used in operating activities	(180,875)	(260,321)
Cash flows from investing activities:		
Capital expenditures	(1,332)	64,332
Proceeds from sale of equipment	0	1,500
	-----	-----
Net cash provided (used by) investing activities	(1,332)	65,832
Cash flow from financing activities:		
Net proceeds from issuance of common stock, stock options and warrants	850,711	0
Purchase of stock from shareholders	(376,235)	
Proceeds from notes payable and long-term debt	67,663	0
Repayment of notes payable and long-term debt	(361,668)	0
	-----	-----
Net cash provided by financing activities	180,471	0
	-----	-----
Net change in cash and cash equivalents	(1,736)	(194,489)
Cash and cash equivalents:		
Beginning of period	2,002	327,671
	-----	-----
End of period	\$266	\$133,182
	=====	=====

During the six months ended November 30, 1995, the Company converted \$690,000 of short-term notes payable for common stock.

See accompanying notes.

ALPHA SOLARCO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Principles of consolidation

The consolidated financial statements include the accounts of Alpha, its wholly-owned subsidiaries, Alpha Solarco Inc. of Ohio ("Alpha of Ohio"), Alpha Manufacturing Group, Inc. ("AMG"), Solectric Corporation (Solectric"), and MSEPG Solar Power Corporation ("Solar Corporation"). Intercompany accounts and transactions have been eliminated.

2. Depreciation

The Company computes depreciation using the straight-line and accelerated methods, based on the estimated useful lives of the depreciable assets, as follows:

Buildings	40 years
Machinery and equipment	3 - 7 years
Furniture and fixture	5 - 10 years
Leasehold improvements	Life of the improvement or the lease term, whichever is shorter

3. Research and Development

All research and development costs are charged to expense when incurred. The costs of materials, equipment and facilities that are constructed or acquired for development activities and that have alternative future use are capitalized and depreciated over their estimated useful lives.

4. Contract Revenue and Cost Recognition

The Company recognizes revenue from fixed-priced contracts on the percentage-of-completion method, measured by the percentage of cost incurred to date to estimated total cost for each contract. That method is used because management considers total cost to be the best available measure of progress on the contracts. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that estimates used will change in the near term.

Cost of sales includes all direct material and labor costs and those related to contract performance, such as indirect costs related to contract performance, such as indirect labor, supplies, tools, etc. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to cost, and income, which are recognized in the period in which revisions are determined. Changes in estimated job profitability resulting from job performance, job conditions and change orders are accounted for as changes in estimates in the current period.

5. Joint Venture Agreement

On February 18, 1991, Alpha Solarco Inc. of Ohio entered into a joint venture agreement with Sun Power Systems Ltd. ("Sun"), a Hong Kong based trading company and Qinhuangdao Electronic Transistor Manufacturing Plant ("QHD"), a business entity operating in the Peoples Republic of China, for the formation of a Chinese joint-venture company called Qinhuangdao Alpha Solar Power Co., Ltd. (the "Chinese Joint Venture Company").

Under the terms of the Joint Venture, QHD owns a 60% equity interest in exchange for a cash capital contribution of \$2,400,000; Alpha Ohio owns a 35% equity interest in exchange for an in-kind contribution of \$650,000 in the form of equipment, and \$750,000 in the form of technology transfer, and Sun owns 5% equity interest in exchange for a nominal in kind contribution of \$200,000.

Alpha Ohio's contribution involves two components. The first component of Alpha Ohio's contribution relates to a separate Technology Transfer Agreement (i.e., license) with the Chinese Joint venture Company. Under this agreement, a \$1,000,000 lump sum non-refundable advance royalty is established. Alpha Solarco, however, has contractually agreed to accept on \$250,000 of this amount, with other \$750,000 constituting a portion of Alpha Ohio's \$1,400,000 total contribution to the Chinese Joint Venture Company.

The Technology Transfer Agreement also provides for continuing royalties payable over a 15-year term of \$.05 per watt of electrical generating capacity of products manufactured by the Chinese Joint Venture during the First year, \$.03 per watt in the second year, \$.02 per watt in the third year, and \$.01 per watt thereafter. Continuing revenues from the Chinese Joint Venture Company are also expected to be generating through sales to it of certain key components necessary for production, as well as additional equipment and tooling for possible future expansion.

The second component is a separate Turnkey Manufacturing Agreement under which Alpha Ohio will sell the necessary equipment to the Chinese Joint Venture Company for an aggregate selling price of \$2,800,000; Alpha Ohio will accept \$2,150,000 cash for this equipment, and the remaining \$650,000 of the price will constitute the remaining portion of Alpha Ohio's in-kind capital contribution to the Chinese Joint Venture Company. The \$2,150,000 cash purchase price is payable to Alpha Ohio (by confirmed letter of credit) as

equipment is delivered.

Under generally accepted accounting principles, the company will not be able to recognize any investment attributable to its in-kind capital contribution of \$1.4 million, except for its proportionate share (35%) of its basis in the tooling and equipment transferred to the Chinese Joint Venture Company.

At November 30, 1995, the Chinese Joint Venture had not yet commenced operations, and management has no definite date as to when operations will commence.

6. Notes Payable

Notes payable represent amounts due private investors of the Company who lent funds primarily to provide working capital to keep the companies operational and for the acquisition of AMG. The notes, which are unsecured, are repayable at various times during the next year and bear interest at rates upward to 10%.

7. Uncompleted Contracts

In January, 1994, the Company entered into a manufacturing and sales contract with "Al Fandi Establishment For Trade, Industry, and Contracting" ("Al Afandi"), a Saudi Arabia Corporation. The contract calls for Alpha to provide to Al Fandi a solar manufacturing facility, in accordance with the terms of the contract, for a revised purchase price of \$4,662,347. Cost, estimated earnings, and billings on the contract are summarized below:

Cost incurred	\$2,440,172
Estimated earnings	1,864,913
	<hr/>
	4,305,085
Billings to date	4,370,842
Billings in excess of contract revenues	\$ 65,767
	=====

8. Leases

Prior to the end of fiscal 1994, the Company moved its operations to Phoenix, Arizona. In anticipation of the move, the Company entered into a one-year lease agreement expiring May 15, 1995 (renewable to May 15, 1996) for its office and operations facility. The lease, which contains an option to renew for four successive one-year terms, requires monthly rental payments of \$8,437.

9. Net Income (Loss) Per Share

At its annual meeting on November 15, 1995, Alpha's shareholders approved a 1:100 reverse stock split. Net loss per share is based upon the weighted average shares of the Company's common stock outstanding during each year, after giving effect to the reverse stock split. Securities whose conversion, exercise or other contingent issuance have the effect of decreasing the loss per share amount for the periods have been excluded from the computation.

10. Warrants Exercised

During the quarter ended November 30, 1995, holders of warrants to purchase 837,588 shares (adjusted to reflect the reverse stock split mentioned above) contracted to exercise such warrants. The warrants will be exercised and the stock will be issued in January 1996.

Shares outstanding at May 31, 1995	109,146,060
Warrants exercised	86,701,510
Purchase of stock from shareholders	(2,942,756)
Less shares retained upon the default of pledged State Machine note	(1,858,418)
	<hr/>
Total shares outstanding	191,046,396
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Shareholder approved stock reversal 1:100	1,910,464
Shares increased due to rounding	324
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Shares outstanding at November 30, 1995	1,910,788

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

Quarter Ended November 30, 1995 as Compared to the Year ended May
31, 1995.

On November 30, 1995, on a consolidated basis, Alpha Solarco has
cash and short term investments of \$266 as compared to \$2,002 as of
May 31, 1995. This change was a result of reduction accounts
payables during the current fiscal year. Also on November 30, 1995
Alpha Solarco has shareholders' equity of \$1,262,316 and total
assets of \$2,371,753 as compared to shareholders' equity of
\$559,267 and total assets of \$2,442,750 as of May 31, 1995. This
is primarily attributable to profits recognized on the Saudi
contract for the quarter ended during the six months ended November
30, 1995.

Normal overhead expenses will continue to burden Alpha Solarco and
can be expected to decrease its liquidity. Consequently, Alpha
Solarco has been seeking additional capital from various sources,
including the exercise of stock options and warrants, contributions
to capital and arranging new debt financing.

Accounts payable were \$638,852 and \$680,900 as of November 30, 1995
and May 31, 1995, respectively. This change was not unusual in the
ordinary course of business.

Current notes payable were \$337,155 and \$698,823 as of November 30,
1995 and May 31, 1995, respectively. This decrease was primarily
due to conversion of \$690,000 in notes payable to common stock,
partially offset by additional loans incurred during the quarter.

RESULTS OF OPERATIONS

Quarter Ended November 30, 1995 as Compared to the Quarter Ended
November 30, 1994.

For the quarter ended November 30, 1995, Alpha Solarco recognized
revenue of \$697,303 which is a result of net sales and other
income. In the quarter the Al Afandi contract recognized
approximately \$661,000. Alpha Solarco experienced a net gain of
\$410,210 or \$.21 per share compared to a net loss for the same
period one year earlier of (\$389,803) (or \$.36 per share), due
primarily as a result of work completed on the Saudi Contract.

The total consolidated costs and expenses for the quarter ended
November 30, 1995 were \$287,093 compared to \$1,225,918 for the same
period one year earlier. The change in cost and expenses is due to
costs incurred on trips for the Chinese joint venture and costs
incurred at Alpha Manufacturing Group.

ALPHA SOLARCO, INC.
SIGNATURES

Pursuant to the requirements of the Security Exchange Act of 1934,
the registrant has duly caused this report to be signed on its
behalf by the undersigned hereunto duly authorized.

ALPHA SOLARCO INC.

Date: 1/15/95

/s/ Edward C. Schmidt
Edward C. Schmidt, President

Date: 1/15/95

/s/ Edward C. Schmidt
Edward C. Schmidt, Treasurer

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ALPHA SOLARCO INC.
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1052		0
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		(12,597)
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