

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 August 31, 1996 Commission File No. D-9376

ALPHA SOLARCO INC.

(Exact name of registrant as specified in its charter)

Colorado

31-0944136

(State or other jurisdiction

(I.R.S. Employer

of incorporation or organization)

Identification No.)

510 East University Drive, Phoenix, Arizona 85004

(Address of principal executive offices) (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 08/31/96
No Par Value Common Stock	4,885,052

ALPHA SOLARCO INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
August 31, 1996 and May 31, 1996
(Unaudited)

	August 31, 1996 (Unaudited)	May 31, 1996 (A)
ASSETS		
Current assets:		
Cash and Cash equivalents	\$ 2,610	\$ 50
Subscription receivable	128,000	201,250
Accounts receivable:		
Trade	366,837	254,337
Employees	1,000	1,000
Prepaid expenses	23,956	1,536
	-----	-----
Total current assets	522,403	458,173
Property and equipment, at cost:		
Land	97,500	25,000
Machinery and equipment	416,202	392,579
Furniture and fixtures	94,738	94,098
Leasehold improvements	27,894	27,894
Buildings	1,151,309	107,898
Computer equipment	20,056	20,056
	-----	-----
	1,807,699	667,525

Less accumulated depreciation	(504,329)	(494,323)
	1,303,370	173,202
Property and equipment held for sale	424,750	549,750
Note receivable - officer	47,899	47,699
Investment in Chinese Joint Venture	89,650	89,650
Investment in CyberAmerica, Inc.	365,625	372,000
Investment in TAC, Inc.	781,200	
Other assets	25,733	21,434
	1,734,857	1,080,533
	\$ 3,560,630	\$ 1,711,908
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 8,553	\$ 8,553
Notes payable	452,150	227,149
Accounts payable	533,034	591,977
Accrued liabilities	34,504	18,500
Billings in excess of contract revenue	130,382	
	-----	-----
Total current liabilities	1,158,623	846,179
	-----	-----
Long-term debt, less current portion	52,099	52,627
Minority interest in Cyber Solectric	155,184	
Stockholders' equity:		
Common stock, without par value:		
200,000,000		
shares authorized and 4,885,052		
and 2,770,048		
shares issued and outstanding,		
respectively	6,445,241	14,787,416
Accumulated deficit	(14,244,142)	(13,974,314)
Accumulated loss in investments	(6,375)	
	-----	-----
	2,194,724	813,102
	-----	-----
Total liabilities and stockholders' equity	\$ 3,560,630	\$ 1,711,908

(A) May 31, 1996 amounts are from the Company's audited financial statements.

See accompanying notes.

ALPHA SOLARCO INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

	3 Months Ended August 31,	
	1996	1995
Revenues:		
Net Sales	\$ 39,618	\$ 288,133
Interest		12
Other income	7,243	9,467
	-----	-----
	46,861	297,612
	-----	-----
Costs and expenses:		
Cost of Sales	94,178	193,671
General and administrative	219,885	284,108
Interest	10,817	1,470
	-----	-----
	324,880	479,249
	-----	-----
Loss before minority interest	(278,019)	(181,637)
Minority share of loss in Cyber Solectric, Inc.	8,191	
	-----	-----
Net income (loss)	\$ (269,828)	\$ (181,637)
	=====	=====
Net income (loss) per share	\$ (0.06)	\$ (0.17)

See accompanying notes.

ALPHA SOLARCO INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	3 Months Ended August 31, 1996	1995
Cash flows from operating activities:		
Net income (loss)	\$ (269,828)	\$ (181,637)
	-----	-----
Adjustments to reconcile net gain (loss) to net cash used in operating activities:		
Minority interest in net income (loss)	(8,191)	
Depreciation and amortization	10,006	84,146
Decrease (increase) in:		
Accounts receivable	(112,500)	650
Prepaid expenses	(22,420)	(265)
Other assets	120,502	(762)
Increase (decrease) in:		
Accounts payable	(58,943)	94,087
Billings in excess of contract revenue	130,382	
	-----	-----
Net cash used in operating activities	(210,992)	(3,781)
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(24,263)	
	-----	-----
Net cash provided (used by) investing	(24,263)	
	-----	-----
Cash flow from financing activities:		
Net proceeds from issuance of common stock, stock options and warrants	165,093	
Subscription receivable	73,250	
Repayments of notes payable and long-term debt	(528)	
	-----	-----
Net cash provided by financing activities	237,815	
	-----	-----
Net change in cash and cash equivalent	2,560	(3,781)
Cash and cash equivalents:		
Beginning of period	50	2,002
	-----	-----
End of period	\$ 2,610	\$ (1,779)
	=====	=====

See Non Cash Table for Investments and Acquisitions not requiring cash.

See accompanying notes.

ALPHA SOLARCO INC. AND SUBSIDIARIES

NON CASH TABLE
(Unaudited)

The Company exchanged its stock for an investment in TAC, Inc. valued at \$781,200.

The Company recognized a loss in its investment in CyberAmerica, Inc. of \$6,375.

The Company converted a note payable of \$50,000 for stock.

The Company exchanged its stock for an 80% ownership interest in Cyber Solectric valued at \$660,800. See below.

Acquisition of Cyber Solectric, Inc.

Assets:	
Land	\$ 72,500
Building	1,043,411

	\$ 1,115,911
	=====
Liabilities:	
Accounts Payable	\$ 39,863
Accrued Liabilities	16,004
Note Payable	275,000

	330,867
Equity:	
Common Stock	1,825
Contribution to Capital	824,175
Net profit (loss)	(40,956)

	785,044

	\$ 1,115,911
	=====

See accompanying notes.

ALPHA SOLARCO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

1. Summary of significant accounting policies

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 (Solelectric), Cyber Solectric (formerly Cyber Real Estate), and MSEPG Solar Power Corporation ("Solar Corporation"). Intercompany accounts and transactions have been eliminated.

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

Investments

The Company accounts for its investments quarterly and recognizes gains and losses on its portfolio based upon the market price on the last trading day of the quarter.

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.

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.

2. 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 65% equity interest in exchange for a cash 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 a technology transfer, and Sun owns a 5% equity interest in exchange for a nominal in-kind contribution of \$200,000. To date, no operations have transpired and management has no definitive date as to when operations will commence.

3. Marketable securities

In August, the Company completed the acquisition of Cyber Solectric (formerly Cyber Real Estate, Inc., a Nevada Corporation.

To consummate the acquisition, the Company exchanged 625,000 shares of its common stock in exchange for 9,000,000 shares of common stock (approximately 83% interest) of Cyber Solectric. The combination was accounted for as a purchase and is included in the consolidated statements as of August 31, 1996. Cyber Solectric is a development stage real estate company whose sole operations consist of owning and operating a building in DeKalb, Illinois.

In August, the Company also exchanged 500,001 shares of common stock for 200,000 shares of TAC, Inc. a Utah corporation. This represents approximately two percent of the shares of TAC. TAC owns a warehouse in Salt Lake City occupied by a NAPA franchise.

4. 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%. The acquisition of Cyber Solectric included a note payable of \$275,000, this note is being re-negotiated.

5. Uncompleted Contracts

On June 7, 1996 the Company entered into a \$389,250 manufacturing and sales contract with the Skylight Corporation. The contract calls for Alpha to provide to Skylight a solar panel manufacturing facility. Cost, estimated earnings, and billings on the contract are summarized below:

Cost incurred	\$17,760
Estimated earnings	21,858

	39,618
Billings to date	170,000

Billings in excess of contract revenues	\$130,382
	=====

6. 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 (extended to November 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 \$9,438.

7. Net Income (Loss) Per Share

At its annual meeting on November 15, 1995, Alpha's shareholders

approved a 1:100 reverse stock split. Net gain (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. Common Stock

During the quarter ended August 31, 1996 changes in the number of shares outstanding were as follows:

Shares outstanding at May 31, 1996	2,770,048
Shares issued for the investment in TAC, Inc.	500,001
Shares issued for the purchase of Cyber Solectric	625,000
Shares issued through overseas private placement	960,003

Shares outstanding at August 31, 1996	4,885,052

ALPHA SOLARCO INC.

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

LIQUIDITY AND CAPITAL RESOURCES

Quarter Ended August 31, 1996 as Compared to the Year ended May 31, 1996.

On August 31, 1996, on a consolidated basis, Alpha Solarco has cash and short term investments of \$2,610 as compared to \$50 as of May 31, 1996. This change was a result of additional contribution of capital during the current fiscal year. Also on August 31, 1996 Alpha Solarco has shareholders' equity of \$2,407,224 and total assets of \$3,773,130 as compared to shareholders' equity of \$813,102 and total assets of \$1,711,908 as of May 31, 1996. This is primarily attributable to the acquisition of Cyber Solectric, an investment in TAC, Inc., a note payable of \$50,000 converted to stock, and additional equity capital raised during the three months ended August 31, 1996.

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 additional contributions to capital and arranging new debt financing.

Accounts payable were \$533,034 and \$591,977 as of August 31, 1996 and May 31, 1996, respectively. This change was not unusual in the ordinary course of business.

Current notes payable were \$452,150 and \$227,149 as of August 31, 1996 and May 31, 1996, respectively. This increase was primarily due to the acquisition of Cyber Solectric and an accompanying note payable of \$275,000.

RESULTS OF OPERATIONS

Quarter Ended August 31, 1996 as Compared to the Quarter Ended August 31, 1995.

For the quarter ended August 31, 1996, Alpha Solarco recognized revenue of \$46,861 which is a result of net sales and other income. In the quarter the Skylight Corporation contract had income recognized of approximately \$39,618. Alpha Solarco experienced a net loss of \$269,828 or \$.06 per share compared to a net loss for the same period one year earlier of \$181,637 or \$.17 per share, due primarily to a reduction in sales to \$39,618 from \$288,133. The per share decrease is due primarily to an increase in shares issued and outstanding.

The total consolidated costs and expenses for the quarter ended August 31, 1996 were \$324,880 compared to \$479,249 for the same period one year earlier. The change in cost and expenses is due to reduced overhead spending and reduced expenditures on the Saudi contract as it nears completion.

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.

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: 10/3/96 /s/ Edward C. Schmidt
Edward C. Schmidt, President

Date: 10/3/96 /s/ Edward C. Schmidt
Edward C. Schmidt, Treasurer

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