

SECURITIES 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 February 28, 1997 Commission File No. D-9376

ALPHA SOLARCO INC.
(Exact name of registrant as specified in its charter)

Colorado 31-0944136
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

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 February 28, 1997
No Par Value Common Stock	4,676,719

ALPHA SOLARCO INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
February 28, 1997 and May 31, 1996
(Unaudited)

	February 28 1997 (Unaudited)	May 31, 1996
(A)		
ASSETS		
Current assets:		
Cash and Cash equivalents	\$ 5,129	\$ 50
Subscription receivable		201,250
Accounts receivable:		
Trade	309,989	254,337
Employees	2,500	1,000
Prepaid expenses	1,515	1,536
	-----	-----
Total current assets	319,133	458,173
	-----	-----
Property and equipment, at cost:		
Land	97,500	25,000
Machinery and equipment	412,673	392,579
Furniture and fixtures	96,232	94,098

Leasehold improvements	45,634	27,894
Buildings	1,135,398	107,898
Computer equipment	20,056	20,056
	-----	-----
	1,807,493	667,525
	-----	-----
Less accumulated depreciation	(533,564)	(494,323)
	-----	-----
	1,273,929	173,202
	-----	-----
Property and equipment held for sale	457,250	549,750
Note receivable - officer	52,133	47,699
Investment in Chinese Joint Venture	89,650	89,650
Investment in CyberAmerica, Inc.	45,000	372,000
Investment in TAC, Inc.	187,600	
Investment in Cyber Solectric, Inc.		
Goodwill net of \$124,920 amortization	1,124,194	
Other assets	21,020	21,434
	-----	-----
	1,976,847	1,080,533
	-----	-----
	\$ 3,569,909	\$ 1,711,908
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Current portion of long-term debt	\$ 9,437	\$ 8,553
Notes payable	3,179,569	227,149
Accounts payable	273,519	591,977
Accrued liabilities	78,797	18,500
	-----	-----
Total current liabilities	3,541,322	846,179
	-----	-----
Long-term debt, less current portion	47,082	52,627
Minority interest in Cyber Solectric	794,598	

Stockholders' equity:

Common stock, without par value:		
200,000,000		
shares authorized and 4,676,719		
and 2,770,048		
shares issued and outstanding,		
respectively	14,690,616	14,787,416
Accumulated deficit	(14,583,109)	(13,974,314)
Accumulated loss in investments	(920,600)	
	-----	-----
	(813,093)	813,102
	-----	-----
Total liabilities and stockholders' equity	\$ 3,569,909	\$ 1,711,908
	=====	=====

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

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

ALPHA SOLARCO INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

	Nine Months Ended February 28,	
	1997	1996
Revenues:		
Net Sales	\$ 280,934	\$ 1,082,901
Interest		12
Other income:		53,179
Rental income	25,195	
Disposal of excess equipment	32,595	
	-----	-----
	338,724	1,136,092
	-----	-----
Costs and expenses:		

Cost of Sales	230,477	603,175
General and administrative	736,312	476,555
Interest	21,593	5,287
	-----	-----
	988,382	1,085,017
	-----	-----
Gain (Loss) before minority interest	(649,658)	51,075
Minority share of loss in Cyber Solectri, Inc.	40,863	
	-----	-----
Net income (loss)	\$ (608,795)	\$ 51,075
	=====	=====
Net income (loss) per share	(\$0.13)	\$ 0.04
	=====	=====

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

ALPHA SOLARCO INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	Nine Months Ended 1997	February 28, 1996
Cash flows from operating activities:		
Net income (loss)	\$ (608,795)	\$ 51,075
Adjustments to reconcile net gain (loss) to net cash used in operating activities:		
Minority interest in net income (loss)	(25,881)	
Depreciation and amortization	156,498	263,634
Elimination of convertible note	50,000	(5,700)
Decrease (increase) in:		
Accounts receivable	(57,152)	(312,725)
Prepaid expenses	21	(264)
Other assets	414	(4,148)
Increase (decrease) in:		
Accounts payable	(318,458)	(14,710)
Accrued liabilities	60,297	18,795
Billings in excess of contract revenue	0	(327,983)
	-----	-----
Net cash used in operating activities	(743,056)	(332,026)
	-----	-----
Cash flows from investing activities:		
Capital expenditures		(1,332)
Net cash provided (used by) investing activities	0	(1,332)
Cash flow from financing activities:		
Net proceeds from issuance of common stock, stock options and warrants	201,250	1,009,111
Purchase of stock from shareholders		(376,235)
Proceeds from notes payable and long term debt		67,663
Repayments of notes payable and long-term debt	546,885	(355,158)
	-----	-----
Net cash provided by financing activities	748,135	345,381
	-----	-----
Net change in cash and cash equivalents	5,079	12,023
Cash and cash equivalents:		
Beginning of period	50	2,002
	-----	-----
End of period	\$ 5,129	\$ 14,025
	=====	=====

See Non Cash Table for Investments and Acquisitions
not requiring cash

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

ALPHA SOLARCO INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Quarter ended February 28	
	1997	1996
Revenues:		
Net Sales	\$ 69,433	\$ 133,835
Other income:		7,342
Rental income	7,231	
	-----	-----
	\$ 76,664	\$ 141,177
	-----	-----
Costs and expenses:		
Cost of Sales	\$ 45,694	139,462
General and administrative	203,185	176,049
Advertising and promotion		179
Interest		2,985
	-----	-----
	\$ 414,623	318,675
	-----	-----
Gain (Loss) before minority interest	\$(337,959)	\$(177,498)
	-----	-----
Minority share of loss in Cyber Solectric, Inc.	40,863	
	-----	-----
Net income (loss)	\$(297,096)	(177,498)
	=====	=====
Net income (loss) per share	(.06)	(0.10)

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

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 investments of \$920,600.
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 \$1,250,000.
The Company signed a note payable for \$2,500,000 for puts.

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

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 (Solectric"), 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
Goodwill	10 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.

Basis of presentation

The accompanying consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and liquidation of liabilities in the ordinary course of business and do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the company be unable to achieve its business plan and continue in existence.

The Company's ability to continue its existence is currently dependent upon its ability to attract additional capital to booster cash flow and its ability to obtain additional technology transfer contracts. In addition, management is pursuing the acquisition of some operating companies in an attempt to establish stable revenues and cash flows.

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. Notes totalling \$2,500,000 were issued to various members of the Dennehy family on the call of puts. The Company will receive 208,333 shares of stock in the treasury.

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	\$133,543
Estimated earnings	131,416

	206,701
Billings to date	230,000

Contract revenue in excess of billing	\$ 34,959
	=====

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, 2001) 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 \$9,700. The Company entered into a sub-lease of the Phoenix building with Skylight Holding Co. with Skylight paying the lease payment of \$9,700. The sub-lease is for five years ending November 15, 2001.

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 November 30, 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 though overseas	

private placement	960,003
Treasury shares to be returned	(208,333)

Shares outstanding at February 28, 1997	4,676,719

11. NASDAQ Delisting

The Company's stock was delisted November 12, 1996 by NASDAQ. Our asset base and stockholder's equity dropped below the \$2,000,000 and \$1,000,000 limits set by NASDAQ as of May 31, 1996. NASDAQ disallowed certain assets obtained by stock swap in the Quarter that ended August 31, 1996.

ALPHA SOLARCO INC.

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

LIQUIDITY AND CAPITAL RESOURCES

Quarter Ended February 28, 1997 as Compared to the Year ended May 31, 1996.

On November 30, 1996, on a consolidated basis, Alpha Solarco has cash and short term investments of \$5,129 as compared to \$50 as of May 31, 1996. This change was a result of selling assets and additional contribution of capital during the current fiscal year. Also on February 28, 1997 Alpha Solarco has shareholders' equity of \$(813,093) and total assets of \$3,569,909 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 six months ended November 30, 1996. Shareholders' equity decreased due to the Dennehy puts of \$2,500.000.

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 \$273,519 and \$591,977 as of February 28, 1997 and May 31, 1996, respectively. This change was not unusual in the ordinary course of business.

Current notes payable were \$3,179,569 and \$227,149 as of February 28, 1997 and May 31, 1996, respectively. This increase was primarily due to the acquisition of Cyber Solectric and an accompanying note payable of \$275,000 and the Dennehy puts of \$2,500,000.

RESULTS OF OPERATIONS

Quarter Ended February 28, 1997 as Compared to the Quarter Ended February 29, 1996.

For the quarter ended February 28, 1997, Alpha Solarco recognized revenue of \$76,664 which is a result of net sales and other income. In the quarter the Skylight Corporation contract had income recognized of approximately \$58,258. Alpha Solarco experienced a net loss of \$297,096 or \$.06 per share compared to a net loss for the same period one year earlier of \$177,498 or \$.10 per share, due primarily to a reduction in sales to \$76,664 from \$141,177. The per share decrease is due primarily to an increase in shares issued and outstanding and lack of new contracts.

The total consolidated costs and expenses for the quarter ended February 28, 1997 were \$414,623 compared to \$318,675 for the same period one year earlier. The change in cost and expenses is an increase in overhead due to Cyber Solectric.

Additional Capital Needs-Hindrance/Continued Operation.

Alpha Solarco must raise additional capital in order to continue business. At present efforts to raise additional capital are hindered by the Demand Notes held by the families of two directors,

Charles and Wilson Dennehy. The family has made claims that \$2.5 million is owed to them and they have demanded the Company Technology as collateral. Under the terms of this agreement, the Dennehys may convert this debt into stock after January 14, 1998. This in effect would give the Dennehys at least 30% (possible 80%) control of the Company and they would have the same amount of stock as prior to the 100:1 reverse split in November of 1995 as well as cause a minimum 50% (possible 400%) dilution of the current shareholders value. Management does not agree with this claim by the Dennehy's which is under review by our auditors and legal counsel. There is a high probability that the president (key man) of the Company will resign if this problem is not resolved by the end of May, 1997. An offer for removing the Dennehy brothers from the Board of Directors and buying their claim of technology as collateral, and returning it to the Company, is being considered by a U.S. Company. Investors are being made aware of this problem since this would seriously effect the future value of the Company stock. Any investor should be prepared to lose his entire investment in the event that Alpha Solarco can no longer continue operations.

AS INDICATED BY THE FOREGOING STATEMENT, INVESTMENT IN THE COMPANY STOCK SHOULD ONLY BE MADE BY THOSE PERSONS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. THE PRICE AT WHICH THE COMPANY STOCK WILL BE TRADED IN THE OVER-THE-COUNTER MARKET IS NOT NECESSARY INDICATIVE OF THE ACTUAL OR UNDERLYING VALUE OF SUCH SHARES. THE COMPANY'S FUTURE PROSPECTS ARE EXTREMELY UNCERTAIN AND THERE CAN BE NO ASSURANCE THAT THE COMPANY WILL REMAIN A VIABLE BUSINESS ENTITY IN THE FUTURE.

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: 4/18/97 /s/ Edward C. Schmidt, President
Edward C. Schmidt, President

Date: 4/18/97 /s/ Edward C. Schmidt, Treasurer
Edward C. Schmidt, Treasurer

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