U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-QSB

(Mark One)

- ☑ Quarterly report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 1995.
- ☐ Transition report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission file number: 33-81560C

SolarAttic, Inc.

(Name of small business issuer in its charter)

MINNESOTA
(State of Incorporation)

41-1611245
(IRS Employer Identification No.)

15548 95th Circle NE, Elk River, Minnesota
(Address of Principal Executive Offices)

55330-7228
(Zip Code)

(612) 441-3440
(Issuer's Telephone Number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 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

The number of shares of the registrant's Common Stock outstanding as of April 25, 1995, was 8,486,256.

Documents Incorporated by Reference

Document Description	Form 10-QSB Part
SB-1 Registration Statement dated August 8, 1994	I, II
SolarAttic, Inc. Prospectus dated September 7, 1994	I, II
Annual Meeting Minutes dated February 21, 1995	I, II
Solar 95 Conference Proceedings Paper #39	I, II
Company Press Release dated March 1, 1995	I, II
Company Press Release dated April 11, 1995	I, II
Assignment of Invention and Patent Application dated February 7, 1995	I, II
10-KSB Filing dated April 29, 1995	I, II

PART I - Financial Information

Item 1. *Financial Statements*

SOLARATTIC, INC. (A Development Stage Company)
BALANCE SHEETS **(Unaudited)**

MARCH 31,		1994		1995
ASSETS				
Current Assets				
Cash	$	5,291	$	351
Accounts receivable		—		—
Inventories		31,724		31,979
Prepaid Expenses (Note 1)		—		4,000
Deferred Financing Costs (Note 1)		—		33,132
Total current assets		37,015		69,462
Furniture and Equipment		23,936		24,505
Less accumulated depreciation		18,117		19,863
Total furniture and equipment		5,819		4,642
Patent				
Less accumulated amortization 1994 $9,932; 1995 $16,374		51,268		44,826
	$	94,102	$	118,930
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Current maturities of note payable to officer (Note 2)	$	1,833	$	2,661
Due to related party (Note 2)		4,442		11,842
Accounts payable and accrued expenses		—		33,033
Total current liabilities		6,275		47,536
Note Payable to Officer				
Less current maturities (Note 2)		29,200		26,538
Commitments and Contingencies (Note 4)				
Stockholders' Equity				
Common stock, no par value; authorized 100,000,000 shares; issued and outstanding 1994 11,280,422 and 1995 8,467,506 shares (Note 3)		301,160		354,661
Less account receivable for the purchase of common stock		—		—
Deficit accumulated during the development stage		(220,388)		(276,054)
		80,772		78,607
Less officer notes receivable (Note 2)		(22,145)		(33,751)
		58,627		44,856
	$	94,102	$	118,930

See Notes to UNAUDITED Financial Statements.

SOLARATTIC, INC. (A Development Stage Company)
STATEMENTS OF OPERATIONS **(Unaudited)**

	Period Ended March 31, 1994	Period Ended March 31, 1995	Period From August 11, 1986 (Date of Inception), to March 31, 1995
Revenues	$ 2,555	$ 8,538	$ 151,872
Cost of Goods Sold	898	4,718	79,144
Gross profit	1,657	3,820	72,728
Operating Expenses	18,724	11,067	326,412
Operating loss	(17,067)	(7,247)	(253,684)
Interest Expense (Note 2)	1,547	1,755	22,370
Net loss	$ (18,614)	$ (9,002)	$ (276,054)
Net Loss Per Common Share (Note 1)	$ (.01)	$ (.01)	$ (.03)
Weighted Average Common Shares Outstanding (Note 1)	11,249,149	8,464,034	10,380,297

See Notes to UNAUDITED Financial Statements.

SOLARATTIC, INC. (A Development Stage Company)
STATEMENTS OF STOCKHOLDERS' EQUITY **(Unaudited)**

Period From August 11, 1986 (Date of Inception), to March 31, 1995

	Common Stock		Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficit)
	Shares	Amount		
Balance at Inception				
Initial sale of common stock in August 1986	10,000,000	$ 1	$ -	$ 1
Additional sale of common stock in 1986	50,000	5,000	-	5,000
Net loss 1986	-	-	(3,608)	(3,608)
Sale of common stock in 1987	249,000	44,600	-	44,600
Net loss 1987	-	-	(31,356)	(31,356)
Sale of common stock in 1988	180,000	36,000	-	36,000
Net loss 1988	-	-	(32,100)	(32,100)
Sale of common stock in 1989	80,000	16,000	-	16,000
Net loss 1989	-	-	(22,947)	(22,947)
Sale of common stock in 1990	32,500	6,500	-	6,500
Net loss 1990	-	-	(22,245)	(22,245)
Sale of common stock in 1991	73,674	14,735	-	14,735
Net loss 1991	-	-	(26,625)	(26,625)
Sale of common stock in 1992	40,000	9,000	-	9,000
Issuance of stock for patent 1992	204,000	61,200	-	61,200
Issuance of stock for services 1992	34,347	10,304	-	10,304
Net loss 1992	-	-	(24,902)	(24,902)
Balance, December 31, 1992	10,943,521	203,340	(163,783)	39,557
Sale of common stock	109,167	29,500	-	29,500
Issuance of stock for inventory	93,334	28,000	-	28,000
Issuance of stock for services	69,440	20,832	-	20,832
Net loss 1993	-	-	(37,991)	(37,991)
Balance, December 31, 1993	11,215,462	$ 281,672	$ (201,774)	$ 79,898
Sale of common stock	234,544	65,989	-	65,989
	(3,000,000)	-	-	-
Net loss 1994	-	-	(65,278)	(65,278)
Balance, December 31, 1994	8,450,006	347,661	(267,052)	80,609
Sale of common stock	7,500	3,000	-	3,000
Issuance of stock for services	10,000	4,000	-	4,000
Net Loss 1QTR95	-	-	(9,002)	(9,002)
Balance, March 31, 1995	8,467,506	354,661	(276,054)	78,607

See Notes to UNAUDITED Financial Statements.

SOLARATTIC, INC. (A Development Stage Company)
STATEMENTS OF CASH FLOWS **(Unaudited)**

	Period Ended March 31, 1994	Period Ended March 31, 1995	Period From August 11, 1986 (Date of Inception), to March 31, 1995
Cash Flows From Operating Activities			
Net loss	$ (18,614)	$ (9,002)	$ (276,054)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	449	388	23,727
Amortization	1,611	1,611	16,374
Issuance of common stock for services	—	4,000	35,136
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	—	—	—
Decrease (increase) in inventory	817	(946)	(3,979)
Increase in accounts payable	—	8,678	33,033
Net cash used in operating activities	(15,737)	4,729	(171,763)
Cash Flows From Investing Activities			
Purchase of equipment	(3,893)	(450)	(28,703)
Proceeds from sale of equipment	—	—	334
Net cash used in investing activities	(3,893)	(450)	(28,369)
Cash Flows From Financing Activities			
Net proceeds from issuance of common stock	19,488	3,018	196,574
Increase in deferred financing costs		(11,408)	(33,132)
Proceeds from note payable to officer	—	—	35,630
Payments on note payable to officer	(497)	(594)	(6,431)
Proceeds (payments) on accounts payable to related party, net	(1,977)	(3,277)	7,842
Net cash provided by financing activities	17,014	(12,261)	200,483
Increase (decrease) in cash and cash equivalents	(2,616)	(7,982)	351
Cash and Cash Equivalents			
Beginning	7,908	8,333	—
Ending	$ 5,292	$ 351	$ 351

SOLARATTIC, INC. (A Development Stage Company)
STATEMENTS OF CASH FLOWS CONTINUED **(Unaudited)**

	Period Ended March 31,		Period From August 11, 1986 (Date of Inception), to March 31,
	1994	**1995**	1995
Supplemental Disclosures of Cash Flow Information			
Cash payments for interest	$ 1,547	$ 1,755	$ 22,042
Supplemental Schedule of Noncash Investing and Financing Activities			
Issuance of common stock for services	$ -	$ 4,000	$ 35,136
Issuance of common stock for patent	-	-	61,200
Issuance of common stock for inventory	-	-	28,000

See Notes to UNAUDITED Financial Statements.

Note 1. Nature of Business and Significant Accounting Principles

Nature of business:

SolarAttic, Inc. (Company) is a development stage Company manufacturing and selling heating units which use solar-derived hot attic air. Revenue is recognized upon shipment of the product.

Inventories:

Inventories are valued at the lower of cost (first-in, first-out method) or market. Inventory is comprised primarily of raw materials.

Furniture and equipment:

Furniture and equipment are stated at cost. Depreciation is computed using the straight-line method and is charged to expense based upon the estimated useful lives of the assets which range from three to seven years.

Patent:

The Company has obtained a patent in exchange for Company stock. The patent is being amortized using the straight-line method over the life of the patent (9.5 years).

Research and Development:

Research and development costs are charged to operations as incurred and totaled $0 and $731 for March 31, 1994 and 1995, respectively.

Net loss per share attributable to common stock:

Net loss per share is computed based on the weighted average number of common shares outstanding during the period.

Prepaid Expenses:

Prepaid expenses shown are for the writing of the Company's technical specification and claims language in the preparation of the Company's fourth patent application on its newly developed heat collecting and ventilation duct technology. See the Company's 10-KSB filing for December 31, 1994 for further details.

Deferred Financing Costs:

Deferred financing costs shown are the costs that the Company has incurred for its initial public offering which is still in process.

Income Taxes:

The income tax basis is substantially the same for both financial statement purposes and income tax purpose.

Note 2. Related Party Transactions

Note payable to officer at March 31, 1994 and 1995, consists of the following:

	1994	1995
Unsecured note payable, due in monthly installments of $642, including interest at 18%	$31,033	$29,199
Less current maturities	1,833	2,661
	$29,200	$26,538

Future maturities of this note are as follows:

1995	$1,950
1996	3,042
1997	3,637
1998	4,349
1999	5,199
Thereafter	11,022
	$29,199

Due to related party is due on demand and bears interest at a variable rate (currently 15.37 to 19.80 percent).

Interest expense for related parties was $1,757 in the first quarter 1994 and $1,660 in 1995.

Amounts due from officers are non interest bearing and mature between December 31, 1996, and December 31, 1999. Due to the nature of these amounts and uncertainty of repayment, the officer notes receivable have been classified as a reduction of stockholders' equity.

The Company is renting office and warehouse facilities from an officer of the Company on a month-to-month basis. Rent expense was $605 in the first quarter 1994 and 1995.

The Company has not paid or accrued any compensation expense to any officers or directors since the inception of the Company. A full time marketing communications assistant was hired on February 15, 1995 at a monthly salary of $1,800. (The Company’s first paid employee.)

Note 3. Stockholders' Equity

Stock warrants:

Stockholders are able to purchase additional stock with stock warrants attached to common stock issued. At May 22, 1995, there are 1,318,203 warrants exercisable. Of this total, 1,028,203 warrants are exercisable at 20 cents per share expiring between December 31, 1996, and December 31, 1998. The remaining 290,000 warrants are exercisable at 30 cents per share expiring December 31, 1998.

Stock option plan:

The Company has reserved 1,000,000 shares of common stock for issuance under an incentive stock option plan established in 1986. Under the plan, options are granted at prices determined by the Board of Directors. No options have been granted as of May 22, 1995.

In 1991, 200,000 options were granted outside the stock option plan at an exercise price of 20 cents per share and expire on December 31, 1998. No options have been exercised to date.

Common shares issued as consideration:

Common shares have been issued periodically for patents, inventory, and consulting services. The amount assigned to each transaction is based upon contractual agreements.

Note 4. Insurance

The Company is self-insured for all business risks and does not have any stop loss insurance. The Company has not experienced any losses and is not aware of any potential losses.

Note 5. Ability to Continue as a Going Concern

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. While the Company has maintained operations for several years with minimal new capital in the past, significant additional funds will be necessary for the Company to pursue its growth strategies. Management is attempting to raise these funds through a public offering of the Company’s stock. In the interim, the Company will rely on current working capital to fund operations. Ultimately, the Company will need to obtain future profitable operations. It is uncertain as to whether the Company will be able to achieve these objectives.

Note 6. Employee and Officer Compensation

The Company's majority shareholder is the sole officer of the Company. The Company has not compensated this individual since the date of inception. The Company does plan to compensate this individual at the rate of $60,000 per year upon a successful initial public offering which is in progress. The following pro forma information reflects the operations of the company as if the shareholder was compensated at this rate during the first quarter of 1994 and 1995:

	1994	**1995**
Net loss, as reported	(18,614)	(9,002)
Pro forma provision for compensation	15,000	15,000
Pro forma net loss	(33,614)	(24,002)

Item 2. *Management's Discussion and Analysis or Plan of Operation*

SolarAttic, Inc. is a development stage company that is engaged in the research, development and limited-manufacturing of solar energy systems that use the hot air contained in attics for heating swimming pools, space and hot water. In addition, the company has developed a new 'inside-the-attic' duct technology for use in: a) enhancing the collection of attic-based solar-derived heat energy; and, b) the mechanical ventilation of attics from within the attic's cavity. I.E. The forced mechanical ventilation of the attic and its roof structure from within the attic's cavity to eliminate heat and moisture in the case where the attic's solar heat is not to be placed into productive use. The company's solar heating technology eliminates the need for roof mounted solar panels. The company's duct technology eliminates the need for roof mounted vents.

The company has two U.S. Patents and a third one scheduled to be issued within the next 90 days upon payment of the patent's issue fee. The company's third patent (to be issued) is the patent application described on page 15 of the company's Prospectus dated September 9, 1994. The company now plans to make an application for a fourth patent by August 1995. The subject of the fourth patent application is the company's proprietary duct technology described above. The company's duct technology is also described in Paper #39 being published by the American Solar Energy Society in the Solar 95 Conference Proceedings — being held this Summer in Minneapolis (July 15-20). A copy of this solar paper is incorporated by reference herein as part of the Company's 10-KSB filing (for the period ending December 31, 1994).

At this time, the Company has a total of two full time employees and no part time employees. For further details on the company's business, see the company's Prospectus dated September 9, 1994 incorporated by reference herein. Also, see the Company's SB-1 Registration Statement dated August 8, 1994 and the other documents listed above incorporated by reference herein.

The Company will continue to restrict and pace its operations, limiting them to a garage setting. This will limit the Company's overhead costs until the Company is properly financed for its expansion plans. The Company's method of financing its future growth and expansion plans is to complete its initial public offering. The IPO funds will be used to expand the operations as stated in the Prospectus dated September 7, 1994 on page 11. The Company projects that it will be able to continue to offset its small cash needs by a combination of internal sales and additional small private (exempt) equity investments. In essence, the Company expects to continue its limited research & developmental existence until properly funded for faster business expansion (as it has for the last few years). This is the Company's 'survival strategy.' The Company's pool heating system is now located in 26 states and its space heating system is in 7 states

The Company's small amount of 'word-of-mouth' sales are again expected to reach a minimum of $30-50K during calendar year 1995 without any product advertising. The Company expects that, in addition to this small level of sales activity, that it will have to raise some additional private equity investment capital to help offset the high costs of completing its public offering.

Further research & development on the Company's hot water heating system has been placed on hold pending additional financing and engineering staff. When the Company completes its IPO, the Company expects to add additional staff and expand its operations as discussed in the Company's Prospectus.

Development efforts have been shifted to the Company's fourth patent application. This is expected to be completed by August 1995. Further development of the Company's new duct technology and its product implications are also on hold pending additional financing and staffing. The engineering costs associated with further development of the duct technology are anticipated within the Company's Prospectus under 'Use of Proceeds.'

The Company will be primarily raising capital until either its IPO has been completed or substantial private capital has been obtained. Secondly, the Company will constrain its manufacturing activities to that of supplying product for word-of-mouth buyers. This means supplying product and manufacturing only for prepaid orders without any product advertising. And, the Company anticipates only a limited amount of internal direct mail sales initiatives. Thirdly, the Company will focus on completing its fourth patent application. These three areas will fully occupy the Company's limited staff for the next twelve months or until additional financing has been achieved to allow for expansion of the Company's business.

The Company's 'word-of-mouth' sales revenues for 1994 were lower than those of 1993 due primarily to two reasons: a) the shift towards financing the Company's expansion with a do-it-yourself initial public offering (IPO) and all the management time requirements and Company resources required by such a move; and, b) the Company's proprietary research with University of Minnesota's Professor Ephraim M. Sparrow on the Company's domestic hot water heating system. It was the Company's proprietary research with Professor Sparrow that yielded the Company's new 'inside-the-attic' duct technology as a method of enhancing heat collection and of venting the attic from within the attic's cavity. Professor Sparrow and the Company's CEO, Edward G. Palmer, are listed as co-inventors of the new duct technology. The Company has been assigned 100% of the patent rights by both inventors in an assignment agreement dated February 7, 1995 incorporated by reference herein as part of the Company's 10-KSB filing.

The Company expects that its new duct technology will have a significant impact on its future growth and revenues. However, no assessment of potential markets for the new heat collecting and ventilation technology has been made. And, the Company has no immediate plans to revise its existing business plan.

The Company fully expects to achieve the necessary financing to expand its future operations. For further information, see the Company's Prospectus and other exhibits incorporated by reference herein.

PART II - Other Information

Item 1. *Legal Proceedings*

The Company is not presently involved in any legal proceedings.

Item 4. *Submission of Matters to a Vote of Security Holders*

The Company held its annual meeting for the election of directors on February 15, 1995. See the Company's Annual Meeting Minutes incorporated herein by reference as part of the Company's 10-KSB annual filing. As recommended by the Company's management, all three of the Company's existing directors were reelected by unanimous vote. These directors are:

Edward G. Palmer
Lawrence J. Matthews
Lawrence Garde

All directors serve for one year terms. The Company did not submit any other matter to a vote of security holders during the quarter ending March 31, 1995.

Item 6. *Exhibits and Reports on Form 8-K*

(a) **NO EXHIBITS ARE ATTACHED HERETO**. The following exhibits are incorporated herein by reference from the Company's 10-KSB filing dated April 29, 1995:

10-KSB Exhibit No.	**Description**
10.1	Assignment of Invention and Patent Application dated February 7, 1995 which is incorporated herein from the Company's 10-KSB filing.
13.1	Annual Meeting Minutes dated February 21, 1995 incorporated herein from the Company's 10-KSB filing.
19.1	Company's Prospectus dated September 7, 1994 as filed with the SEC.
20.1	SB-1 Registration Statement dated August 8, 1994 as filed with the SEC.
99.1	Solar 95 Conference Paper #39 incorporated by reference herein from the Company's 10-KSB filing.
99.2	Company Press Release dated March 1, 1995 incorporated by reference herein from the Company's 10-KSB filing.
99.3	Company Press Release dated April 11, 1995 incorporated by reference herein from the Company's 10-KSB filing.

(b) Reports on Form 8-K

No Reports on Form 8-K were filed by the Company during the first quarter of 1995.

SIGNATURES

Pursuant to the requirements 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.

Date: May 23, 1995

SolarAttic, Inc.
(Registrant)

/s/ Edward G. Palmer
Edward G. Palmer
President, Chief Executive Officer
Chief Financial Officer