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AMPLIDYNE INC
Form 10QSB
May 16, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-QSB

- [X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003.
- [] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934.

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number 0-21931

AMPLIDYNE, INC.

(Exact name of small business issuer as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

22-3440510

(I.R.S. Employer
Identification No.)

59 LaGrange Street
Raritan, New Jersey 08869
(Address of principal executive offices)

(908) 253-6870

(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 of 1934 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 outstanding of the Issuer's Common Stock, \$.0001 Par Value, as of April 30, 2003 was 10,376,500.

AMPLIDYNE, INC.

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FORM 10-QSB
THREE MONTHS ENDED MARCH 31, 2003

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

AMPLIDYNE, INC. BALANCE SHEETS (UNAUDITED)

ASSETS

March 31
2003

CURRENT ASSETS

Cash and cash equivalents	\$	19,786
Accounts receivable, net of allowance for doubtful accounts of \$143,000 and \$143,000 in 2003 and 2002, respectively		406,410
Inventories		924,736
Loan receivable - officer		--

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Prepaid expenses and other	28,859

Total current assets	1,379,791
PROPERTY AND EQUIPMENT - AT COST	
Machinery and equipment	725,629
Furniture and fixtures	43,750
Autos and trucks	66,183
Leasehold improvements	8,141

	843,703
Less accumulated depreciation and amortization	(768,033)

	75,670

SECURITY DEPOSITS AND OTHER NON-CURRENT ASSETS	45,068

	\$ 1,500,529
	=====

The accompanying notes are an integral part of these financial statements

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AMPLIDYNE, INC.
BALANCE SHEETS (UNAUDITED)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31 2003

CURRENT LIABILITIES	
Overdraft	\$
Current maturities of lease obligations	
Customer advances	100,0
Accounts payable	359,9
Accrued expenses	185,2
Accrued settlement of litigation	220,0
Loans payable - officers	129,3

	994,5
Convertible notes payable	20,0
STOCKHOLDERS' EQUITY	
Common stock - authorized, 25,000,000 shares of \$.0001 par value; shares 10,376,500 and 9,676,500 shares issued and outstanding at March 31, 2003 and December 31, 2002, respectively	1,0
Additional paid-in capital	22,494,8
Accumulated deficit	(22,009,8)

The accompanying notes are an integral part of these financial statements

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AMPLIDYNE, INC.
STATEMENTS OF OPERATIONS (UNAUDITED)
THREE MONTHS ENDED MARCH 31

	Three Months Ended March 31	
	2003	2002
	-----	-----
Net sales	\$ 509,608	\$ 504,632
Cost of goods sold	278,857	380,112
	-----	-----
Gross profit	230,751	124,520
Operating expenses		
Selling, general and administrative	193,731	485,333
Research, engineering and development	97,142	144,239
	-----	-----
Operating loss	(60,122)	(505,052)
Nonoperating income (expenses)		
Interest income and other income	2	2,272
Interest expense	(69)	--
	-----	-----
Loss before income taxes	(60,189)	(502,780)
Provision for income taxes	--	--
	-----	-----
NET LOSS	\$ (60,189)	\$ (502,780)
	=====	=====
Net loss per share - basic and diluted	\$ (0.01)	\$ (0.06)
	=====	=====
Weighted average number of shares outstanding	10,143,167	8,327,232
	=====	=====

The accompanying notes are an integral part of these financial statements

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AMPLIDYNE, INC.
 STATEMENTS OF CASH FLOWS (UNAUDITED)
 THREE MONTHS ENDED MARCH 31

	Three Months March
	----- 2003 -----
Cash flows from operating activities:	
Net Loss	\$ (60,189)

Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation and amortization	7,400
Deferred officer compensation	20,500
Changes in assets and liabilities	
Accounts receivable	34,096
Inventories	1,977
Prepaid expenses and other assets	(4,243)
Customer advances	100,000
Accounts payable and accrued expense	(95,275)

Total adjustments	64,455

Net cash provided (used) for operating activities	4,266

Cash flows from investing activities:	
Officer loans	--

Net cash provided by (used for) investing activities	--

Cash flows from financing activities:	
Payment of lease obligations	(2,041)
Officer loans	9,500
Proceeds from convertible promissory note	20,000
Balance due on financing costs	--
Proceeds from sale of common stock, net of costs	--
Subscriptions receivable preferred stock - net	--

Net cash provided by financing activities	27,459

NET INCREASE (DECREASE) IN CASH	31,725
Cash (overdraft) and cash equivalents beginning of period	(11,939)

Cash and cash equivalents at end of period	\$ 19,786
	=====
Supplemental disclosures of cash flow information:	
Cash paid for: Interest	\$ --
Income taxes	\$ --

The accompanying notes are an integral part of these financial statements

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AMPLIDYNE, INC.
STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
YEAR ENDED DECEMBER 31, 2002 AND THREE MONTHS ENDED MARCH 31, 2003

	Preferred Stock	
	Shares	Par Value
BALANCE AT DECEMBER 31, 2001	55,000	\$ 6
Net loss for the year ended December 31, 2002		
Cost of litigation to be settled by the issuance of common stock		
Collection of subscription receivable		
Issuance of common stock in settlement of class action		
Issuance of common stock, net of costs		
Conversion of preferred stock to common stock	(55,000)	(6)
Issuance of common stock for services rendered by third party		
BALANCE AT DECEMBER 31, 2002	--	--
Net loss for the three months ended March 31, 2003		
Issuance of common stock in connection with litigation settlement		
BALANCE AT MARCH 31, 2003	--	\$ --

	Additional Paid-In Capital	Accumulated Deficit	Su
BALANCE AT DECEMBER 31, 2001	\$ 21,921,495	\$ (19,569,652)	\$
Net loss for the year ended December 31, 2002		(2,380,027)	
Cost of litigation to be settled by the issuance of common stock	29,400		
Collection of subscription receivable			
Issuance of common stock in settlement of class action	(32)		
Issuance of common stock, net of costs	539,925		
Conversion of preferred stock to common stock	(64)		
Issuance of common stock for services rendered by third party	4,200	--	
BALANCE AT DECEMBER 31, 2002	22,494,924	(21,949,679)	

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Net loss for the three months ended March 31, 2003		(60,189)
Issuance of common stock in connection with litigation settlement	(70)	
	-----	-----
BALANCE AT MARCH 31, 2003	\$ 22,494,854	\$ (22,009,868)
	=====	=====

The accompanying notes are an integral part of these financial statements

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AMPLIDYNE, INC. NOTES TO FINANCIAL STATEMENTS (UNAUDITED) MARCH 31, 2003

NOTE A - ADJUSTMENTS

In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of (a) results of operations for the three month periods ended March 31, 2003 and 2002 (b) the financial position at March 31, 2003 (c) the statements of cash flows for the three month period ended March 31, 2003 and 2002, and (d) the changes in stockholders' equity for the three month period ended March 31, 2003 have been made. The results of operations for the three months ended March 31, 2003 are not necessarily indicative of the results to be expected for the full year.

NOTE B - UNAUDITED INTERIM FINANCIAL INFORMATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for financial statements. For further information, refer to the audited financial statements and notes thereto for the year ended December 31, 2002 included in the Company's Form 10-KSB filed with the Securities and Exchange Commission on April 15, 2003.

The Company's financial statements have been presented on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The liquidity of the Company has been adversely affected in recent years by significant losses from operations. As further discussed in Note F, the Company incurred losses of \$60,189 for the three months ended March 31, 2003, has limited cash reserves and has seen its working capital decline by \$32,789 to \$385,286 since the beginning of the fiscal year. Current liabilities exceed cash and receivables by \$568,309 indicating that the Company will have difficulty meeting its financial obligations for the balance of this fiscal year. These factors raise substantial doubt as to the Company's ability to continue as a going concern. Recently, operations have been funded by loans from the Chief Executive Officer and costs have been cut through substantial reductions in labor and operations.

As further discussed in Note F, management is seeking additional financing and intends to aggressively market its products, control operating costs and broaden its product base through enhancements of products. The Company believes that these measures may provide sufficient liquidity for it to continue as a going concern in its present form. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of

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recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern in its present form.

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AMPLIDYNE, INC. NOTES TO FINANCIAL STATEMENTS (UNAUDITED) MARCH 31, 2003

NOTE C - STOCKHOLDERS' EQUITY

At March 31, 2003, the following 945,000 warrants, remained outstanding:

- (1) 20,000 exercisable at \$1.00 through May 2010
- (2) 20,000 exercisable at \$7.00 through December 2004
- (3) 30,000 exercisable at \$6.00 through November 2004
- (4) 50,000 exercisable at \$2.00 through December 2004
- (5) 50,000 exercisable at \$4.00 through December 2004
- (6) 16,000 exercisable at \$1.75 through December 2004
- (7) 41,500 exercisable at \$1.80 through July 31, 2004
- (8) 207,500 exercisable at \$3.00 through July 31, 2004
- (9) 55,000 exercisable at \$1.20 through September 30, 2004
- (10) 300,000 exercisable at \$2.00 through December 31, 2005
- (11) 75,000 exercisable at \$.96 through March 2007
- (12) 80,000 exercisable at \$1.50 through December 2004.

At March 31, 2003, the Company had employee stock options outstanding to acquire 2,251,000 shares of common stock at exercise prices of \$0.15 to \$4.00.

During the first quarter ended March 31, 2003, the Company issued 700,000 shares of the Company's restricted common stock to High Gain Antenna Co., Ltd. of Korea (see Note E.4.) in connection with the settlement of the litigation.

In March 2003, two stockholders loaned the Company \$10,000 each under a Convertible Promissory Note due in March 2005, with interest, due at maturity, of 6%. The note is convertible into restricted common stock at the rate of \$.10 per share.

During the first quarter ended March 31, 2003, the Company re-priced and extended employee stock options to certain employees as follows: officers and directors, 1,150,000 options re-priced from \$4.00 to \$0.15 and extended to May 2006; all other employees 145,000 options re-priced from \$4.00 to \$0.15 and extended to May 2006. Additionally, the Vice President of Operations has been granted an additional 200,000 options at \$0.15 and expiring in May 2006.

NOTE D - LOSS PER SHARE

The Company complies with the requirements of the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS No. 128"). SFAS No. 128 specifies the compilation, presentation and disclosure requirements for earnings per share for entities with publicly held common stock or potential common stock. Net loss per common share - basic and diluted is determined by dividing the net loss by the weighted average number of common stock outstanding.

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Net loss per common share - diluted does not include potential common shares derived from stock options and warrants (see Note C) because they are antidilutive.

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AMPLIDYNE, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 2003

NOTE E - LITIGATION

From time to time, the Company is party to what it believes are routine litigation and proceedings that may be considered as part of the ordinary course of its business. Except for the proceedings noted below, the Company is not aware of any pending litigation or proceedings that could have a material effect on the Company's results of operations or financial condition.

The Company is a party to the following matters:

1. AIRNET COMMUNICATIONS CORPORATION VS AMPLIDYNE, INC.

AirNet filed a complaint in the Circuit Court of the Eighteenth Judicial District of the State of Florida on January 23, 1997 alleging breach of contract. During 2000, the Company settled with AirNet at a cost of \$175,000; \$25,000 is to be paid quarterly over two years. \$95,000 remained unpaid at March 31, 2003.

2. ENS ENGINEERING VS AMPLIDYNE, INC.

The Company was also a defendant in a complaint filed in the United States District Court for the District of New Jersey on May 13, 1998. The complaint alleges breach of contract of a representative agreement between the Company and ENS Engineering of South Korea. The Company reached oral settlement terms and, based upon such oral settlement, the court dismissed the case in the first quarter of 2000. The terms of the oral settlement called for the Company to pay \$85,000 in twelve equal monthly installments, none of which has been paid as of December 31, 2000. The Company has not received any required documents and releases from ENS. The financial statements do not include any provision for this settlement.

3. The Company is subject to an SEC formal order of private investigation relating to the subject matter of the class action lawsuit that was commenced in 1999 and settled in 2001. The Company has responded to the SEC requests. In April 2003 the SEC indicated that it intends to file a civil complaint against the Company and Devendar S. Bains. The Company and Mr. Bains are negotiating with the SEC in an attempt to reach a consensual resolution of the matter.

4. HIGH GAIN ANTENNA CO., LTD. OF KOREA

The Company (as well as an officer and director of the Company) was a defendant in a complaint brought in the Superior Court of New Jersey, Law Division, Somerset County, by High Gain Antenna Co., Ltd. of Korea in November 2000. The complaint sought damages for an alleged breach of a contract for the repair of certain equipment purchased by plaintiff from a distributor of the Company's products and the Company. A trial commenced on May 7, 2002, and on May 13, 2002, the jury brought in a verdict against the Company for \$400,000. The Company had filed a motion in the Law Division for a new trial, which was denied and gave notice of appeal to file an appeal of the verdict and judgment to the

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Superior Court of New Jersey, Appellate Division. Management latter determined that pursuing the appeal would not be in the best interest of the Company and its shareholders.

In January 2003, the Company entered into a Stipulation of Settlement and Release before the Superior Court of New Jersey, Somerset County. The settlement stipulates that the Company pay a total of \$200,000 plus 700,000 shares of restricted common stock of the Company valued by the agreement at \$105,000 (management has determined that the discounted value of the 700,000 restricted shares was

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AMPLIDYNE, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 2003

\$29,400 in January 2003 based on quoted market price of \$0.07 per share discounted for lack of marketability). The stipulation calls for an initial payment of \$75,000 (paid in March 2003) with the remaining balance payable in \$25,000 increments on the following dates: June 2, 2003, August 31, 2003, November 29, 2003, February 27, 2004 and May 28, 2004. The record judgement of \$400,000 shall remain until the payment obligations are made in full. In the event of default, the plaintiff shall have the right to execute the judgement after crediting \$105,000 for the agreed value of the shares issued plus any payments made pursuant to the settlement. Accordingly, failure by the Company to timely meet the settlement terms will have a material adverse effect on the Company's financial position and prospects.

5. AMPLIDYNE, INC. V. WAYNE FOGEL, DIGITAL COMMUNICATIONS NETWORK, INC. AND INTERNET NETWORK CORPORATION

On May 30, 2002, the Company filed a two count lawsuit against the above mentioned defendants in the Superior Court of New Jersey, Law Division, Somerset County, seeking, among other things, declaratory relief that the Company is not obligated to pay a finders fee (in connection with the Company's purchase of the Darwin Assets), and that the Company is entitled to monetary damages as a result of defendant's false misrepresentations. On July 10, 2002, the matter was removed to the United States District Court of New Jersey but later transferred back to the United States Bankruptcy Court and then transferred to the United States District Court of New Jersey. On July 29, 2002, defendants filed a counterclaim seeking \$200,000 in damages as a result of a finders fee agreement. In January 2003, the matter was transferred to the United States District Court for the Middle District of Florida. The defendants sought a further transfer to the United States Bankruptcy Court for the Middle District of Florida, but such motion was denied. Although the Company is confident in its position, it cannot predict the outcome of the case and any negative outcome may have a material adverse effect on the Company's financial position or prospects.

NOTE F - LIQUIDITY

The Company's financial statements have been presented on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The liquidity of the Company has been adversely affected in recent years by significant losses from operations. The Company has incurred losses of \$60,189 and \$502,780 for the quarters ended March 31, 2003 and 2002, respectively.

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With little remaining cash and no near term prospects of private placements, options or warrant exercises and reduced revenues, management believes that the Company will have great difficulty meeting its working capital and litigation settlement obligations over the next 12 months. The Company is presently dependent on cash flows generated from sales and loans from officers to meet our obligations. Our failure to consummate a merger with an appropriate partner or to substantially improve our revenues will have serious adverse consequences and, accordingly, there is substantial doubt in our ability to remain in business over the next 12 months. There can be no assurance that any financing will be available to the Company on acceptable terms, or at all. If adequate funds are not available, the Company may be required to delay, scale back or eliminate its research, engineering and development or manufacturing programs or obtain funds through arrangements with partners or others that may require

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AMPLIDYNE, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 2003

the Company to relinquish rights to certain of its technologies or potential products or other assets. Accordingly, the inability to obtain such financing could have a material adverse effect on the Company's business, financial condition and results of operations.

Management's plans for dealing with the foregoing matters include:

- o Increasing sales of its high speed internet connectivity products through both individual customers, strategic alliances and mergers.
- o Decreasing the dependency on certain major customers by aggressively seeking other customers in the amplifier markets;
- o Partnering with significant companies to jointly develop innovative products, which has yielded orders with multinational companies to date, and which are expected to further expand such relationships;
- o Reducing costs through a more streamlined operation by using automated machinery to produce components for our products;
- o Deferral of payments of officers' salaries, as needed;
- o Selling remaining net operating losses applicable to the State of New Jersey, pursuant to a special government high-technology incentive program in order to provide working capital, if possible;
- o Reducing overhead costs and general expenditures.
- o Merging with another company to provide adequate working capital and jointly develop innovative products.

NOTE G - OTHER COMMENTS

1. Officer Loans

As of March 31, 2003, the Company owes \$88,808 to the Chief Executive Officer for loans and unpaid salaries. During the three months ended March 31,

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2003, the Chief Executive Officer advanced \$73,000 to the Company and was repaid \$70,000. Additionally, salaries of \$15,500 were deferred for this quarter

2. Advance payments from customer

In March 2003, a customer advanced \$100,000 to the Company for future orders. These orders began shipping in April 2003.

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AMPLIDYNE, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 2003

NOTE H - SEGMENT INFORMATION

The Company commenced its wireless Internet connectivity business in the summer of 2000. The Company does not measure its operating results, assets or liabilities by segment. However, the following limited segment information is available:

	Three Months Ended March 31 2003 -----	Three Months Ended March 31 2002 -----	Year Ended December 31, 2002 -----
Sales - external			
Amplifier	\$ 445,037	262,408	\$ 992,361
Internet business	64,571	242,224	621,371
	-----	-----	-----
	\$ 509,608	\$ 504,632	\$1,613,732
	=====	=====	=====
Inventory			
Amplifier	\$ 442,069	\$ 752,152	\$ 441,654
Internet business	482,667	531,079	485,059
	-----	-----	-----
	\$ 924,736	\$1,283,231	\$ 926,713
	=====	=====	=====

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AMPLIDYNE, INC.
MARCH 31, 2003

PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS RESULTS OF OPERATIONS - THE THREE MONTHS ENDED MARCH 31, 2003 COMPARED TO THREE MONTHS ENDED MARCH 31, 2002.

Revenues for the three months ended March 31, 2003 increased by \$4,976 from

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\$504,632 to \$509,608, or 1% compared to the three months ended March 31, 2002. Coupled with the staff reductions and other aggressive cost cuts, the first quarter losses were significantly reduced compared with the first 3 quarters of last year.

The majority of the amplifier sales for the three months ended March 31, 2003 were obtained from the Wireless Local Loop amplifier products to a major European customer. The Company has also supplied 3.5GHz linear amplifiers to its major North American customer.

The Company has continued to develop its IMT 2000 amplifiers for the worldwide 3G market, however, deployment of this technology has been delayed. The Company has focused its sales and marketing efforts in the more stable United States, European and Canadian markets.

Cost of sales was \$278,857 or 55% of sales compared to 75% during the same period for 2002. The improvement in gross margin was principally due to increased product demand and improved manufacturing efficiencies. The Company is continuing to assess cost reduction of its products and sales volume increases to improve gross margins in 2003.

Selling, general and administrative expenses (excluding stock based compensation) decreased in 2003 by \$291,602 to \$193,731 from \$485,333, in 2002. Expressed as a percentage of sales, the selling, general and administrative expenses (excluding stock based compensation) were 38% in 2003 and 96% in 2002. The principal factors contributing to the decrease in selling, general and administrative expenses were related to the effects of our cost cutting program implemented in the 3rd and 4th quarters of 2002. In the quarter ended March 31, 2003, we continued to maintain the lower staffing and overhead levels that we instituted in 2002.

Research, engineering and development expenses were 19% of net sales for the quarter ended March 31, 2003 compared to 29% in 2002. In 2003 and 2002, the principal activity of the business related to the design and production of product for OEM manufacturers, particularly for the IMT 2000 and 3.5 GHz single channel products and refinements to the High Speed Internet products. The research, engineering and development expenses consist principally of salary cost for engineers and the expenses of equipment purchases specifically for the design and testing of the prototype products. The Company's research and development efforts are influenced by available funds and the level of effort required by the engineering staff on customer specific projects.

The Company had interest income and other income in 2002 of \$2,272 due to influx of new capital during 2000 and 2001 from our private placements and exercise of warrants and options. Interest income went down to \$NIL in 2003 because our cash balances which we have historically temporarily invested in

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AMPLIDYNE, INC.
MARCH 31, 2003

interest bearing accounts have been fully depleted.

As a result of the foregoing, the Company incurred net losses of \$(60,189) or \$(0.01) per share for the year ended March 31, 2003 compared with net losses of \$(502,780) or \$(0.06) per share for the same period in 2002.

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LIQUIDITY AND CAPITAL RESOURCES

Liquidity refers to our ability to generate adequate amounts of cash to meet our needs. We have been generating the cash necessary to fund our operations from continual loans from the President and Chief Executive Officer of the Company, Devendar Bains. We have incurred a loss in each year since inception. It is possible that we will incur further losses, that the losses may fluctuate, and that such fluctuations may be substantial. As of March 31, 2003, we had an accumulated deficit of \$22,009,868. Potential immediate sources of liquidity are loans from Mr. Bains. Another potential source of liquidity is the sale of restricted shares of our common stock, but there are no immediate plans for such sale.

As of March 31, 2003, our current liabilities exceeded our cash and receivables by \$568,309. Our current ratio was 1.39 to 1.00, but our ratio of accounts receivable to current liabilities was only 0.43 to 1.00. This indicates that we will have difficulty meeting our obligations as they come due. We are carrying \$924,736 in inventory, of which \$639,135 represents component parts. Based on first quarter usage, we are carrying 356 days worth of parts inventory. Because of the lead times in our manufacturing process, we will likely need to replenish many items before we use everything we now have in stock. Accordingly, we will need more cash to replenish our component parts inventory before we are able realize cash from all of our existing inventories.

As of March 31, 2003, we had cash of \$19,786 compared to an overdraft of \$11,939 at December 31, 2002. Overall our cash and cash equivalents increased \$31,725 during 2003. Our cash used for operating actives was \$4,266 We received loans and deferred salary payments to officer/stockholders of \$9,500 and proceeds from the issuance of convertible promissory notes of \$20,000.

The allowance for doubtful accounts on trade receivables increased form \$143,000 (25% of accounts receivable of \$583,506) in 2002 to \$143,000 (26% of accounts receivable of \$549,410) in 2003. Because of our relatively small number of customers and low sales volume, accounts receivable balances and allowances for doubtful accounts do not reflect a consistent relationship to sales. We determine our allowance for doubtful accounts based on a specific customer-by-customer review of collectibility.

Our inventories decreased by \$1,977 to \$924,736 in 2003 compared to \$926,713 at December 31, 2002, a decrease of NIL%

The Company has several lease obligations for its premises and certain equipment and an automobile requiring minimum monthly payments of approximately \$5,900 through 2004. Although the Company did not convert salaries to officers through the issuance of Common Stock in 2003 or 2002, it may to do so in 2003. To help alleviate the cash flow difficulties, the Chief Executive Officer and the Vice President of Operations agreed to defer salaries of \$15,500 and \$5,000, respectively.

The Company continues to explore strategic relationships with ISP's, customers and others, which could involve jointly developed products, revenue-sharing models, investments in or by the Company, or other

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AMPLIDYNE, INC.
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arrangements. There can be no assurance that a strategic relationship can be

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consummated.

In the past, the officers of the Company have deferred a portion of their salaries or provided loans to the Company to meet short-term liquidity requirements. Where possible, the Company has issued stock or granted warrants to certain vendors in lieu of cash payments, and may do so in the future. There can be no assurance that any additional financing will be available to the Company on acceptable terms, or at all. If adequate funds are not available, the Company may be required to delay, scale back or eliminate its research, engineering and development or manufacturing programs or obtain funds through arrangements with partners or others that may require the Company to relinquish rights to certain of its technologies or potential products or other assets. Accordingly, the inability to obtain such financing could have a material adverse effect on the Company's business, financial condition and results of operations.

With little remaining cash and no near term prospects of private placements, options or warrant exercises and reduced revenues, we believe that we will have great difficulty meeting our working capital and litigation settlement obligations over the next 12 months. We are presently dependent on cash flows generated from sales and loans from officers to meet our obligations. Our failure to consummate a merger, or substantially improve our revenues will have serious adverse consequences and, accordingly, there is substantial doubt in our ability to remain in business over the next 12 months. There can be no assurance that any financing will be available to the Company on acceptable terms, or at all. If adequate funds are not available, the Company may be required to delay, scale back or eliminate its research, engineering and development or manufacturing programs or obtain funds through arrangements with partners or others that may require the Company to relinquish rights to certain of its technologies or potential products or other assets. Accordingly, the inability to obtain such financing could have a material adverse effect on the Company's business, financial condition and results of operations.

ITEM 3. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

Within the 90 days prior to the date of this report, Amplidyne, Inc. carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive and Principal Accounting Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive and Principal Accounting Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting him to material information required to be included in the Company's periodic SEC filings relating to the Company.

(b) Changes in Internal Controls.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these internal controls subsequent to the date of my most recent evaluation.

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AMPLIDYNE, INC.
MARCH 31, 2003

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note E to the Company's financial statements set forth in Part I.

ITEM 2. CHANGE IN SECURITIES

During the first quarter ended March 31, 2003, the Company issued 700,000 shares of the Company's restricted common stock to High Gain Antenna Co., Ltd. of Korea (see Note E.4.) in connection with the settlement of the litigation.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMPLIDYNE, INC.

Dated: May 16, 2003

By: /s/ Devendar S. Bains

Name: Devendar S. Bains
Title: Chief Executive Officer,
Treasurer,
Principal Accounting
Officer and Director

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CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL ACCOUNTING OFFICER
PURSUANT TO 18 U.S.C 1350, AS ADOPTED, AND THE REQUIREMENTS OF
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Devendar S. Bains, Chief Executive Officer and Principal Accounting Officer of Amplidyne, Inc. (the "Company") do hereby certify that:

1. I have reviewed this quarterly report on Form 10-QSB of the Company;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the period presented in this quarterly report.
4. I am responsible for establishing and maintaining disclosure

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controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the Company, is made known to me by others within the Company, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;

5. I have disclosed, based on my most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Devendar S. Bains

Devendar S. Bains
Chief Executive Officer and
Principal Accounting Officer

May 16, 2003