

Edgar Filing: AMPLIDYNE INC - Form 10QSB

AMPLIDYNE INC  
Form 10QSB  
May 16, 2002

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

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2002.

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  
-----

22-3440510  
-----

(State or other jurisdiction of  
incorporation or organization)

(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, 2002 was 9,668,341.

AMPLIDYNE, INC.  
FORM 10-QSB  
THREE MONTHS ENDED MARCH 31, 2002

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

AMPLIDYNE, INC.  
BALANCE SHEETS

ASSETS

	March 31, 2002	December 31, 2001
	-----	-----
	(Unaudited)	
CURRENT ASSETS		
Cash and cash equivalents	\$ 828,443	\$ 697,940
Accounts receivable, net of allowance for doubtful accounts of \$131,104 and \$131,104 at March 31, 2002 and December 31, 2001, respectively	527,280	449,190
Inventories	1,283,231	1,181,682
Loan receivable-officer	68,892	55,892
Prepaid expenses and other	24,040	23,464
	-----	-----
Total current assets	2,731,886	2,408,168

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	-----	-----
PROPERTY AND EQUIPMENT - AT COST		
Machinery and equipment	723,663	723,663
Furniture and fixtures	43,750	43,750
Autos and trucks	66,183	66,183
Leasehold improvements	8,141	8,141
	-----	-----
Total	841,737	841,737
Less: Accumulated depreciation and amortization	705,579	687,260
	-----	-----
Net property and equipment	136,158	154,477
	-----	-----
OTHER ASSETS		
Security Deposits and other non-current assets	48,029	52,106
	-----	-----
TOTAL ASSETS	\$2,916,073	\$2,614,751
	=====	=====

The accompanying notes are an integral part of these financial statements

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AMPLIDYNE, INC.  
BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 2002	December 31, 2001
	----- (Unaudited)	-----
CURRENT LIABILITIES		
Current maturities of lease obligations	\$ 6,210	\$ 9,271
Accounts payables	131,380	121,533
Accrued expenses	128,624	131,308
Accrued financing costs	80,000	
Settlement of litigation	180,000	180,000
	-----	-----
Total current liabilities	526,214	442,112
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Convertible Preferred stock - authorized 100,000 shares of \$.0001 par value; 0 and 55,000 shares issued and outstanding at March 31, 2002 and December 31, 2001, respectively (liquidation preference of \$550,000 at December 31, 2001)	-	6
Common stock - authorized, 25,000,000 shares of \$.0001 par value; shares 9,668,341, and 7,892,661 shares		

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issued and outstanding at March 31, 2002 and  
December 31, 2001, respectively.

	967	790
Additional paid-in-capital	22,461,324	21,921,495
Subscriptions receivable - preferred stock	-	(180,000)
Accumulated deficit	(20,072,432)	(19,569,652)
	-----	-----
Total stockholders' equity	2,389,859	2,172,639
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,916,073	\$ 2,614,751
	=====	=====

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, 2002	Three Months Ended March 31, 2001
	-----	-----
Net Sales	\$ 504,632	\$ 467,306
Cost of goods sold	380,112	383,180
	-----	-----
Gross profit	124,520	84,126
Operating expenses		
Selling, general & administrative	485,333	393,430
Research, engineering and development	144,239	136,279
Equity-based compensation charge	-	140,000
	-----	-----
Operating loss	(505,052)	(585,583)
Other non operating income (expenses)		
Interest income	2,272	22,884
Interest expense	-	(494)
Litigation settlement costs	-	(550,000)
	-----	-----
NET LOSS	\$ (502,780)	\$ (1,113,193)
	=====	=====
Net loss per share - basic and diluted	\$ (.06)	\$ (.15)
	=====	=====

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Weighted average number of shares  
outstanding

8,327,232      7,465,054  
=====

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 Ended March 31,
	2002	2001
	-----	-----
Cash flows from operating activities:		
Net Loss	\$ (502,780)	\$ (1,113,193)
	-----	-----
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	18,319	32,805
Cost of Litigation	-	550,000
Stock compensation charge	-	140,000
Changes in assets and liabilities		
Accounts receivable	(78,090)	(37,490)
Inventories	(101,549)	(147,387)
Prepaid expenses and other assets	3,501	79,485
Accounts payable and accrued expenses	7,163	(96,284)
	-----	-----
Total adjustments	(150,656)	521,129
	-----	-----
Net cash used for operating activities	(653,436)	(592,064)
	-----	-----
Cash flows from investing activities:		
Loan receivable - officer	(13,000)	(14,999)
Purchase of property and equipment	-	(2,360)
	-----	-----
Net cash used for investing activities	(13,000)	(17,359)
	-----	-----
Cash flows from financing activities:		
Payment of lease obligations	(3,061)	(5,814)
Subscriptions receivable - preferred stock - net	180,000	
Balance due on financing costs	80,000	
Proceeds from issuance of stock and exercise of options and warrants, net of costs	540,000	-
	-----	-----
Net cash provided by financing activities	796,939	(5,814)
	-----	-----
NET INCREASE (DECREASE) IN CASH	130,503	(615,237)
	-----	-----
Cash at beginning of period	697,940	1,966,142
	-----	-----

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Cash and cash equivalents at end of period	\$ 828,443	\$ 1,350,905
	=====	=====
Supplemental disclosures of cash flow information		
Cash paid for: Interest	\$ 576	\$ 494
Income taxes	-	-

The accompanying notes are an integral part of these financial statements

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AMPLIDYNE, INC.  
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2001  
AND THREE MONTHS ENDED MARCH 31, 2002

	Preferred Stock		Common Stock	
	Shares	Par Value	Shares	Par Value
	-----	-----	-----	-----
Balance at December 31, 2000		\$	7,463,841	\$ 7
Net loss for the year ended December 31, 2001				
Cost of litigation expected to be settled by the issuance of common stock				
Financing cost associated with warrants extended and shares issued			1,820	
Issuance of common stock, net of costs			415,000	
Issuance of preferred stock net of costs	55,000	6		
Issuance of common stock for services rendered by third party			12,000	
	-----	-----	-----	-----
Balance at Dec. 31, 2001	55,000	6	7,892,661	7
Net loss for three months ended March 31, 2002				
Conversion of preferred stock to common stock	(55,000)	(6)	701,194	
Issuance of common stock in settlement of class action			324,486	
Issuance of common stock, net of cost	-	-	750,000	
	-----	-----	-----	-----
Balance at March 31, 2002	-	\$ -	9,668,341	\$ 9
	=====	=====	=====	=====

Additional Paid-In-Capital	Accumulated (Deficit)	Subscriptions Receivable	Tot
-----	-----	-----	-----

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Balance at December 31, 2000	\$20,212,154	\$(17,544,770)	-	\$ 2,668
Net loss for the year ended December 31, 2001		(2,024,882)		(2,024)
Cost of litigation expected to be settled by the issuance of common stocks	500,000			500
Financing cost associated with warrants extended and shares issued	140,000			140
Issuance of common stock, net of costs	559,708			559
Issuance of preferred stock, net of costs	494,994		(180,000)	315
Issuance of common stock for services rendered by third party	14,639			14
	-----	-----	-----	-----
Balance at December 31, 2001			(180,000)	2,172
Loss for the 3 months ended March 31, 2002	21,921,495	(19,569,652)		(502)
Collection of subscription receivable - net		(502,780)	180,000	180
Conversion of preferred stock to common stock	(64)			
Issuance of common stock due in settlement of class action	(32)			
Issuance of common stock, net of costs	539,925			540
	-----	-----	-----	-----
Balance at March 31, 2002	\$ 22,461,324	\$(20,072,432)	-	\$ 2,389
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements

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AMPLIDYNE, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2002

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, 2002 and March 31, 2001 (b) the financial position at March 31, 2002 (c) the statements of cash flows for the three month period ended March 31, 2002 and March 31, 2001, and (d) the changes in stockholders' equity for the three month period ended March 31, 2002 have been made. The results of operations for the three months ended March 31, 2002 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, 2001, included in the Company's Form 10-KSB filed with the Securities and Exchange Commission on April 15, 2002.

NOTE C - STOCKHOLDERS' EQUITY

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At March 31, 2002, the following 1,257,500 warrants, remained outstanding:

67,500 exercisable at \$2.50 through December 31, 2002, (2) 20,000 exercisable at \$1.00 through May 2010, (3) 20,000 exercisable at \$7.00 through December 2004, (4) 30,000 exercisable at \$6.00 through November 2004, (5) 50,000 exercisable at \$2.00 through December 2004, (6) 50,000 exercisable at \$4.00 through December 2004, (7) 141,000 exercisable at \$1.75 (16,000 of which expire December 2004 and 125,000 of which expire December 2002), (8) 41,500 exercisable at \$1.80 through July 31, 2004, (9) 207,500 exercisable at \$3.00 through July 31, 2004, (10) 55,000 exercisable at \$1.20 through September 30, 2004, (11) 100,000 exercisable at \$3.00 through November 30, 2002, (12) 100,000 exercisable at \$5.00 through November 30, 2002, (13) 300,000 exercisable at \$2.00 through December 31, 2005, and (14) 75,000 exercisable at \$.96 through March 2007.

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AMPLIDYNE, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2002

NOTE C - STOCKHOLDERS' EQUITY - CONTINUED  
-----

At March 31, 2002, the Company had employee stock options outstanding to acquire 2,001,000 shares of common stock at exercise prices of \$1.04 to \$4.00.

During the first quarter ended March 31, 2002, the Company issued 750,000 shares of Common Stock, at \$.80 per share (resulting in gross proceeds of \$600,000), to accredited investors. In connection with such private offering, the Company paid commissions to NASD broker-dealers in the amount of \$60,000 and issued to such persons 75,000 warrants, which are exercisable at \$.96 per share and expire March 31, 2007.

During the first quarter ended March 31, 2002, the Company issued 701,194 shares of Common Stock in connection with the conversion of all of the Company's Series B Preferred Stock (which included shares of Common Stock issued in lieu of accrued dividends thereon).

During the first quarter ended March 31, 2002, the Company issued 324,486 shares of Common Stock to the members of the class action compliant, which was settled in September 2001.

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.

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.

NOTE E - LITIGATION



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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.

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AMPLIDYNE, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2002

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, 2002.

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. CLASS ACTION LITIGATION

The Company was served with class action complaints on behalf of all purchasers of the Company's common stock and warrants between September 9, 1999 and September 14, 1999. By orders of the District Court for the District of New Jersey, the actions were consolidated and lead plaintiffs were appointed. On or about March 24, 2000, the Company was served with a consolidated and amended class action complaint on behalf of all purchasers of the Company's common stock and warrants between September 9, 1999 and September 17, 1999. The complaint alleged that the Company and other individuals violated the federal securities laws by, among other things, the issuance of a press release on September 9, 1999. Although the Company believed that the complaint had no merit and had vigorously contested it, the Company and the other parties to the class action reached a settlement on May 2, 2001, which was approved by the District Court for the District of New Jersey on August 14, 2001 (which became effective on September 14, 2001). Pursuant to the settlement agreement, a settlement fund consisting of \$750,000 in cash (\$50,000 of which was paid directly by the Company) and 324,486 shares of common stock (which was valued at \$500,000 as of May 2, 2001) had been established for the benefit of members of the class. In March 2002 the Company issued such shares.

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AMPLIDYNE, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2002

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

The Company (as well as an officer and director of the Company) is 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 seeks 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. The complaint does not specify the amount of damages claimed. The Company has vigorously defended this action and has raised a number of defenses including non payment of monies due to the Company by the plaintiff and the lack of actual damages sustained by the plaintiff. Plaintiff filed a motion for summary judgment as well as two requests for reconsideration, all of which were denied by the Court. The case is scheduled for trial in May 2002. Notwithstanding the foregoing, the Company cannot predict the outcome of such action and any judgment in favor of the plaintiff may have a material adverse affect on the Company's financial position and its prospects. (See Note I - Subsequent Event for unfavorable jury verdict).

## NOTE F - ASSET ACQUISITION

-----

In January 2002, the Company entered into an agreement to acquire certain assets of Darwin Networks, Inc. ("Darwin") for \$175,000 plus additional contingent payments not to exceed \$340,000. Darwin was in the business of installing and maintaining high-speed Internet structures for hotels and residential properties. The assets acquired included equipment not yet installed as well as completed installations in a specified number of hotel properties. Pursuant to the agreement, the Company has the sole and exclusive right (through July 31, 2002) to contact and negotiate with each property to either activate or remove the equipment. After a specified number of locations are successfully negotiated (which are covered in the initial purchase price) the Company may continue to contact additional properties and must pay a specified sum for each successful negotiation up to the \$340,000 maximum. As of May 10, 2002, the Company has successfully negotiated one property and has incurred no liability to pay any additional sums under the contract.

## NOTE G - LIQUIDITY

-----

The Company has incurred losses of \$(502,780) for the three months ended March 31, 2002. The Company funded operations during this period primarily from the proceeds from privately placed common and preferred stock. Historically, the Company has also funded certain operating expenses through borrowings (in the form of deferring salaries and cash advances) from officers and principal shareholders. The Company has in the past issued its stock in lieu of cash payments for compensation, sales commissions and consulting fees, wherever possible.

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AMPLIDYNE, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2002

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

- Increasing sales of its high speed internet connectivity products through both individual customers and strategic alliances;

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- Decreasing the dependency on certain major customers by aggressively seeking other customers in the multicarrier amplifier markets;
- Investigate potential revenue - sharing partnership in other markets, such as the hospitality industry and multi-tenant buildings;
- Reducing costs through a more streamlined operation by using automated machinery to produce components for our products;
- Funding operations in 2002 with the remaining cash that was received from the 2001 private placements, 2002 private placements, and the deferral of payments of officers' salaries, as needed;
- 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;
- Reducing overhead costs and general expenditures if necessary.

### NOTE H - SEGMENT INFORMATION

The Company does not measure its business activities by segment. Information on the Company's product lines are as follows:

	Three Months Ended March 31,		Year Ended
Sales-external	2002	2001	December 31, 2001
-----	-----	-----	-----
Amplifier	\$262,408	\$ 389,701	\$ 1,901,702
Internet business and broadband solutions	242,224	77,605	303,727
	-----	-----	-----
	\$504,632	\$ 467,306	\$ 2,205,429
	=====	=====	=====
Inventory		March 31, 2002	December 31, 2001
-----			
Amplifier		\$ 752,152	\$ 802,964
Internet business and broadband solutions		531,079	378,718
		-----	-----
Total		\$ 1,283,231	\$ 1,181,682
		=====	=====

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AMPLIDYNE, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2002

### NOTE I - SUBSEQUENT EVENT

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In connection with the complaint brought in the Superior Court of New Jersey, Law Division, Somerset County, by High Gain Antenna Co., Ltd. of Korea, 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 now intends to file a motion in the Law Division for a new trial and, if the motion is denied, to file an appeal of the verdict and judgment to the Superior Court of New Jersey, Appellate Division. The Company, in its appeal, will argue that the verdict was against the weight of the evidence and that the Court made a number of errors of law in the conduct of the trial. Although the Company is confident in its position, it cannot predict the outcome of the motion for a new trial or the outcome on appeal. Failure by the Company to succeed on the motion for a new trial or on appeal will have a material adverse effect on the Company's financial position and prospects.

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AMPLIDYNE, INC.

MARCH 31, 2002

### PART I - FINANCIAL INFORMATION

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

##### RESULTS OF OPERATIONS

RESULTS OF OPERATIONS—THREE MONTHS ENDED MARCH 31, 2002 COMPARED TO THREE MONTHS ENDED MARCH 31, 2001.

Net sales for the three month period ended March 31, 2002 were \$504,632 while net sales for the three month period ended March 31, 2001 were \$467,306. Sales increased mainly due to the sales of high-speed wireless Internet products and broadband solutions.

Sales of amplifiers were approximately 52% of total sales. The Ampwave high-speed wireless Internet products and broadband solutions accounted for approximately 48% of total sales.

Gross profit for the three months ended March 31, 2002 amounted to \$124,520 (24% of sales) compared to \$84,126 (18% of sales) for the three months ended March 31, 2001. The increase in gross profit was principally attributable to sales of high-speed wireless Internet products and broadband solutions, as well as increased production efficiency. Gross margin decreased from the year ended December 31, 2001 because of lower amplifier sales resulting in higher fixed direct costs and lower margins for the high-speed wireless Internet products.

Selling, general and administrative expenses were \$485,333 and \$393,430 for the three months ended March 31, 2002 and 2001, respectively. The increase of \$91,903 (23%) is mainly due to increases in staffing at the sales and executive levels.

Research, engineering, and development costs remained relatively constant for the three months ended March 31, 2002 (\$144,239) from the corresponding three month period of 2001 (\$136,279).

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The interest income decreased for the three months ended March 31, 2002 compared to the corresponding period of 2001. The decrease is due to a reduction of funds available for short term investment.

As a result of the foregoing, the Company incurred net losses of (\$502,780) or (\$.06 per share and (\$1,113,193) or (\$.15) per share for the three months ended March 31, 2002 and 2001, respectively.

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AMPLIDYNE, INC.  
MARCH 31, 2002

### LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2002, the Company had cash and cash equivalents of \$788,443 principally due to the injection of private placement funds. Historically, the Company issued its common stock in lieu of cash payments for compensation, commissions, and consulting fees whenever possible. This trend is expected to continue in the second quarter of 2002.

The Company believes that the net proceeds of the Company's private placements will meet its working capital obligations and fund further development of its business for the next twelve months. However, in order to execute our business plans to expand product offerings and revenue generating opportunities, we will likely require additional working capital. There can be no assurance that any additional financing will be available to the Company on acceptable terms, or at all. See also Note G regarding liquidity matters.

In connection with the complaint brought by High Gain Antenna Co., Ltd. of Korea, on May 13, 2002 the jury brought in a verdict against the Company for \$400,000. The Company now intends to file a motion in the Law Division for a new trial and, if the motion is denied, to file an appeal of the verdict and judgment to the Superior Court of New Jersey, Appellate Division. The Company, in its appeal, will argue that the verdict was against the weight of the evidence and that the Court made a number of errors of law in the conduct of the trial. Although the Company is confident in its position, it cannot predict the outcome of the motion for a new trial or the outcome on appeal. Failure by the Company to succeed on the motion for a new trial or on appeal will have a material adverse effect on the Company's financial position and prospects. See Part I - Notes E and I.

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AMPLIDYNE, INC.  
MARCH 31, 2002

### PART II - OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

Although the Company believed that the complaint (see Part I - Note E) had no merit and had vigorously contested it, the Company and the other parties to the class action reached a settlement on May 2, 2001, which was approved by the District Court for the District of New Jersey on August 14, 2001 (which became effective on September 14, 2001). Pursuant to the settlement agreement, a settlement fund consisting of \$750,000 in cash (\$50,000 of which was paid

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directly by the Company) and 324,486 shares of common stock (which was valued at \$500,000 as of May 2, 2001) had been established for the benefit of members of the class. In March 2002 the Company issued such shares.

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

### ITEM 2. CHANGE IN SECURITIES

During the first quarter ended March 31, 2002, the Company issued 750,000 shares of Common Stock, at \$.80 per share (resulting in gross proceeds of \$600,000), to accredited investors pursuant to Rule 506 of Regulation D of the Securities Act of 1933, as amended (the "Act"). In connection with such private offering, the Company paid commissions to NASD broker-dealers in the amount of \$60,000 and issued to such persons 75,000 warrants, which are exercisable at \$.96 per share and expire March 31, 2007.

During the first quarter ended March 31, 2002, the Company issued 701,194 shares of Common Stock in connection with the conversion of all of the Company's Series B Preferred Stock (which included shares of Common Stock issued in lieu of accrued dividends thereon).

During the first quarter ended March 31, 2002, the Company issued 324,486 shares of Common Stock to the members of the class action complaint, which was settled in September 2001.

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### SIGNATURES

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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, 2002

By: /s/ Devendar S. Bains

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

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