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AMPLIDYNE INC
Form 10QSB
August 19, 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 JUNE 30, 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 July 31, 2002 was 9,676,500.

AMPLIDYNE, INC.
FORM 10-QSB
THREE AND SIX MONTHS ENDED JUNE 30, 2002

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AMPLIDYNE, INC.
BALANCE SHEETS

ASSETS

	June 30, 2002	December 31, 2001
	----- UNAUDITED -----	
CURRENT ASSETS		
Cash and cash equivalents	\$ 36,287	\$ 697,940
Accounts receivable, net of allowance for doubtful accounts of \$131,104 and \$131,104 at June 30, 2002 and December 31, 2001, respectively	352,428	449,190
Inventories	930,327	1,181,682
Loan receivable-officer	68,892	55,892
Prepaid expenses and other	4,000	23,464

Total current assets	1,391,934	2,408,168
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

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Leasehold improvements	8,141	8,141
	-----	-----
Total	841,737	841,737
Less: Accumulated depreciation and amortization	712,694	687,260
	-----	-----
Net property and equipment	129,043	154,477
OTHER ASSETS		
Security Deposits and other non-current assets	45,068	52,106
	-----	-----
TOTAL ASSETS	\$ 1,566,045	\$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

	June 30, 2002	Decem 2
	-----	-----
	UNAUDITED	
CURRENT LIABILITIES		
Accounts payable	\$189,733	\$1
Accrued expenses	98,052	1
Current maturities of lease obligations	-	
Reserve for litigation loss	495,000	1
	-----	-----
Total current liabilities	782,785	4
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 June 30, 2002 and December 31, 2001, respectively (liquidation preference of \$550,000 at December 31, 2001)	-	
Common stock - authorized, 25,000,000 shares of \$.0001 par value; shares 9,676,500 and 7,892,661 shares issued and outstanding at June 30, 2002 and December 31, 2001 respectively.	968	
Additional paid-in-capital	22,465,524	21,9
Subscriptions receivable preferred stock	-	(1
Accumulated deficit	(21,683,232)	(19,5
	-----	-----

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TOTAL STOCKHOLDERS' EQUITY	783,260	2,1
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,566,045	\$2,6
	=====	=====

The accompanying notes are an integral part of these financial statements

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AMPLIDYNE, INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002
	-----	-----	-----
Net Sales	\$ 252,316	\$ 707,314	\$ 756,94
Cost of goods sold	649,778	366,134	1,029,89
	-----	-----	-----
Gross margin	(397,462)	341,180	(272,94
Operating expenses			
Selling, general & administrative	751,467	472,480	1,236,80
Research, engineering and development	146,719	164,912	290,95
Equity-based compensation charge	-	-	
	-----	-----	-----
Operating loss	(1,295,648)	(296,212)	(1,800,70
Other non operating income (expenses)			
Interest income	780	17,083	3,05
Interest expense	(932)	(370)	(93
Provision for litigation loss	(315,000)	-	(315,00
	-----	-----	-----
NET LOSS	\$ (1,610,800)	\$ (279,499)	\$ (2,113,58
	=====	=====	=====
NET LOSS PER SHARE - BASIC AND DILUTED	\$ (0.17)	\$ (0.04)	\$ (0.2
	=====	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	9,673,780	7,469,649	8,999,14

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 June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002
Cash flows from operating activities:			
Net Loss	\$ (1,610,800)	\$ (279,499)	\$ (2,113,588)
Adjustments to reconcile net loss to net cash			
Depreciation and amortization	7,115	32,805	25,438
Litigation loss	315,000	-	315,000
Provision for inventory write-down	233,995	-	233,995
Stock compensation charge	-	-	-
Other costs paid with restricted common stock	4,201	-	4,201
Changes in assets and liabilities			
Accounts receivable	174,852	(146,546)	96,766
Inventories	118,909	(130,127)	17,366
Prepaid expenses and other assets	15,963	13,500	19,466
Accounts payable and accrued expense	27,781	171	34,946
Total adjustments	897,816	(230,197)	747,166
Net cash used for operating activities	(712,984)	(509,696)	(1,366,422)
Cash flows from investing activities:			
Loan receivable officer	-	11,996	(13,000)
Change in security deposits	7,038	-	7,038
Purchase of property and equipment	-	-	-
Net cash used for investing activities	7,038	11,996	(5,962)
Cash flows from financing activities:			
Payment of lease obligations	(6,210)	(983)	(9,273)
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	-	526,500	540,000
Net cash provided by financing activities	(86,210)	525,517	710,727
NET INCREASE (DECREASE) IN CASH	(792,156)	27,817	(661,657)
Cash at beginning of period	828,443	1,350,905	697,943
Cash and cash equivalents at end of period	\$ 36,287	\$ 1,378,722	\$ 36,286
Supplemental disclosures of cash flow information			
Cash paid for: Interest	\$ 356	\$ 370	\$ 93
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 SIX MONTHS ENDED JUNE 30, 2002

	Preferred Stock		Common S
	Shares	Par Value	Shares
Balance at December 31, 2000	-	\$ -	7,463,841
Net loss for the year ended December 31, 2001			
Cost of litigation to be settled by the issuance of common stock			1,820
Financing cost associated with warrants extended and shares issued			415,000
Issuance of common stock, net of costs	55,000	6	
Issuance of preferred stock net of costs			
Issuance of common stock for services rendered by third party			12,000
Balance at Dec. 31, 2001	55,000	6	7,892,661
Net loss for the six months ended June 30, 2002			
Collection of subscription receivable			
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 restricted common stock in lieu of expenses			8,159
Issuance of common stock, net of cost			750,000
Balance at June 30, 2002	-	\$ -	9,676,500

	Accumulated Deficit	Subscriptions Receivable	Total
Balance at December 31, 2000	\$ (17,544,770)	\$ -	\$2,668,131
Net loss for the year ended December 31, 2001	(2,024,882)		(2,024,882)
Cost of litigation to be settled by the issuance of common stock			500,000
Financing cost associated with warrants extended and shares issued			140,000
Issuance of common stock, net of costs			559,750
Issuance of preferred stock net of costs		(180,000)	315,000
Issuance of common stock for services rendered by third party			14,640

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Balance at Dec. 31, 2001 (UNAUDITED)	(19,569,652)	(180,000)	2,172,639
Net loss for the six months ended June 30, 2002	(2,113,580)		(2,113,580)
Collection of subscription receivable		180,000	180,000
Conversion of preferred stock to common stock			-
Issuance of common stock in settlement of class action			-
Issuance of restricted common stock			4,201
in lieu of expenses			
Issuance of common stock, net of cost			540,000
Balance at June 30, 2002	\$ (21,683,232)	\$ -	\$ 783,260

The accompanying notes are an integral part of these financial statements

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AMPLIDYNE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 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 June 30, 2002 and June 30, 2001, (b) the financial position at June 30, 2002, (c) the statements of cash flows for the three and six month periods ended June 30, 2002 and June 30, 2001, and (d) the changes in stockholders' equity for the six month period ended June 30, 2002 have been made. The results of operations for the six months ended June 30, 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.

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 G, the Company incurred losses of \$2,113,580 for the six-month period ended June 30, 2002 and has limited cash reserves, raising substantial doubt as to its ability to continue as a going concern.

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As further discussed in Note G, 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 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.

NOTE C - STOCKHOLDERS' EQUITY

At June 30, 2002, the following 1,337,500 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, (14) 75,000 exercisable at \$.96 through March 2007, and (15) 80,000 shares exercisable at \$1.50 through December 2004.

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AMPLIDYNE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE C - STOCKHOLDERS' EQUITY - CONTINUED

At June 30, 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.

During the second quarter ended June 30, 2002, the Company issued 8,159 shares of common stock to a customer in lieu of cash.

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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

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 JUNE 30, 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 June 30, 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 to date. The Company has not received any required documents and releases from ENS.

3. 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 has

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filed 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.

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

On May 30, 2002, the Company sued defendants in the Superior Court of New Jersey, Law Division, Sommerset 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 federal bankruptcy court for 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. 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.

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AMPLIDYNE, INC. NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

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, verbally extended through December 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 August 14, 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 \$(2,113,580) for the six months ended June 30, 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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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;

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;

Obtaining financing through private placements, if possible;

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.

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AMPLIDYNE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE H - SEGMENT INFORMATION

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

	Six Months Ended June 30,		Year Ended December 31, 2001
Sales-external	2002	2001	
Amplifier	\$ 406,708	\$ 1,003,677	\$1,901,702
Internet business and broadband solutions	350,240	171,443	303,727
	\$ 756,948	\$ 1,174,620	\$2,205,429

Inventory	June 30, 2002	December 31, 2001
Amplifier	\$ 467,765	\$ 802,964
Internet business and broadband		

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solutions	462,562	378,718
	-----	-----
Total	\$ 930,327	\$1,181,682
	=====	=====

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AMPLIDYNE, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 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 JUNE 30, 2002 COMPARED TO THREE MONTHS ENDED JUNE 30, 2001.

Net sales for the three month period ended June 30, 2002 were \$252,316 while net sales for the three month period ended June 30, 2001 were \$756,948. Sales decreased mainly due to the general business conditions of the telecommunications industry.

Sales of amplifiers were approximately 57% of total sales. The Ampwave high-speed wireless Internet products and broadband solutions accounted for approximately 43% of total sales.

Gross margin for the three months ended June 30, 2002 amounted to a loss of (\$397,462), including an inventory write-down of \$233,995 (loss of 1.6 times sales) compared to \$341,180 (gross profit of 48% of sales) for the three months ended June 30, 2001. Excluding the inventory write-down, the gross margin for the three months ended June 30, 2002 was a loss of (\$163,467) or 64.8% of sales. The decline in gross margin was principally attributable to pricing pressures caused by business conditions in the telecommunications industry. 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 \$751,467 and \$472,480 for the three months ended June 30, 2002 and 2001, respectively. The increase of \$278,987 (59%) is mainly due to: an increase in bad debts of approximately \$113,000; and increase in professional fees of approximately \$41,000; an increase in staffing at the sales levels (approximately \$90,000 increase) and; commissions paid to outside sales reps (approximately \$35,000).

Research, engineering, and development costs remained relatively constant for the three months ended June 30, 2002 (\$146,719) compared to the corresponding three month period of 2001 (\$164,912).

The interest income decreased for the three months ended June 30, 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 (\$1,610,800)

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or (\$.17) per share and (\$279,499) or (\$.04) per share for the three months ended June 30, 2002 and 2001, respectively.

RESULTS OF OPERATIONS - SIX MONTHS ENDED JUNE 30, 2002 COMPARED TO SIX MONTHS ENDED JUNE 30, 2001.

Net sales for the six month period ended June 30, 2002 were \$756,948 while sales for the six months ended June 30, 2001 were \$1,174,620. Sales decreased due to a decline in the Company's sales of cellular amplifier equipment caused mainly due to the general business conditions of the telecommunications industry.

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AMPLIDYNE, INC. JUNE 30, 2002

Gross margin for the six months ended June 30, 2002 amounted to a loss of (\$272,942), including an inventory write-down of \$233,995 (a loss of 36% of sales), compared to \$425,306 gross profit (36% of sales) for the corresponding six months of 2001. Excluding the inventory write-down, the gross margin for the six months ended June 30, 2002 was a loss of (\$38,947) or 5.1% of sales. The decline in gross margin was principally attributable to pricing pressures caused by business conditions in the telecommunications industry. 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 \$1,236,800 and \$865,910 for the six months ended June 30, 2002 and 2001, respectively. The increase of \$370,890 (43%) is mainly due to: an increase in bad debts of approximately \$113,000; and increase in professional fees of approximately \$53,000; an increase in staffing at the sales levels (approximately \$101,000 increase); officer salary increases of approximately \$30,000; commissions paid to outside sales reps of approximately \$35,000 and; aggregate other expense increases of \$39,000.

Research, engineering, and development costs remained relatively constant for the six months ended June 30, 2002 (\$290,958) from the corresponding six month period of 2001 (\$301,191).

Equity-based compensation primarily represents the value of the modification of warrants in 2001.

The Company has provided the cost of the lawsuit by High Gain Antenna Co., Ltd. of Korea (see note E-3) jury verdict of \$400,000 in the quarter ended June 30, 2002.

As a result of the foregoing, the Company incurred net losses of (\$2,113,580) or (\$.23) per share and (\$1,392,692) or (\$.19) per share for the six months ended June 30, 2002 and 2001, respectively.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2002, the Company had cash and cash equivalents of \$36,287 and had working capital of \$609,149.

The Company needs to obtain additional financing through private placements in order meet its working capital obligations and fund further development of its business. There can be no assurance that any additional financing will be available to the Company on acceptable terms, or at all. Because of this, as

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well as the losses and limited cash reserves, there is substantial doubt as to the Company's ability to continue as a going concern. See also Notes B and G regarding liquidity matters.

In connection with the complaint brought by High Gain Antenna Co., Ltd. of Korea, 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 - Note E 3.

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AMPLIDYNE, INC.
JUNE 30, 2002

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note E (Nos. 3 and 4) to the Company's financial statements set forth in Part I.

ITEM 2. CHANGE IN SECURITIES

During the second quarter ended June 30, 2002, the Company issued 8,159 shares of common stock to a customer in lieu of cash. The shares were issued in reliance on Section 4(2) of the Securities Act of 1933, as amended.

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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: August 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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