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AMPLIDYNE INC
Form 10QSB
November 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 SEPTEMBER 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 X No
--- ---

The number of shares outstanding of the Issuer's Common Stock, \$.0001 Par Value,
as of October 31, 2002 was 9,676,500.

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AMPLIDYNE, INC.
FORM 10-QSB
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2002

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AMPLIDYNE, INC.
BALANCE SHEETS

ASSETS

September 30, December 31,
2002 2001

CURRENT ASSETS

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Cash and cash equivalents	\$	-	\$	697,940
Accounts receivable, net of allowance for doubtful accounts of \$143,000 and \$131,104 at September 30, 2002 and December 31, 2001, respectively		168,502		449,190
Inventories		904,402		1,181,682
Loan receivable-officer		38,892		55,892
Prepaid expenses and other		4,000		23,464
		-----		-----
Total current assets		1,115,796		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
Leasehold improvements		8,141		8,141
		-----		-----
Total		841,737		841,737
Less: Accumulated depreciation and amortization		725,411		687,260
		-----		-----
Net property and equipment		116,326		154,477
OTHER ASSETS				
Security Deposits and other non-current assets		45,068		52,106
		-----		-----
TOTAL ASSETS	\$	1,277,190	\$	2,614,751
		=====		=====

The accompanying notes are an integral part of these financial statements

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BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

		September 30,
		2002

CURRENT LIABILITIES		
Overdraft	\$	13,939
Accounts payable		256,077
Accrued expenses		150,342
Current maturities of lease obligations		-
Reserve for litigation loss		495,000

Total current liabilities		915,358

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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 September 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 September 30, 2002 and December 31, 2001, respectively.	968
Additional paid-in-capital	22,465,524
Subscriptions receivable - preferred stock	-
Accumulated deficit	(22,104,660)
Total stockholders' equity	----- 361,832 -----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,277,190 =====

The accompanying notes are an integral part of these financial statements

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AMPLIDYNE, INC. STATEMENTS OF OPERATIONS

	Three Months Ended September 30,	Three Months Ended September 30,	Nine Months Ended September
	2002	2001	2002
	-----	-----	-----
Net Sales	\$ 325,584	\$ 663,899	\$ 1,082,
Cost of goods sold	213,226	409,384	1,243,
	-----	-----	-----
Gross margin	112,358	254,515	(160,
Operating expenses			
Selling, general & administrative	435,058	449,697	1,671,
Research, engineering and development	98,846	138,480	389,
Equity-based compensation charge	-	-	
Provision for litigation loss - operating	-	-	315,
	-----	-----	-----
Operating loss	(421,546)	(333,662)	(2,537,

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Other non operating income (expenses)			
Interest income	118	7,495	3,
Interest expense	-	(3,600)	(
Provision for litigation loss - non-operating	-	-	
NET LOSS	\$ (421,428)	\$ (329,767)	\$ (2,535,
Net loss per share - basic and diluted	\$ (0.04)	\$ (0.04)	\$ (0
Weighted average number of shares outstanding	9,676,500	7,883,672	9,224,

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 September 30, 2002	Three Months Ended September 30, 2001
Cash flows from operating activities:		
Net Loss	\$ (421,428)	\$ (329,767)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	12,717	32,805
Litigation loss	-	(550,000)
Provision for inventory write-down	-	-
Stock compensation charge	-	(140,000)
Other costs paid with restricted common stock	138,799	-
Changes in assets and liabilities		
Accounts receivable	183,926	(55,068)
Inventories	25,925	(178,390)
Prepaid expenses and other assets	-	1,686
Accounts payable and accrued expense	118,634	130,458
Total adjustments	480,001	(758,509)
Net cash used for operating activities	58,573	(1,088,276)
Cash flows from investing activities:		
Loan receivable officer	30,000	(10,222)
Change in security deposits	-	-
Purchase of property and equipment	-	(485)
Net cash used for investing activities	30,000	(10,707)
Cash flows from financing activities:		
Payment of lease obligations	-	(3,061)

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Subscriptions receivable preferred stock - net options and warrants, net of costs	-	-
	(138,799)	871,490
Net cash provided by financing activities	(138,799)	868,429
NET INCREASE (DECREASE) IN CASH	(50,226)	(230,554)
Cash at beginning of period	36,287	1,378,722
Cash (overdraft) and cash equivalents at end of period	\$ (13,939)	\$1,148,168
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 CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2001
AND NINE MONTHS ENDED SEPTEMBER 30, 2002

	Preferred Stock		
	Shares	Par Value	Sh
Balance at December 31, 2000	-	\$ -	7,
Net loss for the year ended December 31, 2001			
Cost of litigation to be settled by the issuance of common stock			
Financing cost associated with warrants extended and shares issued			
Issuance of common stock, net of costs			
Issuance of preferred stock net of costs	55,000	6	
Issuance of common stock for services rendered by third party			
Balance at Dec. 31, 2001	55,000	6	7,
Net loss for the nine months ended September 30, 2002			
Collection of subscription receivable			
Conversion of preferred stock to common stock	(55,000)	(6)	
Issuance of common stock in settlement of class action			
Issuance of restricted common stock in lieu of expenses			
Issuance of common stock, net of cost			

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	-	\$ -	9,
	Additional Paid-in Capital	Accumulated Deficit	Subscr Rece
Balance at September 30, 2002			
Balance at December 31, 2000	\$ 20,212,154	\$ (17,544,770)	\$
Net loss for the year ended December 31, 2001		(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	559,708		
Issuance of preferred stock net of costs	494,994		
Issuance of common stock for services rendered by third party	14,639		
Balance at Dec. 31, 2001	21,921,495	(19,569,652)	
Net loss for the nine months ended September 30, 2002		(2,535,008)	
Collection of subscription receivable			
Conversion of preferred stock to common stock	(64)		
Issuance of common stock in settlement of class action	(32)		
Issuance of restricted common stock in lieu of expenses	4,200		
Issuance of common stock, net of cost	539,925		
Balance at September 30, 2002	\$ 22,465,524	\$ (22,104,660)	\$

The accompanying notes are an integral part of these financial statements

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

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of operations for the nine months ended September 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 \$2,535,008 for the nine-month period ended September 30, 2002, has no cash reserves and has seen its working capital deteriorate by \$1,765,619 to \$200,437 since the beginning of the 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 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 September 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
SEPTEMBER 30, 2002

NOTE C - STOCKHOLDERS' EQUITY - CONTINUED

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At September 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.

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
SEPTEMBER 30, 2002

The Company is a party to the following matters:

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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 September 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 filed a motion in the Law Division for a new trial, which was denied, and has given notice of 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 on appeal. The Company is in settlement negotiations before the Superior Court of New Jersey, Appellate Division. Although a tentative settlement has been reached, there can be no assurance this matter will be settled on terms favorable to the Company. Failure by the Company to either settle this matter or have a successful 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.

AMPLIDYNE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 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 October 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 November 14, 2002, the Company has successfully negotiated and closed 11 properties and has incurred no liability to pay any additional sums under the contract. In accordance with the terms of the agreement, the Company may continue to negotiate with additional properties up to the limit specified, but may not add additional properties after the expiration date.

NOTE G - LIQUIDITY

The Company has incurred losses of \$(2,535,008) for the nine months ended September 30, 2002. Additionally, working capital declined by \$1,765.619 to \$200,437 at September 30, 2002 from \$1,966,056 at December 31, 2001. 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.

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;

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Reducing overhead costs and general expenditures.

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AMPLIDYNE, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 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:

	Nine Months Ended September 30,		Year Ended
	-----		December 31, 2001
Sales-external	2002	2001	
-----	----	----	
Amplifier	\$ 559,643	\$1,564,512	\$ 1,901,702
Internet business and broadband solutions	522,889	274,007	303,727
	-----	-----	-----
	\$1,082,532	\$1,838,519	\$ 2,205,429
	=====	=====	=====
		September 30,	December
		-----	-----
Inventory		2002	31, 2001
-----		-----	-----
Amplifier		\$ 313,575	\$ 802,964
Internet business and broadband solutions		590,827	378,718
		-----	-----
Total		\$ 906,402	\$ 1,181,682
		=====	=====

NOTE I - SUBSEQUENT EVENT

Between October 1, 2002 and November 13, 2002, the Chief Executive Officer loaned \$90,000 to the Company.

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

Net sales for the three month period ended September 30, 2002 were \$325,584 while net sales for the three month period ended September 30, 2001 were \$663,899. Sales decreased mainly due to the general business conditions of the telecommunications industry.

Sales of amplifiers were approximately 47% of total sales. The Ampwave high-speed wireless Internet products and broadband solutions accounted for approximately 53% of total sales.

Gross margin for the three months ended September 30, 2002 amounted to \$112,538 (35% of sales) compared to \$254,515 (38% of sales) for the three months ended September 30, 2001. 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 \$435,058 and \$449,697 for the three months ended September 30, 2002 and 2001, respectively. The decrease of \$14,639 (3%) is mainly due to: an increase in bad debts of approximately \$228,000 offset by substantial staff reductions and reductions in professional fees.

Research, engineering, and development costs declined substantially for the three months ended September 30, 2002 (\$98,846) from the corresponding three month period of 2001 (\$138,480) with the decrease of approximately \$40,000 principally related to staff cutbacks.

The interest income decreased for the three months ended September 30, 2002 (\$118) compared to \$7,495 for 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 (\$421,428) or (\$.04) per share and (\$329,767) or (\$.04) per share for the three months ended September 30, 2002 and 2001, respectively.

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RESULTS OF OPERATIONS - NINE MONTHS ENDED SEPTEMBER 30, 2002 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2001.

Net sales for the nine month period ended September 30, 2002 were \$1,082,532 while sales for the nine months ended September 30, 2001 were \$1,838,529. Sales decreased due to a decline in the Company's sales of cellular amplifier equipment caused mainly by the general business conditions of the telecommunications industry.

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AMPLIDYNE, INC.
SEPTEMBER 30, 2002

Gross margin for the nine months ended September 30, 2002 amounted to a loss of (\$160,584), including an inventory write-down of \$233,995 (a loss of 15% of sales), compared to \$679,821 gross profit (37% of sales) for the corresponding nine months of 2001. Excluding the inventory write-down, the gross margin for the nine months ended June 30, 2002 was \$73,411 or 6.8% 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 \$1,671,858 and \$1,315,607 for the nine months ended September 30, 2002 and 2001, respectively. The increase of \$356,251 (27%) is mainly due to: an increase in bad debts of approximately \$324,000 with year to date increases in certain expenses prior to the 3rd quarter, offset by staffing cutbacks and other overhead reductions in the 3rd quarter.

Research, engineering, and development costs declined for the nine months ended September 30, 2002 (\$389,804) from the corresponding nine month period of 2001 (\$439,671) with the decrease of approximately \$51,000 principally related to staff cutbacks.

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

The Company has provided for 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 (\$2,535,008) or (\$.27) per share and (\$1,722,549) or (\$.23) per share for the nine months ended September 30, 2002 and 2001, respectively.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2002, the Company had no cash or cash equivalents and working capital has declined to \$200,437 from \$1,966,056 at December 31, 2001, a decrease of \$1,765,619. 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.

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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. See also Note G regarding liquidity matters.

In connection with the complaint brought by High Gain Antenna Co., Ltd. of Korea, failure by the Company to favorably settle with the plaintiff for an amount substantially lower than the jury verdict judgment 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.
SEPTEMBER 30, 2002

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.
SEPTEMBER 30, 2002

PART II - OTHER INFORMATION

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ITEM 1. LEGAL PROCEEDINGS

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(b) The Registrant filed a Current Report of Form 8-K on July 17, 2002, disclosing the resignation of Michael Lawrence, the Registrant's former President and Chief Operating Officer.

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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: November 18, 2002

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:

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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 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

November 18, 2002

