

Edgar Filing: AMPLIDYNE INC - Form 10KSB

AMPLIDYNE INC
Form 10KSB
April 15, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

REPORT ON FORM 10-KSB

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

COMMISSION FILE NO. 0-21931

AMPLIDYNE, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

22-3440510

(STATE OF OR OTHER JURISDICTION
OF INCORPORATION OR ORGANIZATION)

(IRS EMPLOYER IDENTIFICATION NO.)

59 LAGRANGE STREET
RARITAN, NEW JERSEY

08869

(ADDRESS OF PRINCIPAL
EXECUTIVE OFFICES)

(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (908) 253-6870

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE.

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

COMMON STOCK, PAR VALUE \$.0001 PER SHARE

(TITLE OF CLASS)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of the Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

Issuer's revenues for its most recent fiscal year were \$2,205,429.

The aggregate market value of the voting stock held by non-affiliates of the Registrant, computed by reference to the closing price of such stock as of March 31, 2002, was approximately \$7,440,569.

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Number of shares outstanding of the issuer's common stock, as of March 31, 2002 was 9,668,341.

Documents Incorporated by Reference: None

PART I

ITEM 1. BUSINESS

GENERAL

AMPLIFIER PRODUCTS

Amplidyne, Inc., a Delaware corporation ("Amplidyne" or the "Company") designs, manufactures and sells ultra linear power amplifiers and related subsystems to the worldwide wireless, local loop and satellite uplink telecommunications market. These power amplifiers, which are a key component in cellular base stations, increase the power of radio frequency ("RF") and microwave signals with low distortion, enabling the user to significantly increase the quality and quantity of calls processed by new and existing cellular base stations. The Company's wireless telecommunications products consist of solid-state, RF and microwave, single and multi-carrier power amplifiers that support a broad range of analog and digital transmission protocols including advanced mobile phone services ("AMPS"), code division multiple access ("CDMA"), time division multiple access ("TDMA"), total access communication systems ("TACS"), extended total access communication systems ("ETACS"), nordic mobile telephone ("NMT"), global system for mobile communications ("GSM"), digital communication service at 1800 MHz ("DCS-1800") and wideband code division multiple access 3G communications ("W-CDMA"). The products are marketed to the cellular, wireless local loop and personal communication systems ("PCS") segments of the wireless telecommunications industry.

In the year 2001, the Company developed new amplifier products for the IMT 2000 standard for deployment of the 3G (Third Generation) system worldwide. The Company has also developed amplifier products for the 3.5 GHz digital data transmission systems that are presently being deployed by some major OEM's in North America. The Company also developed new amplifier products such as the ALC amplifier for its high-speed wireless Internet products. The Company has had its test site in Sparta New Jersey under continuous operation for more than 2 years. The Company has been able to get reliable and successful service under various and severe weather including rain and snow.

Amplidyne has several products covered by a patent issued by the United States Patent and Trademark Office for Pre-Distortion and Pre-Distortion Linearization which, the Company believes, is more effective in reducing distortion than other currently available technologies. In addition to Company's product line of single channel power amplifiers which are currently utilized by the wireless communications industry, the Company also develops, designs and manufactures Multi-carrier Linear Power Amplifiers ("MCLPAs"). MCLPAs combine the performance capabilities of many single carrier amplifiers into one unit, eliminating the need for numerous single carrier amplifiers and the corresponding unnecessary space occupied by the cavity filters encasing the amplifiers. Management believes that with its (i) proprietary technology (which effectively reduces distortion), (ii) technological expertise and (iii) established product line consisting of ultra linear single channel power

Edgar Filing: AMPLIDYNE INC - Form 10KSB

amplifiers, the Company can achieve similar performance with its MCLPAs. The Company's linear power amplifiers and MCLPAs utilizes the Company's patented predistortion and proprietary feed forward technology which amplifies many channels with minimal distortion at the same time with one product.

HIGH SPEED WIRELESS INTERNET PRODUCTS

In September 1999 the Company announced its entry into the emerging wireless Internet access market with new products in the ISM license exempt operating band (2.4 to 2.4835 GHz). The line of spread spectrum radio products has been expanded to provide complete solutions, with designs for indoor, outdoor and hybrid indoor/outdoor network coverage including point-to-point and point-to-multi-point configurations.

These products include ISP Base Stations, PCMCIA radio cards, modular customer premise equipment (CPE), micro-cells, client base station, amplifiers, and other network components to provide a turn-key network solution. These products are IEEE 802.11 compliant and provide high-speed internet access and private network access from any point in the network. The Company's capabilities include engineering design to provide coverage over a wide area. Wireless network elements therefore provide users access from anywhere in the wireless network. Management believes that this type of design delivers high performance and lower operating and maintenance costs, compared to a conventional wired network. An additional value added to a network utility is full roaming access for portable devices anywhere in the network. The Company installed its own wireless network in the fourth quarter of 1999 to provide a customer demonstration system, which has proven to be successful.

The Company designs outdoor solutions specifically targeted to the ISP market which consist of point-to-point backbones for the networks and point-to-multi-point access to wireless clients. ISP's can order complete turn-key systems for various applications or components for expansion and concentration of existing networks. In 2001, Amplidyne offered its "ISP in a Box" complete network start-up kit for deployment to ISPs.

The Company also expanded its LAN products to include a new access point, gateway and high power PCMCIA radio card to support its indoor market development and penetration into Multi-Dwelling Units ("MDUs"). The use of discreet antennas and intelligent amplifiers has proved especially effective in providing ubiquitous coverage in tall buildings, large atriums, and sprawling campus applications. The SOHO package was also designed in 2001 to quickly and easily implement simple home and small office networks without professional installation or maintenance.

The Company opened the Hospitality market for its high-speed Internet access products in 2001 with the inauguration of service in the Ritz Carlton in Jamaica. The breadth of Amplidyne's network elements provides a unique advantage when designing hybrid indoor/outdoor wireless networks for complete coverage of hotel rooms, indoor common spaces and outdoor recreation spaces. Making all spaces in a hotel complex accessible for a full range of access and

-3-

IT services creates new and enhanced revenue opportunities for operators. Amplidyne acquired certain access to hotels in January 2002 that may accelerate its penetration into the hospitality market in 2002.

In 2001 the Company began development of two new products for the wireless security and surveillance market. The first was a wireless camera that has its own power, completely wireless and disaster resistant for access, recording an

Edgar Filing: AMPLIDYNE INC - Form 10KSB

analysis of video and audio communications anywhere in the wireless network. This camera product is compliant with the 802.11b and IEEE standards to work in any 802.11b compliant network. The second is a wearable version of the camera that is fully self-contained and can be concealed under normal clothing. The Company expects to generate interest in the commercial and residential markets for wireless security devices in 2002.

NEW PRODUCTS FOR 2002

The Company continues to focus on enhancing its 11Mbps line of wireless access products with new software and cost-reduced hardware. It also is developing new products with higher speed and greater bandwidth including point-to-point and point-to-multi-point solutions in the 5.8 GHz band. The wireless Security Camera line of products has development projects for on-board compression, functional controls for machinery, and discrete custom packaging.

TIME TO MARKET AND DEMAND

The growth of the Internet has created a demand for faster access requirements, particularly for business users. The increasing use of T1 and DSL lines by businesses is a case in point. Whilst the new technology is emerging, not all parts of the U.S. have access to such technology. Therefore, wireless internet access continues to be an appropriate area to be addressed by the Company and accordingly, we have identified ISPs as a principal market for development in 2002. According to a report by the Yankee group, wireless ISP's targeting residential users in rural areas are having success. The key difference between wireless ISP's and the big name wireless providers is that rural providers are tiny operations focusing on small geographic areas. Typically, the wireless ISPs, which could number more than 1,000, are serving third and fourth-tier markets that do not have any other broadband options. Wireless providers offer a service that is often priced at less than \$50 per month and offers speeds comparable to cable and DSL.

Demand for high-speed Internet access at a reasonable cost exists in major geographic areas of the U.S., parts of Europe, Asia, Africa, South America and many other regions of the world. The primary objective of our business is to provide a turnkey system for Internet service providers (ISP's), the key objective being the subscriber's end cost to the ISP.

Another sector that has emerged is the "wireless point to point links", in many cases requiring a high-speed link between buildings. The cost of such a link can be as much as \$1,200 - 1,400 per month with an installation charge of up to \$2,000. A wireless "point-to-point" link can be established using the Company's system at a one-time fixed cost of under \$3,000. The customer realizes an installation cost savings and a reduction in monthly operating expenses.

-4-

The Company's entry into this market was a 2 Mbps system in the third quarter of 1999, which was aimed to fulfill the immediate need of ISP's. The Company also introduced its 11 Mbps products in the third quarter of 2000. We intend to continue to explore the possibility of higher speed radios and software upgrades with additional antennas.

During 2001 the Company continued to add to its list of ISP customers worldwide and believes that it is well positioned for the growth in the foreseeable future.

A report from Cahners In-Stat Group deals with the future of the enterprise wireless market. The report entitled "2000 Enterprise Wireless LAN Market

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Update," forecasts that this segment will rise to \$3 Billion by 2002. The report finds that the wireless LAN (WLAN) market became a legitimate enterprise technology in 2000. The general desire of organizations to give their employees more mobility has driven sales of the technology introduced during the last two years following adoption of usable standards. New, improved performance and lower cost products for the application continue to be introduced. Cahners expects the wireless LAN market to grow to 4.6 billion by 2005.

The nation's workforce in general is moving in the direction of self-employment and smaller businesses. Daniel Pink in his recent book "Free Agent Nation" writes that: the Bureau of Labor Statistics records the self-employed universe at 16 million. Tom Petzinger of the WSJ reports that there are more than 12 million home businesses and IDC projects the number will pass 37 million by 2002. The Company expects to target this market segment with its WLAN product line.

Growth will be encouraged as existing vendors expand their offerings and new suppliers enter the field. The Company's entry into the High Speed Wireless Internet market at the end of 1999 was, in management's belief, well-timed, and has proven to be so as the Company is now well-positioned with products that were introduced to provide solutions indoor, outdoor, and hybrid indoor/outdoor wireless networks that satisfy the needs of ISPs, MDUs, hotels, enterprise and education companies, and the SOHO (small office/home office) market. ISP's in various areas of the United States, South America, Eastern Europe and Asia are utilizing our products. The Company is also developing strategic partnerships with ISP's to provide high speed wireless internet access to multi-tenant building owners (without the construction costs of hardwiring buildings) and began providing solutions to multi-tenant buildings during 2001. The Company intends to pursue this market segment aggressively during 2002. There can be no assurance that the Company will be successful since some of the Company's competitors have vast financial, technical and marketing resources.

-5-

HISTORICAL

The Company was incorporated on December 14, 1995 pursuant to the laws of the State of Delaware as the successor to Amplidyne, Inc., a New Jersey corporation ("Amplidyne-NJ"), which was incorporated in October 1988. The Company was organized to effectuate a reincorporation of Amplidyne-NJ with and into the Company on December 22, 1995. The Company maintains its executive offices at 59 LaGrange Street, Raritan, NJ 08869 and its telephone number is (908) 253-6870. The Company completed its initial public offering of 1,610,000 Units (each Unit consisting of one (1) share of Common Stock and one (1) Redeemable Common Stock Purchase Warrant ("Warrants")) in January 1997 pursuant to firm commitment underwritten offering. The offering price was \$5.10 per Unit. The Warrants were redeemed in May 2000. Prior to redemption, 124,871 Warrants were exercised. The Common Stock trades on the Nasdaq SmallCap Market under the symbol AMPD.

FORWARD LOOKING STATEMENTS

Certain information contained in this Annual Report are forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended). Factors set forth that appear with the forward-looking statements, or in the Company's other Securities and Exchange Commission filings, could affect the Company's actual results and could cause the Company's actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company in this Annual Report. In addition to statements, that explicitly describe such risks and uncertainties, readers are urged to consider

Edgar Filing: AMPLIDYNE INC - Form 10KSB

statements labeled with the terms "believes," "belief," "expects," "intends," "anticipates" or "plans" to be uncertain and forward-looking. The forward-looking statements contained herein are also subject generally to other risks and uncertainties that are described from time to time in the Company's reports and registration statements filed with the Securities and Exchange Commission. Such potential risks and uncertainties include, but are not limited to: the ability to increase revenues and reduce operating losses; the successful deployment and sale of products; the successful distribution of our products in the marketplace; the successful expansion of business with sales made by ISPs; managing expansion; dependence on a limited number of customers; reductions, delays or cancellations in orders from new or existing customers; potential deterioration of business and economic conditions in the Company's customers marketplaces; new product development and product obsolescence; potential deterioration of the Company's customers credit quality due to deteriorating economic conditions in the Company's customers marketplaces; a limited number of potential customers; intensely competitive industry with increasing price competition; successful development of strategic partnerships globally; reliance on certain key personnel; variability in gross margins on new products and resulting impacts on operating results; continued success in the design of new products and the ability to manufacture in quantity such new products; continued favorable business conditions and growth in the wireless communications market; and dependence on certain suppliers for single-sourced components. In addition,

-6-

prior financial performance and customer orders are not necessarily indicative of the results that may be expected in the future and the Company believes that such comparisons cannot be relied upon as indicators of future performance. Due to the foregoing factors, the Company believes that period-to-period comparisons of its operating results are not necessarily meaningful and that such comparisons cannot be relied upon as indicators of future performance. Additionally, the Company undertakes no obligation to publicly release the results of any revisions to these forward-looking statements which may be made to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events.

INDUSTRY BACKGROUND

The market for wireless communication services has grown substantially during the past decade. Cellular and PCS service has been one of the fastest growing segments of the wireless telecommunications market. The growth in cellular and PCS communications has required, and will continue to require, substantial investment by cellular service providers in wireless infrastructure equipment. Moreover, management believes that intensified competition among cellular service providers is resulting in declining costs to end-users as well as new types of service offerings. This demand, coupled with unprecedented growth, will, in management's belief, require new infrastructure equipment and technology that will allow better coverage for higher-density networks. Carriers also need to have the flexibility to place cell sites anywhere, provide speedier deployment without regard to frequency allocation or planning with lower installation, maintenance and operational costs. In order for carriers to meet their demands, new technologies and base station equipment must be deployed.

According to a report of Strategy Analytics, by 2003 more than 725 million people worldwide will subscribe to cellular and personal communications services. Global Systems for Mobil Communications Technology (GSM) will continue to dominate the worldwide digital cellular market. However CDMA Systems will capture a 20% share of the subscribers by 2003. The report also indicates that Southeast Asia will continue to hold a leadership position through 2003 with total subscribers reaching 250 million. Western Europe is

Edgar Filing: AMPLIDYNE INC - Form 10KSB

predicted to grow at a compound annual rate of 18% until 2003. Worldwide cellular telephone shipments are predicted to grow by 17% annually, to exceed 330 million units by 2003. Southeast Asia will remain the largest market for cellular phones, representing a 34% market share. The Company intends to pursue this market segment aggressively during 2002. There can be no assurance that the Company will be successful since some of the Company's competitors have vast financial, technical and marketing resources.

Although there has been a slowdown in the deployment of wireless technology throughout the world, substantial demand still exists for new products, as well as the upgrade of old products. The Company intends to target sectors within the market for its amplifier products.

-7-

EMERGING TECHNOLOGY AND WIRELESS INTERNET ACCESS

The Global market for mobile users is forecast to grow from today's figures of around 200 million users to around 2.4 billion users by 2015, which means today's market only represents 10% of future demand according to sources at International Telecommunication Union. With consumers looking for added features including voice and data and wireless Internet access, new technology is needed. The evolution of the third generation (3G) of wireless communication is a fundamental step to the new world. 3G represents the world of multi media mobile communications where users will have access not just to voice but to video, image, text, graphics and data communications. The capabilities offered by 3G will be limitless, offering users services such as video conferencing, access to the Internet and a host of other applications. The Company intends to pursue this market segment aggressively during 2002. There can be no assurance that the Company will be successful since some of the Company's competitors have vast financial, technical and marketing resources.

The new technology requires wide band ultra liner amplifiers requiring pre-distortion and feed forward technology. Amplidyne's propriety patented technology and feed forward correction systems are ideally suited for this new emerging market. The Company expects to provide solutions in the 3.5GHz and IMT2000 formats using W-CDMA and similar technologies. Although the deployment of 3G systems is expected to be somewhat delayed, the Company developed amplifier products for this market and expects to continue to do so in 2002.

While the Company keeps its research and development efforts focused on its core amplifier business, the emergence of "wireless Internet access" has given us the opportunity to vertically integrate our products into this market sector. We believe that we are in the "knowledge business" and we have gained considerable know-how of RF amplifiers, filters, RF subsystems, antennas and digital circuits which are used in our feed-forward control circuits. The use of sophisticated digital circuits in the transmission of high speed data coupled with the RF transmission media derives significant synergy from our amplifier R&D.

A key enabling technology for outdoor wireless Internet access is the tower top bi-directional amplifier. The Company's personnel were able to design an excellent product for our AmpDLan system. We have considerable experience in the role that RF filters and antennas played in RF systems, and this is another set of components for our AmpDLan system.

The Company has designed new products for the high speed wireless market and will continue to market these products during the year 2002.

WIRELESS LOCAL LOOP AMPLIFIER PRODUCTS

Edgar Filing: AMPLIDYNE INC - Form 10KSB

The Company has continued to refine its wireless local loop amplifier products during 2001. These products operate in the NMT 450 band and 900 MHz band. The Company designed a prototype amplifier for the 3.5 GHz band for a

-8-

major North American OEM customer during 2000 and refined the products during 2001, extending the life and contract opportunities into 2002. The Company expects to obtain future orders for its NMT450 and 900 MHz amplifiers during 2002 as systems get deployed in the South American and Far East markets by our major OEM customer.

The Company is continuing to work with its OEM customers during 2002 to develop a new W-CDMA product line. The Company developed a prototype IMT 2000 (3-G Third Generation) amplifier for the Asian and U.S. markets and introduced its new 3G Amplifier at the CTIA 2002 with a live demonstration.

CELLULAR SYSTEMS

A cellular system consists of a number of cell sites that are networked to form a cellular system operator's geographic coverage area. Each cell site has a base station which houses the equipment that transmits and receives telephone calls between the cellular subscriber within the cell and the switching office of the local wireline telephone system. Such base station equipment includes an antenna and a series of transceivers, power amplifiers and cavity filters. Large cell sites, which generally cover a geographic area of up to five miles in radius, are commonly referred to as "macrocells."

The ability of cellular system operators to increase system capacity through the use of microcells is largely dependent on their ability to broadcast multiple signals with acceptable levels of interference and distortion. In cellular systems, the amplifier is generally the greatest source of signal interference and distortion, particularly with multi carrier high power amplifiers. Consequently, obtaining amplifiers that can transmit and receive multiple signals with low distortion or interference from adjacent signals ("high spectral purity") is critical to a cellular system operator's ability to increase system capacity. Substantial resources and technical expertise are required to design and manufacture multi carrier power amplifiers with high spectral purity. To achieve high spectral purity, multi carrier amplifier systems must have high interference cancellation properties.

The Company believes that the potential opportunities for wireless communication services in countries without reliable or extensive wireline systems may be even greater than in countries with developed telecommunication systems. The Company has developed and refined its products for this market such as the 2.4 ghz and 3.5 ghz wireless local loop amplifiers and the NMT-450 products. As a result of these developments, the Company has continued to obtain orders for these products from its customers, including major OEMs and expects to continue to do so in 2002.

The Company's satellite amplifier products are used to amplify the signal which is being transmitted from the ground up to the satellite. The manufacturers of satellite communications equipment operate in commercial markets such as television broadcast services and commercial military communications. Amplidyne has also provided amplifiers for terrestrial radio systems which are used for television and audio signal transmission.

-9-

COMPANY STRATEGY

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Utilizing its proprietary, patented technology and experience in interference cancellation, the Company is pursuing a strategy, focused on the need of cellular, wireless local loop and PCS system operators, to develop technologically advanced amplifier based products. The Company has recently developed products which address the technical issues faced by such system operators as a result of the rapid growth in wireless telephone use (cellular, NMT-450 and wireless local loop) and the resulting need to increase systems capacity.

The Company's products have been evaluated and successfully deployed in the OEM systems. However, due to market conditions, the Company expects the 3.5GHz products to be given priority in the near future by its OEM customers. The Company intends to pursue sales to the end-users for the multi-carrier amplifier since many of providers need to upgrade their systems.

Management believes that with its predistortion technology and the linear capability of its core amplifier technology, the Company can achieve similar performance from a multicarrier amplifier which others achieve by using dual feed forward loops; this results in much higher component count within the amplifier unit and may result in poor reliability for such products, compared to predistortion based feed forward amplifiers which use fewer components and thereby have a high reliability.

The Company's business strategy focuses primarily on the wireless communication market and consists of the following elements:

Wireless Internet Products. The Company's high-speed wireless Internet products have been successfully deployed since 1999. Our wireless Internet products are aimed at five market segments: (a) Hospitality and Multi-Dwelling Units (MDU) including hotels and condominiums, (b) enterprise, corporate and education campuses (c) Internet Service Provider (ISP) networks, (d) Small Office/Home Office (SOHO), and (e) security and surveillance. The Company intends to keep refining its products to meet the demands of customers in the above five categories. The Company has had success in providing products for the high speed wireless internet access in the ISP market. Our products have been tested in the hospitality industry, as well as, multi-tenant units and for SOHO customers, and the recent introduction of the intelligent Internet camera is generating interest in the security market segment. The Company intends to further pursue these markets throughout 2002 while expanding its networking products to provide greater bandwidth and reliability. Furthermore, the Company has expanded its marketing and branding efforts, which include trade shows, trade publications, direct mail and email campaigns and a new Internet based contact manager for market development and greater customer care.

-10-

The Company maintains a toll-free Customer Relationship Management (CRM). The Company intends to provide technical training for its resellers, distribution channel personnel, sales engineers and sales team through quarterly workshop updates and on-site training for interested customers.

Increase Penetration of Wireless Equipment Manufacturers. Since 1991, the Company has positioned itself as a supplier of amplifier products to large wireless telecommunications OEMs. Amplidyne seeks to capitalize on its existing customer relationships and become a more significant source of its customers' amplifiers by working closely with OEM customers to offer innovative solutions to technical requirements and problems. Amplidyne has demonstrated its 3.5 GHz and 900 MHz single and multichannel products to OEM's during 2001. The Company intends to pursue this market segment aggressively during 2002. There can be no assurance that the Company will be successful since some of the Company's

Edgar Filing: AMPLIDYNE INC - Form 10KSB

competitors have vast financial, technical and marketing resources.

Develop Relationships with Emerging Wireless Equipment Manufacturers. The Company anticipates that emerging wireless equipment manufacturers will make an increasingly significant contribution to the growth of the wireless telecommunications industry particularly the 3.5GHz and NMT-450 segments as well as IMT 2000 system. Management believes that its linear power amplifiers and MCLPAs will assist these equipment manufacturers in providing high capacity, low distortion, low cost per channel products and has supplied amplifiers to wireless equipment manufacturers during 2001.

Develop Products for Multiple Protocols. The Company intends to continue to invest resources in the research and development of new products for various protocols. For cellular systems, the Company currently supports the AMPS and TACS analog protocols, and the CDMA, TDMA, E-TACS, NMT and GSM digital protocols. For PCS systems, Amplidyne currently supports CDMA, TDMA, DCS-1800 and PCS-1900 digital protocols. The Company is aware of the emerging 3G technology and is continuing to provide products for the technology either at W-CDMA or IMT2000 protocols. Amplidyne is continuing to develop products that incorporate protocols which it believes will address the needs of established and emerging wireless systems. Management believes the development of products for multiple protocols will enable Amplidyne to benefit from the continuing growth of existing wireless systems and other emerging wireless telecommunications markets while reducing the risks associated with relying on the success of one or a limited number of existing or emerging industry protocols.

Maintain a Technology Leadership Position. In management's belief the Company, with its innovative products, has been addressing the needs of its customers for products that solve significant technical problems. The Company believes its interference cancellation technologies are among the most advanced that are commercially available in the industry, both in performance and diversity of methodology. The Company utilizes proprietary and patented pre-distortion technology and proprietary feed forward interference cancellation technology in its linear power amplifiers and MCLPAs to enable the user to

-11-

significantly increase the quality and quantity of calls processed by new and existing cellular base stations. The Company intends to continue to invest substantial resources in research and development associated with its interference cancellation technologies. The Company has continued its research and development on 3.5GHz, NMT-450, 3G (Third Generation) amplifiers and wireless local loop products during 2001, and has launched its 3G W-CDMA multi-carrier amplifier for U.S. domestic and foreign infrastructure manufacturers.

Develop Innovative Proprietary Products. To date, the Company has focused its efforts in the development of amplifier products which are highly innovative, and which are not the standard "commodity" type product. In addition, the Company believes that it has compiled an extensive design library in the solid-state, high power amplifier industry utilizing its proprietary and patented technology and expertise in interference cancellation. The Company has developed and intends to continue to develop products which combine basic components in unique and high performance configuration to command higher prices in the wireless communications market. In addition, the Company has adapted this expertise for new commercial market applications and product requirements and develop products for the NMT-450, 3G (Third Generation) and wireless local loop markets. The Company has continued to develop amplifier products which can be used in 900 MHz and wireless local loop systems.

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Provide Support from Product Design through Installation and Operation. The Company works with its customers throughout the design process to assist them in refining and developing their amplifier specifications. Once the specifications have been met and the product delivered, Amplidyne continues to provide technical support to facilitate system integration, start-up and continued operation. By providing customer support services from the product design phase through installation and operation, management believes it fosters increased levels of customer loyalty and satisfaction. In addition, through this process, the Company believes it will develop new product definitions and implementations to further enhance the strategic position of the Company in the wireless market.

Maintain Control of the Manufacturing Process. As part of the transition to becoming a leading amplifier supplier to the wireless telecommunications market, Amplidyne has consistently analyzed in house automated manufacturing versus the use of subcontracted manufacturers in order to control its production schedule. The Company installed automated manufacturing equipment in the first quarter of 2000, to enhance its manufacturing process for NMT-450 and wireless local loop amplifiers and other related products. In certain instances, Amplidyne has made the strategic decisions to select single or limited source suppliers in order to obtain lower pricing, receive more timely delivery and maintain quality control.

THE AMPLIDYNE ADVANTAGE

The Company believes that its products have several features which differentiate them from those of its competitors, such as:

-12-

The Predistortion Solution. Utilizing its proprietary technology the Company can obtain significant distortion reduction in its core amplifiers. This enables the pre-distorted amplifier to have feed forward correction (which is described below, see "Technology") applied to it to achieve distortion cancellation. The Company believes that its competitors are only able to obtain this level of distortion cancellation by use of complex and component intensive "Dual Feed Forward Loops" resulting in the use of more components within the amplifier unit. The reliability is generally improved by using fewer components. The Company has been a pioneer in its use and development of pre-distortion technology and intends to further enhance its products using such technology.

Superior Distortion and Spurious Cancellation Resulting in Ultra Linear High Power Amplifiers. The Company believes the use of MCLPAs is critical in the implementation of new cellular systems and upgrade of older analog systems. Cellular systems need to cover large areas with minimum hardware in order to minimize cost per subscriber. Reduction of the distortion and spurious signals from the amplifiers is a key enabling technology. Amplidyne has developed proprietary interference cancellation technology using multiple methods to achieve high suppression of spurious output and distortion typically associated with higher power amplifiers. The Company's NMT-450 multi-carrier linear power amplifier has been well received in the industry and, management believes, is among the leading products available in the wireless industry. The Company's single channel amplifiers have also been well received in the industry, however, the Company has experienced more competition in this area. The Company is seeking to position itself to be a viable source in this area. The Company constantly monitors such situations and will employ significant resources to explore such opportunities, as financing permits.

By utilizing its proprietary and patented predistortion technology and its proprietary feed forward technology, the MCLPAs amplification capacities of the

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Company's amplifiers are, in management's belief, among the best in the industry.

Linearity, Low Distortion and High Amplification. Wireless service providers' ability to manage scarce spectrum resources more effectively and accommodate large numbers of subscribers is largely dependent on their ability to broadcast signals with high linearity, which pertains to the ability of a component to amplify a wave form without altering its characteristics in undesirable ways. Linear amplifiers allow signals to be amplified without introducing spurious emissions that might interfere with adjacent channels. Higher linearity increases the capacity of cellular systems by enabling a more efficient use of digital transmission technologies, micro-cellular architectures and adaptive channel allocation. In current cellular systems, the power amplifier is generally the source of the greatest amount of signal distortion. Consequently, obtaining power amplifiers with high linearity and low distortion is critical to wireless service providers' ability to improve spectrum efficiency.

The Company has several products covered by a patent issued by the United States Patent and Trademark Office which we believe gives us a significant

-13-

advantage over our competitors. These features for Pre-distortion and Pre-distortion Linearization designs significantly reduce distortion below that which is currently available in the marketplace.

Multicarrier Designs. Multicarrier amplification, in which all channels are amplified together by a MCLPA, rather than each channel using a separate amplifier, allows for instantaneous electronic channel allocation. Functionally, it combines many single channel power amplifiers, into a single unit, thereby eliminating the single channel power amplifiers and the corresponding tunable cavity filters. MCLPAs require significantly higher linearity compared to single channel designs.

By virtue of the Company's high linearity products which incorporates pre-distortion and feed forward technology achieving, in management's belief, among the lowest distortion in the industry, the MCLPA amplified signal remains within their prescribed band and spectrum with low interference of adjacent channels thus providing flexibility to accommodate any frequency plan.

Wireless Internet Products. One of the key components in the wireless Internet access system is the bi-directional tower top amplifier. We also have considerable experience in the design, development and deployment of fixed broadband amplifier products. The amplifier has to operate reliably in an outdoor application. Our expertise in this area is an advantage over competitors who are required to purchase their amplifiers from outside sources.

We also have considerable know-how of other related products such as antennas, filters, power supplies and digital control circuits. We are therefore able to offer a turnkey solution to ISP's, providing indoor and outdoor networking support using our existing resources. We have a cost advantage because we manufacture our own amplifiers, which we can, if necessary, rapidly refine and change.

We intend to refine our products as needed and in a timely fashion in order to obtain and maintain market share.

During 2001, the Company enhanced its design for ALC bi-directional tower top amplifiers for its high-speed wireless Internet products. This amplifier allows an improved system performance, reduced installation time and lower cost

Edgar Filing: AMPLIDYNE INC - Form 10KSB

to integrators and network operators. The Company also introduced its Micro-cell, Client Base station and ISP base station. These products have enhanced the Company's position in the marketplace. The Company intends to refine and fine-tune its products for its customers needs, thereby improving its position as compared to its competitors.

High Quality, Reliability and Customer Support. The Company believes that the power amplifier in cell sites historically has been the single most common point of equipment failure in wireless telecommunications networks. Increasingly reliable power amplifiers, therefore, will improve the level of

-14-

service offered by wireless service providers, while reducing their operating costs. In addition, MCLPAs eliminate the need for high-maintenance, tunable cavity filters that should further reduce costs.

The Company works closely with its customers throughout the design process in refining and developing their amplifier specifications. The Company uses the latest equipment and computer aided design and modeling, solid-state device physics, advanced digital signal processing ("DSP") and digital control systems, in the development of its products in their specialized engineering and research departments. The integration of the Company's design and production is a factor in the Company's ability to provide its customers with high reliability, low distortion and low maintenance amplifiers.

TECHNOLOGY

Wireless Transmit Technology. A typical wireless communications system comprises a geographic region containing a number of cells, each with a base station, which are networked to form a service provider's coverage area. Each base station or cell site houses the equipment that transmits and receives telephone calls to and from the cellular subscriber within the cell and the switching office of the local wire line telephone system. Such equipment includes a series of transceivers, power amplifiers, tunable cavity filters and an antenna. In a single channel system, each channel requires a separate transceiver, power amplifier and tunable cavity filter. The power amplifier within the base station receives a relatively weak signal from the transceiver and significantly boosts the power of the outgoing wireless signal so that it can be broadcast throughout the cell. The radio power levels necessary to transmit the signal over the required range must be achieved without distorting the modulation characteristics of the signal. The signal must also be amplified with linearity in order to remain in the assigned channel with low distortion or interference with adjacent channels.

Because cellular operators are allocated a small RF spectrum and certain channels, it is necessary to make efficient use of the spectrum to enable optimum system capacity. By amplifying all channels with minimum distortion at the same time, rather than inefficient use of single channel amplification, one obtains better system capacity. A MCLPA combines the performance capabilities of many single carrier amplifiers into one unit, eliminating the need for numerous single carrier amplifiers and their corresponding tunable cavity filters. These MCLPAs require less space than multiple single channel amplifiers and their corresponding tunable cavity filters which reduce the size and cost of a base station.

MCLPAs create distortion products which can cause adjacent channel interference. The minimization of these distortion products requires sophisticated technology. This is accomplished through interference cancellation techniques such as "predistortion" and "feed forward" accompanied by highly advanced control and processing technology. The Company has developed

Edgar Filing: AMPLIDYNE INC - Form 10KSB

certain proprietary technology and methods to achieve minimal distortion in its amplifiers, technically called predistortion and feed forward correction. The Company uses three distinct technologies (A) Linear class A and AB amplifiers, (B) Predistorted class A and AB amplifiers and (C) Predistortion feed forward

-15-

amplifiers. The Company's proprietary leading edge products contain patented predistortion and proprietary feed forward technology combined in a proprietary automatic correction technique.

All amplifiers create distortion when they are run at a high power level. In an ideal case the output of the amplifier would faithfully reproduce the input signal without any distortion. In real life, however, distortion characteristics are produced. These distortion products can cause interference with another caller's channel which in turn produces poor call quality. By using a simple, patented technology, Amplidyne recreates the distortion for the amplifier in such a manner to cancel the interference signals.

Feed forward cancellation involves taking the distortion created by the amplifier and processing it in such a way that when it is added back into the amplifier having been pre-distorted and combined with the feed forward technology, distortion cancellation occurs. The Company believes that its patented technology has the most unique and potent technology for distortion cancellation. Furthermore, Amplidyne has selected linear class AB technology for its base amplifier which it believes also has superior distortion characteristics compared to other competitors because it is easier to pre-distort. Thus the three key ingredients (a) Linear class A and AB amplifiers, (b) Predistortion technology and (c) Feed forward technology enables Amplidyne to produce MCLPAs for its major OEM customers.

Emerging Technology and Wireless Internet Access. The Global market for mobile users is forecasted to grow from today's figures of around 200 million users to around 2.4 billion users by 2015, which means today's market only represents 10% of future demand according to sources at International Telecommunication Union. With consumers looking for added features including voice and data and wireless Internet access, new technology is needed. The new technology will require wide band ultra linear amplifiers requiring predistortion and feed forward technology. Amplidyne's propriety patented technology and feed forward correction systems are ideally suited for this new emerging market. The Company expects to provide solutions in the PCS and IMT2000 formats using W-CDMA and similar technologies. The Company intends to pursue this market segment aggressively during 2002. There can be no assurance that the Company will be successful since some of the Company's competitors have vast financial, technical and marketing resources.

The Company's wireless Internet access products consist of point-to-point and point to multipoint indoor and outdoor units that can be configured to provide broad coverage over a city or region or to create coverage in an indoor space with free roaming access. Systems can be designed for full utilization of the 2.4 ISM bandwidth to aggregate traffic in eleven channels.

At the remote site an indoor or outdoor LAN system can be connected using a single channel CPE or Access Point, with various antennae combinations. Amplifiers are used for range extension purposes.

-16-

MARKETS

Edgar Filing: AMPLIDYNE INC - Form 10KSB

The market for wireless communications services has grown substantially during the past decade as cellular wireless local loop, PCS and other new and emerging applications (such as W-CDMA) have become increasingly accessible and affordable to growing numbers of consumers. The growth of these markets has increased the demand for the Company's products, although the Company cannot predict trends in these markets.

Cellular Market. The market for cellular communications still accounts for a fairly large portion of the wireless services. Cellular system operators have expanded the capacity of their existing cellular systems by splitting macrocells into smaller microcells. The Company believes that the relatively small size, high power and performance characteristics of its microcell MCLPAs will be particularly attractive to major OEMs as well as emerging wireless telecommunications infrastructure equipment providers when providing infrastructure equipment for such new cell sites.

Wireless Local Loop. Wireless local loop systems are increasingly being adopted in developing markets to more quickly implement telephone communication services. In certain developing countries, such as Indonesia and Brazil, wireless local loop systems provide an attractive alternative to copper and fiber optic cable based systems, with the potential to be implemented more quickly and at lower cost than wireline telephone systems. The Company designs, manufactures and markets MCLPAs and single channel amplifiers for infrastructure equipment systems in the wireless local loop market in the 2 and 3.5 GHz bands.

Wireless Internet Access Market. The Company's products are aimed at five market segments: (a) Hospitality and Multi-Dwelling Units (MDU) including hotels and condominiums, (b) enterprise, corporate and education campuses (c) Internet Service Provider (ISP) networks, (d) Small Office/Home Office (SOHO), and (e) security and surveillance. The wireless Internet network products market has continued to grow in the depressed telecom period of 2000 and 2001. New demand for components, systems and subsystems has been fueled by the growing number of self-employed professionals who demand the same networks and communications systems in their home offices as they were accustomed to in corporate environments. IDC estimates that the 12 million self employed families in 2001 will grow to over 30 million by 2003. And AARP research indicates that as the Baby Boomers begin to retire in 2002, more than half of them will continue to work in the growing self-employed workforce.

A report from Pulver.Com ("Telephony Unplugged: Wireless Achieves Price Parity with Wireline"), predicts that the US wireless networks will realize revenues exceeding those for wireline in 2003 when wireless call charges will reach the same price point as those for regular phone lines. The report based its prediction on comparisons between Nextel's wireless and Verizon's wireline charges.

-17-

According to the report, ever increasing competitive levels have helped reduce wireless phone charges and the current 10-cents-a-minute airtime plans from a number of wireless carriers are attracting 67,000 new wireless users each day. It notes further that in the 16 years since the Federal Communications Commission (FCC) issued its first cellular license in the US, the cost of wireless services has been reduced by 92%. During that same period the cost of local wireline calling has risen 72% along with inflation.

The fact that the wireless industry has erased the 20-fold wire line price advantage that has existed since 1984 has completely changed the business case for selecting wireless instead of wire line, in addition, if only 25% of residential customers convert to wireless, 26 million customers will be added to the wireless rolls. The Company intends to continue pursuing this market

Edgar Filing: AMPLIDYNE INC - Form 10KSB

segment aggressively during 2002. There is no guarantee that the Company will be successful since some of the Company's competitors have vast financial, technical and marketing resources.

Custom Communications and Other Markets. The custom communications market consists of small niche segments within the larger communications market: long-haul radio communications, land mobile communications, surveillance communications, ground-to-air communications, microwave communications, broadband communications and telemetry tracking. The Company sells custom amplifiers and related products to these segments.

PRODUCTS

The Company designs and sells multi-carrier transmit amplifiers and low noise receive amplifiers for the cellular communications market, as well as the PCS and wireless local loop segments of the wireless communications industry. The Company also provides a large number of catalog and custom amplifiers to OEMs and to other customers in the communications market in general. In addition, the Company also sells a complete line of fixed broadband wireless networking and LAN products for private networks, virtual private networks and Internet access.

- MULTICARRIER LINEAR POWER AMPLIFIERS (MCLPAS). When a cellular or PCS user places a call, the call is processed through a base station, amplified, and then transmitted on to the person receiving the call. Therefore, all base stations require amplifiers (MCLPAS) whether they are being used for cellular, PCS or 3G (Third Generation) local loop applications. Amplidyne designs and manufactures these amplifiers. The objective is to provide a quality product at a good price and to have exemplary reliability. Management believes that Amplidyne's products with its patented pre-distortion technology, core linear amplifier technology and proprietary feed forward technology achieve all of the objectives mentioned above. Amplidyne's MCLPAS are a unique line of ultra linear devices, which utilize a proprietary pre-distortion and phase locked feed forward architecture.

- WIRELESS INTERNET PRODUCTS. The Company's wireless Internet products operate in the 2.4 GHz ISM band using Direct Sequencing Spread Spectrum

-18-

technology. New Direct Sequencing products at the 5.8GHZ frequency range are being developed to provide better spectrum utilization and greater bandwidth. This new technology will become a part of the Company's wireless networking solution set to provide operators greater capacity at lower cost.

- HIGH POWER LINEAR AMPLIFIERS. Amplidyne's product line of linear amplifiers have a high third order intercept point which translates to better call quality. These high power amplifiers are supplied as modules or plug in enclosures. The communication bands available are NMT-450, AMPS, TACS, ETACS and PCS. The output power ranges from 1 to 200 Watts. These amplifiers can be used in instances where service providers only need a single transmit channel.

- 3G (THIRD GENERATION) AMPLIFIER DEVELOPMENT The Company has been reviewing OEM specifications for these new products and begun to develop amplifier products for the market. The Company held a live demonstration of its 4channel ultra-linear 3G amplifier at the CTIA expo in March of 2002 and expects to begin shipping to its customers in 2002.

- LOCAL LOOP AND MINI CELL AMPLIFIERS. Local loop and mini cell amplifiers are designed with a proprietary circuit to achieve a high IMD specification, which translates to better call quality through the mini cell. These amplifiers

Edgar Filing: AMPLIDYNE INC - Form 10KSB

can be ordered as modules or in a rack configuration.

- LOW NOISE AMPLIFIER, CELLULAR, PCN, PCS, GSM. Amplidyne's low noise amplifiers are manufactured with a mix of silicon and GaAsFET devices. These amplifiers offer the user the lowest noise and the highest intercept point, while maintaining good efficiency. Received calls at a base station are low in level due to the fact that hand held cellular phones typically operate at half a watt power level. This weak signal has to be amplified clearly which is done by using Amplidyne's low noise amplifier. All amplifiers undergo a 72 hour burn-in period to ensure reliable field operation.

- COMMUNICATION AMPLIFIERS. These amplifiers are designed for cellular and PCN/PCS applications and use GaAs or Silicon Bipolar FET devices. The transmit amplifiers are optimized for low distortion products. Custom configurations are available for all communication amplifiers. This line of products is aimed at the single channel base station users employing the digital cellular standards (CDMA and TDMA).

The Company's wireless telecommunications amplifiers can be configured as modules separate plug-in amplifier units or integrated subsystems. The Company's products are integrated into systems by OEM customers, and therefore must be engineered to be compatible with industry standards and with certain customer specifications, such as frequency, power, linearity and built-in test (BIT) for automatic fault diagnostics.

-19-

PRODUCT WARRANTY

The Company warrants new products against defects in materials and workmanship generally for a period of one (1) year from the date of shipment. To date, the Company has not experienced a material amount of warranty claims.

BACKLOG/FUTURE ORDERS

The Company regularly reviews its backlog (which includes projected future orders from customers) that it expects to ship over the next 12-24 months. We have had to change schedules and delay orders depending on customer needs. Customer schedules or requirements may frequently change and in some cases result in cancellation of orders, in response to which the Company has to change its production schedule. Changes and cancellations exist since, among other matters, the wireless communications industry is characterized by rapid technological change, new product development, product obsolescence and evolving industry standards. In addition, the terrorist attacks of September 11, 2001 have resulted in increased economic uncertainty. This uncertainty may lead to postponement or cancellation of future or current orders. In addition, as technology changes, corporations are frequently requested to update and provide new prototypes in accordance with new specifications if products become obsolete or inferior. Therefore, the Company has been focusing on strategic partnerships to provide better quality solutions to our partners with higher margin sales opportunities.

As of December 31, 2001, the Company had signed orders and contracts (which include projected future orders from customers) to generate revenues in excess of \$2.5 million and the Company expects to ship these products over the next fiscal year. The Company would like to stress, although useful for scheduling production, backlog as of any particular date may not be a reliable indicator of sales for any future period. The Company expects sales to improve during the first half of 2002 as compared to the fourth quarter of 2001.

The wireless ISP business is characterized by small entrepreneurial

Edgar Filing: AMPLIDYNE INC - Form 10KSB

companies, seeking to reach out to residential and business customers in tier 3 or 4 markets. Their success depends on being able to offer competitive services and, in certain cases, may require them to compete against cable and DSL providers. Should these companies not obtain financing for their plans or find alternative cheaper technologies for their deployment, the Company will be subject to delayed or cancelled purchase orders. Product obsolescence is extremely rapid in this market sector, and can also result in delays and cancellation of purchase orders. In December 1999, the Company signed a purchase order with a local ISP for the sale of our outdoor wireless products. It was expected that such ISP was going to roll out its network to several thousand customers during 2002- 2003. No orders have or are expected to be filled. This order is not included in the above mentioned backlog.

The Company expects to continue to ship products to its major OEM customers during 2002 at the levels or above the

-20-

levels of 2001. Many of our ISP customers are going through their own expansion, which is subject to financing availability that has proven to be difficult in the recent downturn. However, as conditions improve these customers may be able to finance and purchase more equipment from the Company. The Company is exploring revenue sharing models with various units of the hospitality market segment in order to continue to develop the market share in the high speed wireless internet market.

The acquisition of certain of the Darwin assets (which included access to hotels) and the Company venturing into the "hospitality" market is new to the Company and turning this venture into a success depends largely on the Company being able to dispose of some of the assets rapidly in a "bulk" sale. The value of some of these assets will decrease with time. The Company may have to renegotiate the timeline to complete its successful deployment.

CUSTOMERS, SALES & MARKETING

Customers. The Company markets its products worldwide generally to wireless communications manufacturers (OEMs) and communications system operators. The table below indicates net revenues derived from customers in the Company's markets in 2001 and 2000.

NET REVENUES BY MARKET CATEGORIES (IN THOUSANDS)		YEAR ENDED DECEMBER 31,	
		2000	2001
		-----	-----
AMPLIFIER MARKETS		2000	2001
-----		-----	-----
Cellular Analog and digital	\$ 19.5		267.5
Wireless Telephony	1,944		1,361.3
Satellite Communications, Custom and other Products	50		170
Digital PCS Products	116		--
		-----	-----
AMPWAVE MARKET			

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Wireless Internet Products	455.5	406.2
Total	\$2,595	2,205
	=====	=====

The Company expects that for future sales the Company will continue to improve its market share in the cellular digital, wireless telephony, NMT450 and IMT 2000.

* Wireless Telephony. Sales to the wireless telephone segments of the wireless communications industry have decreased from approximately 75% of total revenues for fiscal year end 2000 to approximately 62% of total revenue for the fiscal year end 2001.

-21-

* Wireless Internet. The Company shipped products to its customers in 2001 with total sales for the year of \$406,200 which accounts for approximately 18% of total revenues.

* International Sales. Sales of wireless products outside the United States (primarily to Western Europe Canada and the Far East) represented approximately 84% and 81.5% of net sales during, fiscal 2000 and fiscal 2001, respectively.

* Sales and Marketing. The Company's sales and marketing personnel are involved in all aspects of the Company's relationships with its major OEM and system operator customers. The Company employs a direct sales approach focused on providing its wireless industry customers with unique solutions to satisfy their transmit and receive amplification needs. Sales of the Company's products to OEM and system operators requires close technical liaison with customer engineers and purchasing managers. The Company's High Speed Wireless Internet products generated sales of approximately 18% of total revenues for 2001.

COMPETITION

AMPLIFIER PRODUCTS

The ability of the Company to compete successfully and operate profitably depends in part upon the rate of which OEM customers incorporate the Company's products into their systems. The Company believes that a substantial majority of the present worldwide production of power amplifiers is captive within the manufacturing operations of a small number of wireless telecommunications OEMs and offered for sale as part of their wireless telecommunications systems. The Company's future success is dependent upon the extent to which these OEMs elect to purchase from outside sources rather than manufacture their own amplification products. There can be no assurance that OEM customers will incorporate the Company's products into their systems or that in general OEM customers will continue to rely, or expand their reliance, on external sources of supply for their power amplification products. Since each OEM product involves a separate proposal by the amplifier supplier, there can be no assurance that the Company's current OEM customers will not rely upon internal production capabilities or a non-captive competitor for future amplifier product needs. The Company's OEM customers continuously evaluate whether to manufacture their own amplification products or purchase them from outside sources. These OEM customers are large manufacturers of wireless telecommunications equipment who could elect to enter the non-captive market and compete directly with the Company. Such increased competition could materially adversely affect the Company's business, financial

condition and results of operations.

-22-

Certain of the Company's competitors have substantially greater technical, financial, sales and marketing, distribution and other resources than the Company and have greater name recognition and market acceptance of their products and technologies. In addition, certain of these competitors are already established in the wireless amplification market, but the Company believes it can compete with them effectively. No assurance can be given that the Company's competitors will not develop new technologies or enhancements to existing products or introduce new products that will offer superior price or performance features. To the extent that OEMs increase their reliance on external sources for their power amplification needs more competitors could be attracted to the market.

The Company expects its competitors to offer new and existing products at prices necessary to gain or retain market share. The Company expects to experience significant price competition, which could have a materially adverse effect on gross margins. Certain of the Company's competitors have substantial financial resources which may enable them to withstand sustained price competition or downturns in the power amplification market. Currently, the Company competes primarily with non-captive suppliers of power amplification products. The Company believes that its competition, and ultimately the success of the Company, will be based primarily upon service, pricing, reputation and the ability to meet the delivery schedules of its customers.

HIGH SPEED WIRELESS INTERNET PRODUCTS

The Company has targeted its products to five market segments: (a) Hospitality and Multi-Dwelling Units (MDU) including hotels and condominiums, (b) enterprise, corporate and education campuses (c) Internet Service Provider (ISP) networks, (d) Small Office/Home Office (SOHO), and (e) security and surveillance. The Company first derived significant revenue from these products during 2000, and this market accounted for approximately 18% of the total sales for the year 2001.

The Company has relied on being able to work strategically with its partners and consultants, as well as its own engineers to develop and refine its products. The Company has taken some risks in introducing products to certain sectors by providing samples and system trials, which in certain cases may not result in revenues. The vast majority of ISP's are in need of capital to grow their businesses and in certain cases looked to the Company for vendor financing. The Company has maintained a minimal stance relative to this matter. However, the Company has to seriously consider this in the future to maintain growth. One area the Company has to explore is revenue sharing with these customers, which has some inherent business risks. One such instance is the introduction of these products into the hospitality industry. The Company's competitors, such as Lucent and Cisco, as well as other large, small and midsize entities, have substantially greater technical, financial, sales and marketing, distribution and other resources than the Company. Therefore, the Company, may not adequately be able to compete with such other companies.

-23-

MANUFACTURING

The Company assembles, tests, packages, and ships its products at its manufacturing facilities located in Raritan, New Jersey. This facility includes a separate assembly and test facility for various custom products.

Edgar Filing: AMPLIDYNE INC - Form 10KSB

The Company's manufacturing process consists of purchasing components, assembling and testing components and subassemblies, integrating the subassemblies into a final product and testing the product. The Company's amplifiers consist of a variety of subassemblies and components designed or specified by the Company including housings, harnesses, cables, packaged RF power transistors, integrated circuits and printed circuit boards. Most of these components are manufactured by others and are shipped to the Company for final assembly. Each of the Company's products receives extensive in process and final quality inspections and tests.

The Company's devices, components and other electrical and mechanical subcomponents are generally purchased from multiple suppliers. The Company does not have any written agreement with any of its suppliers. The Company has followed a general policy of multiple sourcing for most of its suppliers in order to assure a continuous flow of such supplies. However, the Company does purchase certain transistors produced by a single manufacturer because of the high quality of its components. The Company believes it is unlikely that such transistors would become unavailable, however, if that were to occur, there are multiple manufacturers of generally comparable transistors. The Company would require a period of time to "return" its products to function properly with the replacement transistors. The Company believes that the distributors of such transistors maintain adequate inventory levels, which would mitigate any adverse effect on the Company's production in the event unavailability or shortage of such transistors. If for any reason the Company could not obtain comparable replacement transistors or could not return its products to operate with the replacement transistors, the Company's business, financial condition and results of operations could be adversely affected.

The Company currently utilizes discrete circuit technology on printed circuit boards which are designed by the Company and provided by suppliers to the Company's specifications. All transistors and other semiconductor devices are purchased in sealed packages ready for assembly and testing. Other components such as resistors, capacitors, connectors or mechanical supported subassemblies are also manufactured by others. Components are ordered from suppliers under master purchase orders with deliveries timed to meet the Company's production schedules. As a result, the Company maintains a low inventory of components, which could result in delay in production in the event of delays in such deliveries.

The Company purchased automated surface mount machinery ("SMT") to enhance its manufacturing ability for amplifiers as well as wireless internet products which was installed during the first quarter of 2000. The equipment has provided improved efficiency in production and faster turn around for certain products.

-24-

The Company has started to manufacture some of the products for its High Speed Wireless Internet products.

The Company manufactures some of its High Speed Wireless Internet products and amplifiers in its New Jersey facility and the rest in offshore facilities which are ISO 9001 certified.

RESEARCH, ENGINEERING AND DEVELOPMENT

The Company's research, engineering and development efforts are focused on the design of amplifiers for new protocols, the improvement of existing product performance, cost reductions and improvements in the manufacturability of existing products.

Edgar Filing: AMPLIDYNE INC - Form 10KSB

The Company has historically devoted a significant portion of its resources to research, engineering and development programs and expects to continue to allocate significant resources to these efforts. The Company's research, engineering and development expenses in fiscal 2000 and 2001 were approximately \$590,496 and \$593,823, respectively, and represented approximately 23% and 27%, respectively, of net revenues. These efforts were primarily dedicated to the development of the linear feed forward, high power, low distortion amplifiers, resulting in the Company's models for AMPS, TACS, NMT-450, PCS-1900, and PCS Repeater Amplifier (DCS 1800) and bi-directional amplifier, Client Base Station, ISP Base Station and Microcell for its wireless internet systems and other high speed wireless internet products.

The Company was able to maintain its research and development costs by being able to develop significant products in house, thereby, minimizing commitments to outside suppliers and consultants. The Company did, however, incur consulting fees regarding the development of the High Speed Wireless Internets Products.

The Company uses the latest equipment and computer aided design and modeling, solid state device physics, advanced digital signal processing ("DSP") and digital control systems, in the development of its products in the specialized engineering and research departments.

The Company uses a CAD environment employing networked work stations to model and test new circuits. This design environment, together with the Company's experience in interference cancellation technology and modular product architecture, allows the Company to rapidly define, develop and deliver new and enhanced products and subsystems sought by its customers.

The markets in which the Company and OEM customers compete are characterized by rapidly changing technology, evolving industry standards and continuous improvements in products and services.

-25-

PATENTS, PROPRIETARY TECHNOLOGY AND OTHER INTELLECTUAL PROPERTY

The Company's ability to compete successfully and achieve future revenue growth will depend, in part, on its ability to protect its proprietary technology and operate without infringing the rights of others. The Company has a policy of seeking patents, when appropriate, on inventions resulting from its ongoing research and development and manufacturing activities.

Presently, the Company has been granted a patent (No. 5,606,286) by the United States Patent and Trademark Office with respect to its Pre-Distortion and Pre-Distortion Linearization technology which, the Company believes, is more effective in reducing distortion than other currently available technology. There can be no assurance that the Company's patent will not be challenged or circumvented by competitors. The Company intends to broaden its patent protection in other countries for its existing patents and file for additional patent protection relating to products it is currently developing.

Notwithstanding the Company's active pursuit of patent protection, the Company believes that the success of its amplifier business depends more on its specifications, CAE/CAD design and modeling tools, technical processes and employee expertise than on patent protection. The Company generally enters into confidentiality and non-disclosure agreements with its employees and limits access to and distribution of its proprietary technology. The Company may in the future be notified that it is infringing certain patent and/or other intellectual property rights of others. Although there are no such pending lawsuits against the Company or unresolved notices that the Company is

Edgar Filing: AMPLIDYNE INC - Form 10KSB

infringing intellectual property rights of others, there can be no assurance that litigation or infringement claims will not occur in the future.

The Company's wireless internet access products are marketed under the trademark Ampwave and includes the following trademarked products lines: AmpDLan TM, AmpDNet TM; and AmpAnt TM.

GOVERNMENTAL REGULATIONS

The Company's customers must obtain regulatory approval to operate their base stations. The United States Federal Communications Commission ("FCC") has regulations that impose more stringent RF and microwave emissions standards on the telecommunications industry. There can be no assurance that the Company's customers will comply with such regulations which could materially adversely affect the Company's business, financial condition and results of operations. The Company manufactures its products according to specifications provided by its customers, which specifications are given to comply with applicable regulations. The Company does not believe that costs involved with manufacturing to meet specifications will have a material impact on its operations. There can be no assurances that the adoption of future regulations would not have a material adverse affect on the Company's business.

-26-

EMPLOYEES

As of December 31, 2001, the Company had a total of 31 employees, including 15 in operations, 5 in engineering, 5 in sales and marketing, 1 in quality assurance and 5 in administration. As of December 31, 2001, the Company employed three consultants, two in sales and marketing and one in engineering, and engages other consultants for its high speed wireless Internet products from time to time. The Company believes its future performance will depend in large part on its ability to attract and retain highly skilled employees. None of the Company's employees is represented by a labor union and the Company has not experienced any work stoppages. The Company considers its employee relations to be good.

ENVIRONMENTAL REGULATIONS

The Company is subject to Federal, state and local governmental regulations relating to the storage, discharge, handling, emissions, generation, manufacture and disposal of toxic or other hazardous substances used to manufacture the Company's products. The Company believes that it is currently in compliance in all material respects with such regulations. Failure to comply with current or future regulations could result in the imposition of substantial fines on the Company, suspension of production, alteration of its manufacturing process, cessation of operations or other actions which could materially and adversely affect the Company's business, financial condition and results of operations.

IN ADDITION TO OTHER INFORMATION IN THIS ANNUAL REPORT, THE FOLLOWING IMPORTANT FACTORS SHOULD BE CAREFULLY CONSIDERED IN EVALUATING THE COMPANY AND ITS BUSINESS BECAUSE SUCH FACTORS CURRENTLY HAVE A SIGNIFICANT IMPACT ON THE COMPANY'S BUSINESS, PROSPECTS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RISK FACTORS

You should carefully consider the risks described below before investing in our company. The risks and uncertainties described below are not the only ones facing our company. Other risks and uncertainties that we have not predicted or assessed may also adversely affect our company.

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Some of the information in this Annual Report contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "intend," "estimate," and "continue" or other similar words. You should read statements that contain these words carefully for the following reasons:

- the statements may discuss our future expectations;
- the statements may contain projections of our future earnings or of our financial condition; and
- the statements may state other "forward-looking" information.

-27-

We believe it is important to communicate our expectations to our investors. There may be events in the future, however, that we are not accurately able to predict or over which we have no control. The risk factors listed below, as well as any cautionary language in or incorporated by reference into this Annual Report, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Before you invest in our company, you should be aware that the occurrence of any of the events described in the risk factors below, elsewhere in or incorporated by reference into this Annual Report and other events that we have not predicted or assessed could have a material adverse effect on our earnings, financial condition or business. In such case, the trading price of our securities could decline and you may lose or all or part of your investment.

WE HAVE A RECENT HISTORY OF LOSSES. We have incurred net losses of \$2,440,045 and \$2,024,882 for the years ended December 31, 2000 and 2001, respectively. These losses were due, in large part, to the research, engineering and development costs associated with the creation of our line of multicarrier linear power amplifiers and high speed wireless internet products and stock compensation costs for the use of stock or stock options to obtain services or to obtain financing. We have made commitments to vendors to purchase hardware for use in our wireless internet systems. We expect to have increased sales in this area to compensate for the expenses, however, there is no guarantee that this will happen. The need for high band width products may lead to rapid product obsolescence. Therefore, we expect to increase our research and development efforts for more products which could result in higher operating losses. Further, we have not generated sufficient sales volume to cover our overhead costs and generate profits. We expect that our losses will increase and continue until such time, if ever, as we are able to successfully manufacture and market our products on a larger scale and therefore generate higher profit margins. We will need to generate a substantial increase in revenues to become profitable. Accordingly, we cannot assure you that we will ever become or remain profitable. In addition, we had an accumulated deficit of \$19,569,652 at December 31, 2001.

WE MAY REQUIRE ADDITIONAL FINANCING. We believe that our current cash on hand, as well as additional funds from the possible exercise of outstanding options and warrants, together with cash flow from our operations, will be adequate to fund our operations for at least twelve months. However, we may require additional financing prior to or after such time. We have issued our common stock, when available to us, in lieu of cash payment of officer's salaries, commissions and consulting fees, although we may not be able to continue this practice. If additional financing is needed, we cannot be sure that such financing will be available to us on acceptable terms. If adequate funds are not available, we may be required to delay, scale back or eliminate

Edgar Filing: AMPLIDYNE INC - Form 10KSB

our research, engineering and development or manufacturing programs or obtain funds through arrangements with partners or others that may require us to relinquish rights to certain of our technologies, potential products or other assets. Thus, our inability to obtain such financing could have a material adverse effect on our business, financial condition and operations.

-28-

THE EVENTS OF SEPTEMBER 11 HAVE RESULTED IN INCREASED UNCERTAINTY REGARDING THE ECONOMIC OUTLOOK. The terrorist attacks on September 11, 2001 have resulted in increased uncertainty regarding the economic outlook. It is not possible at this time to project the economic impact of these events, although past experience suggests there may be a loss in consumer and business confidence and a reduction in the rate of economic growth or an economic recession. With the U.S. economy already on the edge of recession before the attacks, any further deterioration in either the U.S. or international economies would adversely affect our financial condition and results of operations.

OUR SUCCESS RELIES UPON THE GROWTH OF WIRELESS TELECOMMUNICATIONS SERVICES. The demand for our products will depend in large part upon continued and growing demand within the wireless telecommunications industry for power amplifiers and our high speed wireless internet access products. Although demand for such products has grown in recent years, we are not sure whether the quantity and variety of wireless telecommunication services will continue to grow, or that such services will create a demand for our products.

OUR LIMITED LACK OF AUTOMATED MANUFACTURING PROCESSES AND OUR DEPENDENCE ON THIRD PARTY MANUFACTURERS COULD ADVERSELY AFFECT OUR BUSINESS. We have consistently reviewed our automated manufacturing needs in order to control our production schedule. To date, we have not established a fully automated manufacturing facility although we have purchased an automated surface mount machine and reflow process oven. Our wireless internet products are manufactured at offshore facilities which are our sole suppliers. Until such time as we are able to establish such facilities, we expect to be dependent on third party manufacturers. We cannot be sure that these third party manufacturers will be able to fulfill our production commitment. Furthermore, we do not have written agreements with these manufacturers. Our inability to obtain timely deliveries of acceptable assemblies could delay our ability to deliver products to our customers, and would have a material adverse effect on our business, financial condition and results of operations. In addition, if these manufacturers increase their production costs, we may not be able to recover such cost increases under the fixed price commitments with our customers.

OUR LIMITED NUMBER OF SUPPLIERS COULD ADVERSELY AFFECT OUR BUSINESS. Power transistors and certain other key components used in our products for our amplifiers, as well as our wireless internet business are currently available from only a limited number of suppliers. Certain of our suppliers have limited operating histories and limited financial and other resources. Our suppliers may prove to be unreliable sources of certain components. Furthermore, we have no written agreements with our suppliers. In the past, we have not purchased key components in large volumes but anticipate that our need for component parts will increase. If we are unable to obtain sufficient quantities of components, particularly power transistors, we could experience delays or reductions in product shipments. Such delays or reductions could have a material adverse effect on our business, financial condition and results of operations. Additionally, such delays or reductions may have a material adverse effect on our relationships with customers and result in the termination of existing orders and/or a permanent loss in our future sales. Our wireless internet products are manufactured at offshore facilities. The lack of supply from this source due to any reason could adversely impact our business.

OUR SUCCESS WILL RELY ON OUR ABILITY TO ENTER INTO STRATEGIC PARTNERSHIPS. We are currently developing and expect to continue to develop strategic partnerships and other relationships in order to expand our business, particularly relationships with ISPs. The failure to successfully develop such relationships could have a material adverse effect on our business, financial condition and result of operations.

OUR SUCCESS RELIES ON A SMALL NUMBER OF CUSTOMERS AND OUR SALES ORDERS HAVE HAD A HIGH DEGREE OF DELAYS AND CANCELLED ORDERS. In 2000, approximately 75% of our net revenues were derived from two customers (49% and 26%). In 2001, approximately 74% of our net revenues were derived from two customers (62% and 12%). In the past few years we have experienced reductions, delays and cancellations in orders from our new and existing customers, particularly in the Korean marketplace. We anticipate that sales of our products to relatively few customers will account for a majority of our 2002 revenues and that sales to Korea during this period are not expected to be significant. The probability of a more diverse customer base is higher with the addition of our high speed wireless internet products, but no assurance can be given that this will happen. The reduction, delay or cancellation of orders from one or more of our significant customers would materially and adversely affect our financial condition and results of operation. Moreover, we may experience significant fluctuations in net sales, gross margins and operating results in the future as a result of the uncertainty of such sales. Our wireless internet product sales are expected to increase through contracts we have with ISPs. If these sales do not materialize due to any reason, this would have a significant negative impact on our projected revenues.

OUR LIMITED MARKETING EXPERIENCE (PARTICULARLY FOR OUR HIGH SPEED WIRELESS INTERNET PRODUCTS), MAY ADVERSELY AFFECT OUR BUSINESS. We have developed a sales and marketing network, including outside sales agents, which has demonstrated the advantages of our products over competing products. In order to be successful, we have to maintain a leading edge position regarding emerging wireless communication technologies. To this end, we continue to upgrade our sales and marketing efforts, while maintaining product cost. We may not be able to recruit effective sales and marketing personnel or agents. We are not sure whether our marketing efforts will be successful or that we will be able to maintain competitive sales and distribution capabilities. In addition, we have limited experience in the marketing and sales of our wireless internet products, and cannot be certain that this sector will grow in revenue as expected.

MANAGEMENT OF OUR COMPANY OWNS A SIGNIFICANT AMOUNT OF OUR OUTSTANDING COMMON STOCK. Our officers, directors and persons who may be deemed our affiliates beneficially own, in the aggregate, and have the right to vote approximately 24% of our issued and outstanding common stock, not including common stock options they may own. Accordingly, such holders may be in a position to affect the election of all of our directors and control our company.

THE LIMITED PUBLIC MARKET AND TRADING MARKET MAY CAUSE VOLATILITY IN OUR STOCK PRICE. There has only been a public market for our common stock since January 1997 and we are not sure whether an active trading market in our common stock will ever be maintained. In the absence of such a market, you may find it more difficult to sell our common stock. In addition, the stock market in recent years has experienced extreme price and volume fluctuations that have particularly affected the market prices of many smaller and technology based companies. The trading price of our common stock is expected to be subject to

Edgar Filing: AMPLIDYNE INC - Form 10KSB

significant fluctuations in response to variations in our quarterly operating results; changes in analysts' earnings estimates regarding our Company; announcements of technological innovations by us or our competitors; and general conditions in the wireless communications industry and other factors. These fluctuations, as well as general economic and market conditions, may have a material adverse effect on the market price of our common stock.

OUR SUCCESS DEPENDS ON OUR ABILITY TO MANAGE THE SIZE OF OUR OPERATIONS. We downsized some of our operations in order to maintain competitiveness and reduce our operating losses. We have also explored joint ventures and mergers in order to achieve these results, but have not consummated any such transaction. If we do not increase our sales, decrease overhead expenditure or do not adequately manage the size of our operations, our results of operations will be materially adversely affected.

DECLINING AVERAGE SALES PRICES COULD ADVERSELY AFFECT OUR BUSINESS. If wireless internet and telecommunications customers come under increasing price pressure from service providers, we could expect to experience downward pricing pressure on our products. In addition, competition among non-captive amplifier suppliers could increase the downward pricing pressure on our amplifier products. To date, we have not experienced such pressure. As our customers frequently negotiate supply arrangements with us far in advance of product delivery dates, we often must commit to price reductions before we can determine whether cost reductions can be obtained. If we are unable to achieve cost reductions, our gross margins will decline and our business, financial condition and results of operations could be materially and adversely affected.

RAPID TECHNOLOGICAL CHANGE AND INTENSE COMPETITION COULD ADVERSELY AFFECT OUR BUSINESS. The wireless internet and telecommunications equipment industry is extremely competitive and is characterized by rapid technological change, new product development, product obsolescence and evolving industry standards. In addition, price competition in this market is intense and characterized by significant price erosion over the life of a product. Currently, we compete primarily with non-captive suppliers of power amplification products. We believe that our success will be based primarily upon service, pricing, reputation, and our ability to meet product delivery schedules. Our existing and potential customers continuously evaluate whether to manufacture their own amplification products or to purchase such products from outside sources. These customers and other large manufacturers of wireless telecommunications equipment could elect to enter the market and compete directly with us. Many of our competitors have significantly greater financial, technical, manufacturing, sales and marketing capabilities and research and development personnel and other resources than us

-31-

and have achieved greater name recognition of their existing products and technologies. In order for us to successfully compete, we must continue to develop new products, keep pace with advancing technologies and competitive innovations and successfully market our products. Our inability to successfully compete against our larger competitors will have a materially adverse affect on our business, financial condition and operations.

In addition, we are not sure whether new products or alternative technology will render our current or planned products obsolete or inferior. Rapid technological development by others may result in our products becoming obsolete before we recover a significant portion of the research, development and commercialization expenses we incurred with respect to those products.

OUR BUSINESS WILL BE ADVERSELY AFFECTED IF WE DO NOT KEEP UP WITH THE INTERNET'S RAPID TECHNOLOGICAL CHANGE, EVOLVING INDUSTRY STANDARDS AND CHANGING USER REQUIREMENTS. We are currently developing new products for high speed

Edgar Filing: AMPLIDYNE INC - Form 10KSB

internet access. To be successful, we must adapt to our rapidly changing market by continually enhancing the technologies used for Internet access. If we are unable, for technical, legal, financial or other reasons, to adapt in a timely manner in response to changing market conditions or user requirements, our business could be materially adversely affected. Significant issues concerning the commercial use of Internet technologies, including security, reliability, cost, ease of use and quality of service, remain unresolved and may inhibit the growth of businesses relying on the Internet. Our future success will depend, in part, on our ability to meet these challenges. Among the most important challenges facing us are the need to:

- effectively use established technologies;
- continue to develop our technical expertise; and
- respond to emerging industry standards and other technical changes.

All of these changes must be met in a timely and cost-effective manner. We cannot assure you that we will succeed in effectively meeting these challenges and our failure to do so could materially and adversely affect our business.

RISKS ASSOCIATED WITH SALES OUTSIDE OF THE UNITED STATES MAY ADVERSELY AFFECT OUR BUSINESS. International sales represented approximately 83% and 85% of our net revenues for the years ended December 31, 2000 and 2001, respectively. We expect that international sales will continue to account for a significant portion of our net revenues in the future. To the extent that we do not achieve and maintain substantial international sales, our business, results of operations and financial condition could be materially and adversely affected.

Sales of our products outside of the United States are denominated in US dollars. An increase in the value of the U.S. dollar relative to foreign

-32-

currencies would make our products more expensive and, therefore, potentially less competitive outside the United States. Additional risks inherent in our sales abroad include:

- the impact of recessionary environments in economies outside the United States;
- generally longer receivables collection periods;
- unexpected changes in regulatory requirements;
- tariffs and other trade barriers;
- potentially adverse tax consequences;
- reduced protection for intellectual property rights in some countries;
- the burdens of complying with a wide variety of foreign laws.

These factors may have an adverse effect on our future international sales and, consequently, on our business, financial condition and results of operations.

OUR OPERATING RESULTS MAY VARY FROM QUARTER TO QUARTER IN FUTURE PERIODS, AND AS A RESULT, OUR STOCK PRICE MAY FLUCTUATE OR DECLINE. Our quarterly operating results may fluctuate significantly in the future due to a variety of factors that could affect our revenues or our expenses in any particular quarter. Factors that may affect our quarterly results include:

- our ability to attract and retain customers;
- development of competitive products;

Edgar Filing: AMPLIDYNE INC - Form 10KSB

- the short term nature of manufacturing and engineering orders to date;
- unforeseen changes in operating expenses;
- the loss of key employees; and
- unexpected revenue shortfalls.

A substantial portion of our operating expenses is related to personnel costs and overhead, which we cannot adjust quickly and are therefore relatively fixed in the short term. Our operating expense levels are based, in significant part, on our expectations of future revenues on a quarterly basis. If actual revenues are below our expectations, our results of operations and financial condition would be materially and adversely affected because a relatively small amount of our costs and expenses are proportionate with revenues in the short term.

Due to all of the foregoing factors and the other risks discussed in this Annual Report, it is possible that in some future periods our results of operations may be below the expectations of investors and public market analysts which may cause our stock price to fluctuate or decline.

WE ARE DEPENDENT UPON MANAGEMENT AND TECHNICAL PERSONNEL. Our success is highly dependent upon the continued services of Devendar Bains, our Chief

-33-

Executive Officer and Michael Lawrence, our President and Chief Operating Officer. The employment agreements terminate April 30, 2005 and September 12, 2004, respectively, and contain covenants not to compete against our company following termination of employment with our company. We have obtained key man insurance on the life of Mr. Bains in the amount of \$1,000,000. We cannot be sure whether we will be able to replace either of Messrs. Bains or Lawrence in the event their services become unavailable (or, in the case of Mr. Bains, whether the proceeds of such insurance would be adequate to compensate us for the loss of his services).

Due to the specialized nature of our business, we are highly dependent on the continued service of, and on our ability to attract and retain, qualified technical and marketing personnel, particularly those involved in the development of new products and processes and the manufacture and enhancement of our existing products. In addition, as part of our team-based sales approach, we dedicate specific design engineers to service the requirements of individual customers. The loss of any such engineer could adversely affect our ability to obtain future purchase orders from the customers to which such engineer was dedicated. We have employment or non-competition agreements with most of our current design engineers and test technicians. The competition for such personnel is intense, and the loss of any such persons, as well as the failure to recruit additional key technical personnel in a timely manner, could have a material adverse effect on our business, financial condition and results of operations.

WE RELY ON THE ABILITY TO PROTECT PROPRIETARY TECHNOLOGY; RISK OF THIRD PARTY CLAIMS OF INFRINGEMENT MAY AFFECT OUR BUSINESS. Our ability to compete successfully and achieve future revenue growth will depend, in part, on our ability to protect proprietary technology and operate without infringing upon the rights of others. Although there are no pending lawsuits regarding our technology or notices that we are infringing upon intellectual property rights of others, litigation or infringement claims may occur in the future. Such litigation or claims could result in substantial costs, and diversion of resources and could have a material adverse effect on our business, financial condition, and results of operations. We generally enter into confidentiality

Edgar Filing: AMPLIDYNE INC - Form 10KSB

and non-disclosure agreements with our employees and limit access to and distribution of proprietary information. However, we cannot be sure whether such measures will provide adequate protection for our trade secrets or other proprietary information, or whether our trade secrets or proprietary technology will otherwise become known or independently developed by our competitors. Our failure to protect proprietary technology could have a material adverse effect on our business, financial condition and results of operations.

WE DO NOT PLAN TO PAY DIVIDENDS ON OUR COMMON STOCK. We have never paid any dividends on our common stock and do not intend to pay dividends on our common stock in the foreseeable future. Any earnings which we may realize in the foreseeable future will be retained to finance our growth.

-34-

GOVERNMENTAL REGULATIONS AND ENVIRONMENTAL REGULATIONS CAN HAVE A LARGE IMPACT ON OUR BUSINESS. Our customers must obtain regulatory approval to operate their base stations. The United States Federal Communications Commission has regulations that impose stringent radio frequency and microwave emissions standards on the telecommunications industry. Our customers are required to comply with such regulations. The failure of our customers to comply with these regulations could materially adversely affect our business, financial condition and results of operations. We manufacture products according to specifications provided by our customers, which specifications are required to comply with applicable regulations. We do not believe that costs involved with manufacturing to meet specifications will have a material impact on our operations. We cannot be sure whether the adoption of future regulations would have a material adverse affect on our business.

We are subject to Federal, state and local governmental regulations relating to the storage, discharge, handling, emissions, generation, manufacture and disposal of toxic or other hazardous substances used to manufacture our products. We believe that we are currently in compliance in all material respects with such regulations. Failure to comply with current or future regulations could result in the imposition of substantial fines on our company, suspension of our production, alteration of our manufacturing process, cessation of our operations or other actions which could materially and adversely affect our business, financial condition and results of operations.

WE MAY NOT BE ABLE TO COMPLY WITH NASDAQ CONTINUED LISTING REQUIREMENTS. For continued listing on The Nasdaq SmallCap Market, a company must have, among other things:

- \$2,000,000 in net tangible assets (which requirement shall be, as of November 1, 2002, \$2,500,000 in net assets);
- \$1,000,000 in market value of public float; and
- a minimum bid price of \$1.00 per share.

Our common stock is currently listed on The Nasdaq SmallCap Market. If we were unable to satisfy the requirements for continued listing on The Nasdaq Small Cap Market, trading of our common stock would be conducted in the over-the-counter market. Transactions in the over-the-counter market are commonly referred to as "pink sheet" or NASD OTC Electronic Bulletin Board transactions. If trading of our common stock in the over-the-counter market were to occur, the liquidity of our common stock would be materially adversely affected. Additionally, you may find it more difficult to dispose of, or obtain accurate quotations as to the price of, our common stock. Our Annual Report on Form 10-KSB for the period ended December 31, 2001 indicates net tangible assets of \$2,172,639. We cannot be sure whether, and for how long, listing will continue.

Edgar Filing: AMPLIDYNE INC - Form 10KSB

PENNY STOCK REGULATIONS MAY IMPOSE CERTAIN RESTRICTIONS ON MARKETABILITY OF OUR SECURITIES. The SEC has adopted regulations which generally define a "penny stock" to be any equity security that has a market price of less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Since our common stock is listed on The Nasdaq SmallCap Market, it is exempt from the definition of "penny stock." If our common stock is removed

-35-

from listing by The Nasdaq SmallCap Market, our common stock may become subject to the "penny stock" rules. These rules would impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000 or annual income exceeding \$200,000, or \$300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must:

- make a special suitability determination with respect to each purchaser of securities;
- receive the purchaser's written consent to the transaction prior to the purchase;
- deliver, prior to the purchase, a risk disclosure document mandated by the SEC relating to the penny stock market;
- disclose the commission payable to both the broker-dealer and the registered representative;
- disclose current quotations for such securities;
- disclose whether the broker-dealer has control over the particular market; and
- deliver monthly statements disclosing recent price information for the securities and information on the limited market in penny stocks.

Consequently, the "penny stock" rules may restrict the ability of broker-dealers to sell our securities and adversely affect your ability to sell our securities in the secondary market and the price of our securities in the secondary market.

ANTI-TAKEOVER PROVISIONS MAY ADVERSELY AFFECT THE VALUE OF OUR OUTSTANDING SECURITIES. Pursuant to our Certificate of Incorporation, our Board of Directors may issue up to 1,000,000 shares of preferred stock in the future with such preferences, limitations and relative rights as they may determine without stockholder approval. As of December 31, 2001, there were 55,000 shares of our Series B Preferred Stock outstanding (all of which converted in the first quarter of 2002). The rights of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock outstanding or that may we may issue in the future. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of delaying or preventing a change in control of our company without further action by the stockholders. In addition, we are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law. Section 203 prohibits us from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the persons became an interested stockholder, unless the business combination is approved in a prescribed manner. The application of Section 203 also could have the effect of delaying or preventing a change of control of our company.

Edgar Filing: AMPLIDYNE INC - Form 10KSB

ADDITIONAL AUTHORIZED SHARES OF COMMON STOCK AND PREFERRED STOCK AVAILABLE FOR ISSUANCE MAY ADVERSELY AFFECT THE MARKET. We are authorized to issue 25,000,000 shares of our common stock. As of December 31, 2001, there were 7,892,661 shares of our common stock issued and outstanding, which amount does not include:

-36-

- the option to purchase up to 140,000 shares of our common stock granted to the underwriter of our initial public offering at an exercise price of \$7.50 per share;
- 50,000 shares of our common stock issuable upon exercise of warrants at \$4.00 per share;
- 67,500 shares of our common stock issuable upon exercise of warrants at \$2.50 per share;
- 20,000 shares of our common stock issuable upon exercise of warrants at \$1.00 per share;
- 30,000 shares of our common stock issuable upon exercise of warrants at \$6.00 per share;
- 50,000 shares of our common stock issuable upon exercise of warrants at \$2.00 per share;
- 20,000 shares of our common stock issuable upon exercise of warrants at \$7.00 per share;
- 141,000 shares of our common stock issuable upon exercise of warrants at \$1.75 per share;
- 41,500 shares of our common stock issuable upon exercise of warrants at \$1.80 per share;
- 307,500 shares of our common stock issuable upon exercise of warrants at \$3.00 per share;
- 55,000 shares of our common stock issuable upon exercise of warrants at \$1.20 per share;
- 100,000 shares of our common stock issuable upon exercise of warrants at \$5.00 per share; and
- 2,181,000 shares of our common stock issuable upon exercise of options granted to our employees and Directors at exercise prices ranging between \$1.25 and \$4.00 per share.

As of December 31, 2001, after reserving a total of 3,203,500 shares of our common stock for issuance upon the exercise of all options and warrants described above and 324,486 freely tradable shares to be issued in connection with the settlement of our class action lawsuit described in our public filings (which was issued in March 2002), we will have at least 13,579,353 shares of authorized but unissued common stock available for issuance without further shareholder approval (not including the shares of Common Stock that were issued upon conversion of our Series B Preferred Stock in the first quarter of 2002). Any issuance of additional shares of our common stock may cause our current shareholders to suffer significant dilution which may adversely affect the market for our securities.

In addition, we have 1,000,000 shares of authorized preferred stock. As of December 31, 2001, 55,000 shares of preferred stock has been issued and designated as Series B Preferred Stock (all of which was converted in the first quarter of 2002). There are no other shares of preferred stock currently issued or outstanding. While we have no present plans to issue any additional shares of preferred stock, our Board of Directors has the authority, without shareholder approval, to create and issue one or more series of such preferred stock and to determine the voting, dividend and other rights of holders of such preferred stock. The issuance of any of our preferred stock could have an adverse effect on the holders of our common stock.

SHARES ELIGIBLE FOR FUTURE SALE MAY ADVERSELY AFFECT THE MARKET. [SN TO UPDATE] As of December 31, 2001, we had 7,892,661 shares of our common stock issued and outstanding (not including 324,486 freely tradable shares of common stock to be issued in connection with the settlement of our class action lawsuit described in our public filings). Of these 7,892,661 shares of issued and outstanding common stock, approximately 4,832,790 shares are considered "restricted securities". These "restricted securities" may be sold pursuant to Rule 144 of the Securities Act of 1933 as follows:

- 4,405,790 shares of our common stock may currently be sold pursuant to Rule 144; and
- 427,000 shares of our common stock may be sold pursuant to Rule 144 commencing July 2002.

Rule 144 provides, in essence, that a person holding "restricted securities" for a period of one year may sell only an amount every three months equal to the greater of:

- (a) one percent of the Company's issued and outstanding shares; or
- (b) the average weekly volume of sales during the four calendar weeks preceding the sale.

The amount of "restricted securities" which a person who is not an affiliate of our company may sell is not so limited. Non-affiliates may sell without volume limitation their shares held for two years if there is adequate current public information available concerning our company.

The sale in the public market of our common stock may adversely affect prevailing market prices of our common stock.

THE EXERCISE OF OUTSTANDING OPTIONS AND WARRANTS MAY ADVERSELY AFFECT THE MARKET FOR OUR COMMON STOCK. As of December 31, 2001, we had the following outstanding stock options and warrants to purchase shares of our common stock:

- warrants to purchase 67,500 shares of our common stock at an exercise price of \$2.50 per share;
- warrants to purchase 50,000 shares of our common stock at an exercise price of \$4.00 per share;
- warrants to purchase 20,000 shares of our common stock at an exercise price of \$1.00 per share;
- warrants to purchase 140,000 shares of our common stock at an exercise price of \$7.50 per share;

- warrants to purchase 30,000 shares of our common stock at an exercise price of \$6.00 per share;
- warrants to purchase 20,000 shares of our common stock at an exercise price of \$7.00 per share;
- warrants to purchase 50,000 shares of our common stock at an exercise price of \$2.00 per share;
- warrants to purchase 141,000 shares of our common stock at an exercise price of \$1.75 per share;
- warrants to purchase 41,500 shares of our common stock at an exercise price of \$1.80 per share;
- warrants to purchase 307,500 shares of our common stock at an exercise

Edgar Filing: AMPLIDYNE INC - Form 10KSB

- price of \$3.00 per share;
- warrants to purchase 55,000 shares of our common stock at an exercise price of \$1.20 per share; and
- warrants to purchase 100,000 shares of our common stock at an exercise price of \$5.00 per share;

In addition, we have reserved 2,181,000 shares of our common stock for issuance pursuant to outstanding employee stock options. The exercise of our outstanding options and warrants will dilute the percentage ownership of our stockholders. Sales in the public market of our common stock underlying such options or warrants may adversely affect prevailing market prices for our common stock. Moreover, the terms upon which we will be able to obtain additional equity capital may be adversely affected since the holders of such outstanding securities can be expected to exercise their respective rights therein at a time when we would, in all likelihood, be able to obtain any needed capital on terms more favorable to us than those provided in such securities.

LIMITATION ON DIRECTOR LIABILITY MAY ADVERSELY AFFECT THE VALUE OF OUR COMMON STOCK. As permitted by Delaware law, our Certificate of Incorporation limits the liability of our directors for monetary damages for breach of their fiduciary duty except for liability in certain instances. As a result of our charter provision and Delaware law, you may have limited rights to recover against our directors for breach of their fiduciary duty.

ITEM 2. PROPERTIES.

The Company leases (from an unaffiliated party) approximately 11,000 square feet, at 59 LaGrange Street, Raritan, NJ 08869, which serves as the Company's executive offices and manufacturing facility. The lease term expires on July 13, 2004. The annual rental is \$71,250 plus the Company's share of real estate taxes and other occupancy costs. The Company established a sales office in India in April 2001. The annual rental is approximately \$4,000. This lease expires in April 2002.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any material pending litigation or governmental proceedings that, management believes, would result in judgments or fines that would have a material adverse effect on the Company.

-39-

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

On December 27, 2001, the Company held an annual meeting of stockholders to vote on the election of directors and the ratification of the Company's independent auditors. Of the 7,892,661 shares of the Company's Common Stock entitled to vote at the meeting, holders of 5,986,893 shares were present in person or were represented by proxy at the meeting.

The directors elected at the meeting and the results of the voting were as follows:

	For ---	Withheld -----
Devendar S. Bains	5,618,639	364,454
Tarlochan Bains	5,618,639	364,454
Charles J. Ritchie	5,618,639	364,454

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Manish V. Detroja 5,618,639 364,454

The above represented all of the directors of the Company on December 27, 2001.

The shares voted regarding the Board of Directors' proposal to amend the Company's 1996 Stock Option Plan, were as follows:

For: 5,818,626
Against: 156,837
Abstain: 10,630

The shares voted regarding the Board of Directors' proposal to select the accounting firm of Grant Thornton LLP, to serve as independent auditors of the Company, were as follows:

For: 5,965,938
Against: 9,205
Abstain: 10,950

On February 15, 2002, the Board voted to dismiss Grant Thornton LLP as the Company's independent auditors and engage Kahn Boyd Levychin LLP as independent auditors of the Company.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED

STOCKHOLDER MATTERS.

The Company's Common Stock and Warrants commenced trading on the Nasdaq Small Cap Market on January 22, 1997. The Warrants were redeemed in May 2000.

-40-

The Common Stock is regularly quoted and traded on the Nasdaq SmallCap Market under the symbol AMPD.

The following table sets forth the range of high and low closing prices for the Company's Common Stock and Warrants for fiscal 1999, fiscal 2000 (through May 16, 2000 for the Warrants), fiscal 2001 and for the period of January 1, 2002 up to March 31, 2002 as reported by the Nasdaq SmallCap Market. The trading volume of the Company's securities fluctuates and may be limited during certain periods. As a result, the liquidity of an investment in the Common Stock may be adversely affected.

Common Stock

1999 Calendar Year -----	High ----	Low ---
January 1 - March 31	2.625	1.094
April 1 - June 30	4.500	1.844
July 1 - September 30	12.250	1.344
October 1 - December 31	10.125	5.375

2000 Calendar Year

Edgar Filing: AMPLIDYNE INC - Form 10KSB

January 1 - March 31	11.500	5.313
April 1 - June 30	7.250	3.063
July 1 - September 30	4.563	2.438
October 1 - December 31	4.000	1.031

2001 Calendar Year

January 1 - March 31	2.7813	1.250
April 1 - June 30	1.95	1.13
July 1 - September 30	1.57	.79
October 1 - December 31	1.25	.69

2002 Calendar Year

January 1 - March 31	1.37	.86
----------------------	------	-----

Warrants

1999 Calendar Year

January 1 - March 31	.406	.031
April 1 - June 30	.906	.281
July 31 - September 30	6.000	.313
October 31 - December 31	4.500	1.500

-41-

2000 Calendar Year

January 1 - March 31	5.500	1.500
April 1 - May 16	2.125	.0312

On March 31, 2002, the closing price of the Common Stock as reported on the Nasdaq SmallCap Market was \$1.01. On March 31, 2002 there were 9,668,341 shares of Common Stock outstanding, held of record by approximately 80 record holders (with over 2,300 beneficial owners).

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Results of Operations - Fiscal Year ended December 31, 2001 compared to Fiscal Year ended December 31, 2000

Revenues for the fiscal year ended December 31, 2001 decreased from \$2,595,090 to \$2,205,429, or 15% compared to the fiscal year ended December 31, 2000. The primary reason for the decrease was the general decline in purchasing of equipment by the telecommunications industry.

The majority of the sales for the year 2001 were obtained from the Wireless Local Loop amplifier products to a major European customer. The Company has also supplied 900 MHz cellular multi carrier linear amplifiers to its major North American customer, as well as 3.5GHz amplifiers for the wireless local loop products.

The Company has continued to develop its IMT 2000 amplifiers for the

Edgar Filing: AMPLIDYNE INC - Form 10KSB

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. It is maintaining a more cautious approach towards the South Korean market due to the significant currency fluctuations and purchase order cancellations during the past few years in South Korea.

Cost of sales as a percentage of sales was 58% during the year ended December 31, 2001, compared to 95% during the same period for 2000. This decrease can be attributed a reallocation of resources to developing new products and markets and the maturation of our manufacturing processes resulting in substantial reductions in production costs. Our fixed overhead costs are relatively high for our current sales volume. An increase in inventory held at year-end for production orders is consistent with production runs and order backlog. The Company is continuing to assess cost reduction of its products and sales volume increases to improve gross margins in 2002.

Selling, general and administrative expenses decreased in 2001 by \$81,680 to \$1,904,490 from \$1,986,170, in 2000. Expressed as a percentage of sales, the

-42-

selling, general and administrative expenses were 86% in 2001 and 77% in 2000. The principal factors contributing to the increase in selling, general and administrative expenses were related to decreases in advertising, depreciation and professional fees.

Research, engineering and development expenses were 27% of net sales in 2001 compared to 23% in 2000. In 2001 and 2000, 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. 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. Research, engineering and development expenses remained relatively unchanged from 2000 to 2001. 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 2001 of \$50,915 due to influx of new capital during 2000 and 2001 from our private placements and exercise of warrants and options. Interest and other income is lower than the 2000 amount due to the consistency of amounts in interest bearing accounts in 2001 compared to 2000. The Company also sold New Jersey Net operating loss carryforwards pursuant to the New Jersey Technology Certificate Transfer Program, in both 2001 and 2000.

Interest expense decreased in 2001 because of the decrease in balances due on capitalized leases on test equipment.

Estimated and actual litigation settlement costs have been provided in both 2001 and 2000, to reflect our estimated or known exposure in litigation against the Company, as well as the actual cost of the settlement of a class action lawsuit in 2001 with a cash cost of \$50,000 to the Company plus the issuance of free-trading common shares valued at \$500,000.

Stock compensation and financing expenses of \$140,000 for the year ended December 31, 2001 compared to \$114,546 for the comparable 2000 period is due to the financing cost associated with warrants extended and shares issued.

As a result of the foregoing, the Company incurred net losses of (\$2,024,882) or (\$.26) per share for the year ended December 31, 2001 compared with net losses of (\$2,440,045) or (\$.34) per share for the same period in 2000.

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Results of operations - Fiscal year ended December 31, 2000 compared to Fiscal Year ended December 31, 1999.

Revenues for the fiscal year ended December 31, 2000 increased from \$2,150,707 to \$2,595,090, or 20% compared to the fiscal year ended December 31, 1999. The primary reason for the increase was greater sales to existing customers of the NMT-450 multicarrier amplifier for the wireless local loop amplifiers and the initial sales of our recently introduced High Speed Wireless Internet Access Products. This was offset by a decrease in 1999 sales of our Digital PCS Products to a Korean customer which did not occur in 2000.

-43-

The majority of the sales for the year 2000 were obtained from the Wireless Local Loop amplifier products and filter diplexer products to a major European customer. The NMT 450 amplifiers were shipped primarily to a major North American customer. The Company has also supplied 900 MHz cellular multi carrier linear amplifiers to its major North American customer, as well as prototypes of its 3.5GHZ amplifier for the wireless local loop products.

The Company received a purchase order to develop an IMT 2000 amplifier for the South Korean market. The product is under development and is expected to be shipped sometime in 2001. The Company has focused its sales and marketing efforts in the more stable United States, European and Canadian markets. It is maintaining a more cautious approach towards the South Korean market due to the significant currency fluctuations and purchase order cancellations during the past few years in South Korea.

Cost of sales as a percentage of sales was 95% during the year ended December 31, 2000, compared to 93% during the same period for 1999. This increase can be attributed to a larger diverse product range which was introduced in 2000, requiring smaller production runs and higher set up costs. Our fixed overhead costs are relatively high for our current sales volume. A decrease in inventory held at year end for production orders is consistent with the smaller scale production runs. The Company is continuing to assess cost reduction of its products and sales volume increases to improve gross margins in 2001.

Selling, general and administrative expenses increased in 2000 by \$382,683 to \$1,986,170 from \$1,603,487, in 1999. Expressed as a percentage of sales, the selling, general and administrative expenses were 77% in 2000 and 75% in 1999. The principal factors contributing to the increase in selling, general and administrative expenses were related to the increase in advertising and marketing costs related to new amplifiers and High Speed Wireless products, and higher professional fees associated with litigation against the Company.

Research, engineering and development expenses were 23% of net sales in 2000 compared to 27% in 1999. In 2000, the principal activity of the business related to the design and production of product for OEM manufacturers, particularly for the NMT-450 multichannel 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 increase in 2000 by \$10,215 to \$590,496 from \$580,281 in 1999 in research, engineering and development expenses, was principally attributed to the extra cost of components required and to the testing of the more diverse products related to the High Speed Wireless Internet Access 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 2000 of \$116,870 due to influx of new capital during 1999 and 2000 from our private placements and exercise of warrants and options. Interest and other income is greater than the 1999 amount due to the consistency of amounts in interest bearing accounts in 2000 compared to 1999. The Company also sold New Jersey Net operating loss carryforwards pursuant to the New Jersey Technology Certificate Transfer Program, in both 1999 and 2000.

Interest expense decreased in 2000 because of the repayment of certain capitalized leases on test equipment.

Estimated litigation settlement costs have been provided in both 1999 and 2000, to reflect our estimated or known exposure in litigation against the Company.

Stock compensation and financing expenses of \$114,545 for the year ended December 31, 2000 compared to \$1,721,450 for the comparable 1999 period is due to fewer below market issuances of stock options in 2000 and fewer issuances of stock options or warrants to non-employees.

As a result of the foregoing, the Company incurred net losses of \$2,440,045 or (\$.34) per share for the year ended December 31, 2000 compared with net losses of (\$3,535,689) or (\$.62) per share for the same period in 1999.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2001, the Company had cash and cash equivalents of \$697,940. The Company used \$1,268,202 of cash and cash equivalents during 2001 to fund our operating loss.

During 2001, the Company raised \$1,054,750 (\$180,000 of which was receivable but not collected at December 31, 2001) from the privately placed sale of securities and from the exercise of warrants and options, which were used for working capital purposes. 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 2001, it may to do so in 2002.

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 arrangements. There can be no assurance that a strategic relationship can be consummated.

The Company settled a class action lawsuit and another litigation matter. The class action resulted in a cost to the Company of \$550,000, \$50,000 of which was cash and \$500,000 in the Company's common stock. The other matter requires a \$25,000 payment per quarter through June 2002.

The Company believes that the net proceeds of the Company's private placements in 2001, 2000 and 1999, the planned private placements in 2002 and, option and warrant exercises, if any, and cash generated from revenues will permit it to continue to meet its working capital obligations and fund the further development of its business for the next 12 months. Further, 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

Edgar Filing: AMPLIDYNE INC - Form 10KSB

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.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See financial statements following Item 13 of this Annual Report on Form 10-KSB.

ITEM 8. CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

On February 15, 2002, Grant Thornton LLP ("Grant Thornton") was dismissed as the independent accountant for the Company. The reports of Grant Thornton on the Company's financial statements within the two most recent fiscal years or any subsequent interim period, contain no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

The Company's Board of Directors and Audit Committee approved the dismissal of Grant Thornton. During the two most recent fiscal years and any subsequent interim period preceding Grant Thornton's dismissal, there were no disagreement(s) with Grant Thornton on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of Grant Thornton, would have caused it to make reference to the subject matter of the disagreement(s) in connection with its report.

No "reportable events" (as defined in Item 304 (a) (1) (iv) of Regulation S-B) occurred during the Company's two most recent fiscal years and any subsequent interim period, preceding the accounting firm of Grant Thornton's dismissal.

-46-

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT OF THE REGISTRANT

The names and ages of the directors and executive officers of the Company as of the date of this filing are set forth below:

NAME	AGE	POSITION(S) WITH THE COMPANY
Devendar S. Bains*	51	Chairman of the Board, Chief Executive Officer, Treasurer and Director

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Michael E. Lawrence	54	President and Chief Operating Officer
Tarlochan Bains	52	Vice President-Operations and Director
Nirmal Bains	44	Secretary
Charles J. Ritchie*	58	Director
Manish V. Detroja*	34	Director

* Member of the Compensation Committee and Audit Committee.

BACKGROUND OF EXECUTIVE OFFICERS AND DIRECTORS

DEVENDAR S. BAINS has been Chairman of the Board, Chief Executive Officer, Treasurer and a director of the Company since its inception in 1988. He was also President of the Company from inception through September 2001. From 1983 to 1988 Mr. Bains was Group Project Leader of Amplifier division of Microwave Semiconductor Corporation. Previously, Mr. Bains was employed at G.E.C. in Coventry, England. Mr. Bains received a Bachelors Degree in Electronic Engineering from Sheffield University, England, and a Masters Degree in Microwave Communications from the University of Leeds and Sheffield, England. Mr. Bains is the brother of Tarlochan Bains and the husband of Nirmal Bains.

MICHAEL E. LAWRENCE joined the Company in September 2001 as its President and Chief Operating Officer. Mr. Lawrence has over thirty years of experience in the international communications industry. From January 2001 through September 2001, he acted as managing partner of Technology Consulting Group, a wireless engineering and design consulting company. From November 1999 through December 2000, he was president and chief executive officer of Intercontinental Telecom Corporation, a Brazilian IP network company. From November 1997 through

-47-

November 1999 he was a director of network integration and design at Alcatel Telecom (Brazil), a telecommunications company. From September 1994 through November 1997, he worked as technical services director and network wireless director for AT&T (Brazil) and Lucent Technologies (Brazil). From January 1970 through September 1994, he worked in various management capacities for AT&T. Mr. Lawrence holds a BS in Management from North Central College.

TARLOCHAN BAINS has been Vice President of Operations since March 2000 and a director since 1991. From 1991 through March 2000, he was the Company's Vice President of Sales and Marketing. Previously, Mr. Bains was Technical Manager at Land Rover in Solihull, England. He has a Higher National Diploma in Mechanical Engineering from Hatfield Polytechnic, England and a Masters Degree in Automotive Engineering from Cranfield Institute of Technology, England. Mr. Bains is the brother of Devendar S. Bains and the brother-in-law of Nirmal Bains.

NIRMAL BAINS has been Secretary of the Company since 1989. She has a degree in Computer Programming from Cittone Institute in New Jersey. Mrs. Bains is the wife of Devendar S. Bains and the sister-in-law of Tarlochan Bains.

CHARLES J. RITCHIE was elected to the Board of Directors of the Company in February 1998. Mr. Ritchie has had a 32 year career with Lucent Technologies, formerly AT&T, with assignments that included Product Management, Account Management, AT&T Divestiture Planning, National Cellular Sales Manager for non-Wireline Companies, International Wireless Product Support, and many others. Since 1992, Mr. Ritchie has been an International Business Development director for Europe, Middle East and Africa for the Network Wireless Division at Lucent

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Technologies. Marketing, sales and business development education and experience were accrued over his business career. Mr. Ritchie received a Bachelors Degree in Electrical Engineering at Youngstown University and continued with graduate work in Electrical Engineering at Ohio State University.

MANISH V. DETROJA was elected to the Board of Directors of the Company in February 1998. Mr. Detroja has been with Current Circuits Inc. ("CCI"), a private company engaged in the manufacturing of printed circuit boards for the electric industry, since its inception in May of 1989. From 1989-1993 Mr. Detroja was the production manager for CCI and from 1993-1996 he was its sales manager for the entire United States. He is currently the president and chief executive officer of CCI. Mr. Detroja is a graduate of Temple University and has a B.S. in Electrical Engineering Technology.

The Company has established an audit committee and a compensation committee.

The audit committee reviews, among other matters, the professional services provided by the Company's independent auditors, the independence of such auditors from management of the Company, the annual financial statements of the Company and the Company's system of internal accounting controls. The audit

-48-

committee also reviews such other matters with respect to the accounting, auditing and financial reporting practices and procedures of the Company as it may find appropriate or as may be brought to its attention. The audit committee has adopted an audit committee charter.

The audit committee has reviewed and discussed the audited financial statements included in the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2001 with management. The audit committee has discussed with the independent auditors the matters required to be discussed by SAS 61, as may be modified or supplemented. The audit committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, as may be modified or supplemented, and has discussed with the independent auditors the auditors' independence. Based on the review and discussions noted above, the audit committee recommended to the Board of Directors that the audited financial statements be included in the Company 2001 Annual Report on Form 10-KSB.

The audit committee consists of three members, two of whom (Messrs. Ritchie and Detroja) are "independent" (as defined in the listing standards maintained by the Nasdaq Stock Market). Mr. Devendar Bains is the third member of the committee. The audit committee met four times during fiscal year 2001.

For the year ended December 31, 2001, the Company incurred professional fees to its auditors in the amount of \$62,220, of which \$30,000 related to auditing services and \$32,220 related to all other services. No non-audit services have been provided to the Company by its current auditor.

The compensation committee reviews executive salaries, administers any bonus, incentive compensation and stock option plans of the Company, and approves the salaries and other benefits of the executive officers of the Company. In addition, the compensation committee consults with the Company's management regarding pension and other benefit plans, and compensation policies and practices of the Company. The compensation committee consists of Devendar S. Bains, Charles J. Ritchie and Manish V. Detroja. The compensation committee met four times during fiscal year 2001.

Each non-employee director of the Company is entitled to receive reasonable out-of-pocket expenses incurred in attending meetings of the Board of Directors

Edgar Filing: AMPLIDYNE INC - Form 10KSB

of the Company. Directors who are employees of the Company are not paid any fees or other remuneration for service on the Board or any of the committees. Each non-employee director may receive options to purchase Common Stock or other remuneration. The members of the Board of Directors intend to meet at least quarterly during the Company's fiscal year, and at such other times duly called.

-49-

COMPLIANCE WITH SECTION 16(A) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires the Company's directors and executive officers, and persons who own more than ten percent (10%) of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission (the "SEC") initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely upon its review of the copies of such reports furnished to the Company during the year ended December 31, 2001, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were satisfied.

ITEM 10. EXECUTIVE COMPENSATION

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

SUMMARY COMPENSATION TABLE

The following table sets forth the aggregate compensation paid by the Company for the years ended December 31, 1999, 2000 and 2001 for its Chief Executive Officer and Vice President, respectively. No other employee received compensation in excess of \$100,000. Each non-employee director of the Company is entitled to receive reasonable out-of-pocket expenses incurred in attending meetings of the Board of Directors of the Company.

Name of Individual and Principal Position	Year	Annual Compensation			Long Term Compensation		Awards
		Salary	Bonus	Other Annual Compensation	Restricted Stock Awards	Securities Underlying Options/SARS (#)	
Davendar S. Bains, Chairman, Chief Executive Officer, and Treasurer	2001	\$162,000	---	\$20,000 (1)	---	---	
	2000	\$162,000	---	\$20,000 (1)	---	---	
	1999	\$85,000	---	\$20,000 (1) \$77,000 (2)	---	---	

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Tarlochan Bains,	2001	\$125,513	---	---	---	---
Vice President	2000	\$105,000	---	---	---	---
and Director	1999	\$62,000	---	\$74,000 (2)	---	---

(1) Represents payment for health insurance and automobile insurance lease payments on behalf of such individual but does not include deferred compensation.

(2) Represents the fair value of shares of Common Stock in lieu of cash payment of the amount owed for deferred compensation.

-50-

EMPLOYMENT AGREEMENTS

The Company entered into employment agreements with each of Devendar Bains (Chairman, Chief Executive Officer and Treasurer), Tarlochan Bains (Vice President - Operations), and Nirmal Bains (Secretary), which, as extended, now expire on April 30, 2005. The employment agreements provide for annual base salaries of \$162,000, \$100,000 and \$50,000 with respect to Devendar Bains, Tarlochan Bains and Nirmal Bains, respectively. The employment agreements provide for discretionary bonuses to be determined in the sole discretion of the Board of Directors and contain covenants not to compete with the Company following termination of employment.

The Company has entered into a three-year employment agreement, commencing September 12, 2001, with Mr. Lawrence, its President. The agreement provides for an annual base salary of \$160,000, subject to increase in certain circumstances. Mr. Lawrence is entitled to receive an incentive bonus of up to 100% of his base salary as determined by the Board. The agreement contains covenants not to compete with the Company following termination of employment. Pursuant to the agreement, the Company issued to Mr. Lawrence 300,000 options to purchase common stock with an exercise price of \$1.50 per share, half of which vested in March 2002 and half of which vest in September 2002. Mr. Lawrence is also entitled to the grant of additional options in certain circumstances.

In June 1998, the Company issued 40,000 shares of Common Stock to Devendar S. Bains, the Company's President and Chief Executive Officer, in consideration of the forgiveness by Mr. Bains of \$50,000 of accrued salary owed to him.

On December 31, 1998, accrued and unpaid salary in the aggregate amount of \$195,000 owed as of September 30, 1998 to Devendar S. Bains (\$117,000), Tarlochan Bains (\$54,600) and Nirmal Bains (\$23,400), were forgiven. In consideration of such forgiveness of accrued salary, the Company issued 104,000, 48,533 and 20,800 shares, respectively, to such persons (based upon the closing sales price of the Common Stock as of September 30, 1998).

On March 31, 1999, accrued and unpaid salary in the aggregate amount of \$20,717 owed as of December 31, 1998 to Devendar S. Bains (\$10,566), Tarlochan Bains (\$6,629) and Nirmal Bains (\$3,522) were forgiven. In consideration of such forgiveness of accrued salary, the Company issued 4,025, 2,526 and 1,342 shares, respectively, to such persons (based upon the closing sales price of the Common

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Stock as of March 31, 1999).

On March 31, 1999, accrued and unpaid salary in the aggregate amount of \$41,920 owed as of March 31, 1999 to Devendar S. Bains (\$14,346), Tarlochan Bains (\$25,474) and Nirmal Bains (\$2,100) were forgiven. In consideration of such forgiveness of accrued salary, the Company issued 5,465, 9,704 and 800 shares, respectively, to such persons (based upon the closing sales price of the Common Stock as of March 31, 1999).

-51-

On June 30, 1999, accrued and unpaid salary in the aggregate amount of \$57,546 owed as of June 30, 1999 to Devendar S. Bains (\$27,424), Tarlochan Bains (\$22,822) and Nirmal Bains (\$7,300) were forgiven. In consideration of such forgiveness of accrued salary, the Company issued 15,398, 12,815 and 4,099 shares, respectively, to such persons (based upon the closing sales price of the Common Stock as of June 30, 1999).

On September 30, 1999, accrued and unpaid salary in the aggregate amount of \$38,541 owed as of September 30, 1999 to Devendar S. Bains (\$20,885), Tarlochan Bains (\$12,986) and Nirmal Bains (\$4,700), were forgiven. In consideration of such forgiveness of accrued salary, the Company issued 3,358, 2,088 and 756 shares, respectively, to such persons (based upon the closing sales price of the Common Stock on September 29, 1999).

On December 31, 1999, accrued and unpaid salary in the aggregate amount of \$22,369 owed as of December 31, 1999 to Devendar S. Bains (\$14,346), Tarlochan Bains (\$5,923) and Nirmal Bains (\$2,100), were forgiven. In consideration of such forgiveness of accrued salary, the Company issued 3,566, 1,060 and 376 shares, respectively, to such persons (based upon the closing sales price of the Common Stock on December 31, 1999).

There were no conversion of unpaid salary into equity during 2000 and 2001.

STOCK OPTION PLANS AND AGREEMENTS

Option Plan - In May 1996, the Directors of the Company adopted and the stockholders of the Company approved the adoption of the Company's 1996 Stock Option Plan (as amended, the "Option Plan"). The purpose of the Option Plan is to enable the Company to encourage key employees and Directors to contribute to the success of the Company by granting such employees and Directors incentive stock options ("ISOs") or non-qualified stock options ("NQOs").

The Option Plan will be administered by the Board of Directors or a committee appointed by the Board of Directors (the "Committee") which will determine, in its discretion, among other things, the recipients of grants, whether a grant will consist of ISOs, NQOs or a combination thereof, and the number of shares to be subject to such options.

The Option Plan provides for the granting of ISOs or NQOs to purchase Common Stock at an exercise price to be determined by the Board of Directors or the Committee not less than the fair market value of the Common Stock on the date the option is granted.

The total number of shares with respect to which options may be granted under the Option Plan is currently 2,225,000. Options may not be granted to an individual to the extent that in the calendar year in which such options first become exercisable the shares subject to such options have a fair market value

-52-

Edgar Filing: AMPLIDYNE INC - Form 10KSB

on the date of grant in excess of \$100,000. No option may be granted under the Option Plan after May 2006 and no option may be outstanding for more than ten years after its grant. Additionally, no option can be granted for more than five (5) years to a stockholder owning 10% or more of the Company's outstanding Common Stock and such options must have an exercise price of not less than 110% of the fair market value on the date of grant.

Upon the exercise of an option, the holder must make payment of the full exercise price. Such payment may be made in cash or in shares of Common Stock, or in a combination of both. The Company may lend to the holder of an option funds sufficient to pay the exercise price, subject to certain limitations.

The Option Plan may be terminated or amended at any time by the Board of Directors, except that, without stockholder approval, the Option Plan may not be amended to increase the number of shares subject to the Option Plan, change the class of persons eligible to receive options under the Option Plan or materially increase the benefits of participants.

As of December 31, 2001, 1,791,000 options to purchase Common Stock under the Option Plan were granted and/or reserved to certain employees, including Devendar Bains (1,000,000 options), Tarlochan Bains (100,000 options), and Nirmal Bains (50,000 options), the Company's Chief Executive Officer, Vice President-Operations and Secretary, respectively. The options are exercisable at \$4.00 and expire on May 31, 2004. 30,000 options to purchase Common Stock were granted to each of Messrs. Detroja and Ritchie, Directors of the Company. These options are exercisable at \$1.25, are fully vested and expire on May 31, 2004. In addition, 100,000 options to purchase Common Stock were issued to Mr. Momi, a former officer, which are exercisable at \$3-1/8, are fully vested and expire December 31, 2005. In addition, 85,000 options issued to other employees are exercisable at \$3.25 per share, which vest over a period of time through December 31, 2002. Such options expire between November 1, 2003 and December 31, 2004. No determinations have been made regarding the persons to whom options will be granted in the future, the number of shares which will be subject to such options or the exercise prices to be fixed with respect to any option.

Other Options

As of December 31, 2001, each of Messrs. Detroja and Ritchie also own 45,000 options to purchase Common Stock. These options are exercisable at \$1.25 per share, are fully vested and expire on May 31, 2004. In addition, pursuant to the terms of Mr. Lawrence's employment agreement, the Company issued 300,000 options to purchase Common Stock exercisable at \$1.50 per share. The options vest equally in March 2002 and September 2002 and expire December 31, 2005.

-53-

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL

 OWNERS AND MANAGEMENT

The following table sets forth certain information, as of March 31, 2002 with respect to the beneficial ownership of the outstanding Common Stock by (i) any holder of more than five percent (5%); (ii) each of the Company's officers and directors; and (iii) the directors and officers of the company as a group:

Name of Beneficial Owner*	Number of Shares of Common Stock(1)	Percentage (%) of Ownership
-----	-----	-----
Devendar S. Bains(2)	3,272,985	30.54

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Michael E. Lawrence(3)	150,000	1.53
Tarlochan Bains(4)	178,456	1.83
Nirmal Bains(2)	3,272,985	30.54
Charles J. Ritchie(5)	75,000	.77
Manish V. Detroja(6)	75,000	.77
Joseph Giamanco(7)	793,858	8.19
Jerome Belson(8)	808,402	8.32
All Officers and Directors as a group (6 persons)(9)	3,751,441	35.44

* Unless otherwise indicated, the address of all persons listed in this section is c/o Amplidyne, Inc., 59 LaGrange Street, Raritan, NJ 08869.

- (1) Beneficial ownership as reported in the table above has been determined in accordance with Instruction (4) to Item 403 of Regulation S-B of the Exchange Act.
- (2) Mr. Devendar Bains is the husband of Mrs. Nirmal Bains and the brother of Mr. Tarlochan Bains. Mr. Devendar Bains is the record holder of 2,194,812 of such shares and Mrs. Nirmal Bains is the record holder of 28,173 of such shares. Includes 1,000,000 stock options which were granted to Mr. Devendar Bains. Includes 50,000 stock options which were granted to Ms. Nirmal Bains. See "Executive Compensation-Stock Option Plans and Agreements."
- (3) Represents 150,000 shares of Common Stock that are issuable upon exercise of stock options that are exercisable at \$1.50 per share and expire December 31, 2005. Does not include 150,000 shares of Common Stock underlying stock options that are not exercisable until September 2002. See "Executive Compensation - Employment Agreements."
- (4) Mr. Tarlochan Bains is the brother of Mr. Devendar Bains. Mr. Tarlochan Bains is the record holder of 78,456 of such shares. Includes 100,000 stock options. See "Executive Compensation - Stock Option Plans and Agreements."
- (5) The address for such person is 92 Parker Road, Long Valley, NJ 07853. Includes 75,000 stock options. See "Executive Compensation - Stock Option Plans and Agreements."

-54-

- (6) The address for such person is 925 Schwal Road, Hatfield, PA 19440. Includes 75,000 stock options. See "Executive Compensation - Stock Option Plans and Agreements."
- (7) Based upon a Schedule 13G filed with the SEC on February 2, 2001 and other information provided to the Company by such stockholder. The address for this stockholder is c/o G.H.M., Inc., 74 Trinity Place, New York, NY 10006. Includes 25,000 shares of Common Stock that are issuable upon exercise of warrants owned by such stockholder that are exercisable at \$3.00 per share and expire on July 31, 2004.
- (8) Based upon a Schedule 13D filed with the SEC on August 27, 2001 and other information provided to the Company by such stockholder. The address for

Edgar Filing: AMPLIDYNE INC - Form 10KSB

this stockholder is c/o Jerome Belson Associates, Inc., 495 Broadway, New York, NY 10012. Includes 670,402 shares owned by Mr. Belson and 88,000 shares owned by the Jerome Belson Foundation, a charitable corporation of which Mr. Belson is the President and, as a result, may be deemed to have voting and investment power over such shares. Also includes 50,000 shares that are issuable upon exercise of warrants owned by Mr. Belson that are exercisable at \$3.00 per share and expire on July 31, 2004. Does not include an additional 135,400 shares of Common Stock held by certain members of Mr. Belson's family. All of such persons may be deemed to be members of a group within the meaning of Section 13(d) of the Exchange Act that owns 9.71% of the Company's outstanding Common Stock.

- (9) Includes 1,000,000 options held by Devendar Bains, 50,000 options held by Nirmal Bains, 100,000 options held by Tarlochan Bains, 75,000 options held by Mr. Detroja, 75,000 options held by Mr. Ritchie and 150,000 options held by Mr. Lawrence. See Notes 2, 3, 4, 5 and 6. Does not include 150,000 options issued to Mr. Lawrence which are not currently exercisable. See Note 3.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Between January 1994 and December 1996, Devendar S. Bains, the Company's President and Chief Executive Officer, loaned the Company an aggregate of \$442,745 without interest, payable on demand. \$339,694 was repaid during 1997 and an additional \$98,000 was repaid during 1998. In connection with the Company's settlement of a litigation, Devendar S. Bains, the Company's President and Chief Executive Officer, loaned the Company \$41,000 (in October 1997) without interest, payable on demand. Through December 31, 1999, substantially all amounts were settled either by payment or issuance of stock.

As of December 31, 2001, approximately \$56,000 was owed to the Company by Devendar S. Bains, the Company's Chief Executive Officer. No repayment terms have been set.

Mr. Detroja, a director of the Company, is the president and chief executive officer of one of the Company's vendors. During fiscal year 2001 and 2000, respectively, the Company made purchases of approximately \$79,000 and \$70,000, respectively, from such vendor.

See "Management - Employment Agreement" for issuances to officers and directors.

-55-

The Company intends to indemnify its officers and directors to the full extent permitted by Delaware law. Under Delaware law, a corporation may indemnify its agents for expenses and amounts paid in third party actions and, upon court approval in derivative actions, if the agents acted in good faith and with reasonable care. A majority vote of the Board of Directors, approval of the stockholder or court approval is required to effectuate indemnification.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to officers, directors or persons controlling the Company, the Company has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in such Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by an officer, director or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such officer, director or controlling person in

Edgar Filing: AMPLIDYNE INC - Form 10KSB

connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in such Act and will be governed by the final adjudication of such issue.

Transactions between the Company and its officers, directors, employees and affiliates will be on terms no less favorable to the Company than can be obtained from unaffiliated parties. Any such transactions will be subject to the approval of a majority of the disinterested members of the Board of Directors.

-56-

PART IV

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(A) (1) FINANCIAL STATEMENTS.

The following financial statements are included in Part II, Item 7:

Index to Financial Statements	F-1
Report of Independent Certified Public Accountants	F-2 - F-3
Balance Sheets	F-4 - F-5
Statement of Operations	F-6
Statement of Stockholders' Equity	F-7
Statement of Cash Flows	F-8
Notes to Financial Statements	F-9 - F-24

(A) (2) EXHIBITS

1.1*	Form of Underwriting Agreement
1.2*	Form of Selected Dealer Agreement
1.3*	Form of Agreement Among Underwriters
3.1*	Certificate of Incorporation of the Company
3.2*	Certificate of Merger (Delaware)
3.3*	Certificate of Merger (New Jersey)
3.4*	Agreement and Plan of Merger
3.5*	By-Laws of the Company
3.6**	Certificate of Designation of Series A Preferred Stock
4.1*	Specimen Certificate for shares of Common Stock
4.2*	Specimen Certificate for Warrants
4.3*	Form of Underwriter's Purchase Option
4.4*	Form of Warrant Agreement
10.1*	1996 Incentive Stock Option Plan
10.2*	Employment Agreement between the Company and Devendar S. Bains
10.3*	Employment Agreement between the Company and Tarlochan Bains
10.4*	Employment Agreement between the Company and Nirmal Bains
10.5	Intentionally Omitted
10.6	Intentionally Omitted
10.7*	Agreement between the Company and Electronic Marketing Associates, Inc.

Edgar Filing: AMPLIDYNE INC - Form 10KSB

10.8* Agreement between the Company and Link Microtek Limited.
10.9* Agreement between the Company and ENS Engineering.
10.10 Intentionally Omitted

-57-

10.11 Intentionally Omitted
10.12* Form of Lockup Agreement with Officers, Directors and 5% or Greater Shareholders.
10.13* Form of Lockup Agreement with Selling Securityholders.
23.1 Consent of Kahn Boyd Levychin, LLP, Independent Certified Public Accountants.
23.2 Consent of Grant Thornton LLP, Independent Certified Public Accountants.

* Incorporated by Reference to the Company's Registration Statement on Form SB-2, No. 333-11015.

** Incorporated by Reference to the Company's Form 8-K filed on August 3, 1999.

(b) REPORTS ON FORM 8-K

The Company did not file any reports on Form 8-K during the fourth quarter of fiscal 2001.

-58-

AMPLIDYNE, INC.

INDEX TO FINANCIAL STATEMENTS

	Page

Report of Independent Certified Public Accountants	F-2 - F-3
Financial Statements	
Balance Sheets	F-4 - F-5
Statements of Operations	F-6
Statement of Stockholders' Equity	F-7
Statements of Cash Flows	F-8
Notes to Financial Statements	F-9 - F-24

F-1

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF DIRECTORS AND STOCKHOLDERS
AMPLIDYNE, INC.

We have audited the accompanying balance sheet of Amplidyne, Inc. as of December 31, 2001, and the related statements of operations, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amplidyne, Inc., as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KAHN BOYD LEVYCHIN, LLP

New York, New York
March 21, 2002

F-2

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF DIRECTORS AND STOCKHOLDERS
AMPLIDYNE, INC.

We have audited the accompanying balance sheet of Amplidyne, Inc. as of December 31, 2000, and the related statements of operations, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Edgar Filing: AMPLIDYNE INC - Form 10KSB

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amplidyne, Inc., as of December 31, 2000, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

Edison, New Jersey
March 21, 2001

F-3

AMPILDYNE, INC.

BALANCE SHEETS

DECEMBER 31,

ASSETS	2001	2000
	-----	-----
CURRENT ASSETS		
Cash and cash equivalents	\$ 697,940	\$1,966,142
Accounts receivable, net of allowance for doubtful accounts of \$131,104 and \$291,000 in 2001 and 2000, respectively	449,190	318,345
Inventories	1,181,682	597,953
Loan receivable - officer	55,892	33,667
Prepaid expenses and other	23,464	101,957
	-----	-----
Total current assets	2,408,168	3,018,064
PROPERTY AND EQUIPMENT - AT COST		
Machinery and equipment	723,663	720,818

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Furniture and fixtures	43,750	43,750
Autos and trucks	66,183	66,183
Leasehold improvements	8,141	8,141
	-----	-----
	841,737	838,892
Less accumulated depreciation and amortization	687,260	588,845
	-----	-----
	154,477	250,047
SECURITY DEPOSITS AND OTHER NON-CURRENT ASSETS	52,106	72,354
	-----	-----
	\$2,614,751	\$3,340,465
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

F-4

AMPLIDYNE, INC.

BALANCE SHEETS

DECEMBER 31,

LIABILITIES AND STOCKHOLDERS' EQUITY	2001	2000
	-----	-----
CURRENT LIABILITIES		
Current maturities of lease obligations	\$ 9,271	\$ 11,385
Accounts payable	121,533	242,289
Accrued expenses	131,308	258,875
Accrued settlement of litigation	180,000	150,000
	-----	-----
Total current liabilities	442,112	662,549
LONG-TERM LIABILITIES		
Lease obligations, less current maturities	-	9,785
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Convertible Preferred stock - authorized 100,000 shares of \$.0001 par value; 55,000 shares issued and outstanding at December 31, 2001 (liquidation preference of \$550,000 at December 31, 2001)	6	-
Common stock - authorized, 25,000,000 shares		

Edgar Filing: AMPLIDYNE INC - Form 10KSB

of \$.0001 par value; shares 7,892,661 and 7,463,841 shares issued and outstanding at December 31, 2001 and 2000, respectively

	790	747
Additional paid-in capital	21,921,495	20,212,154
Subscriptions receivable - preferred stock	(180,000)	-
Accumulated deficit	(19,569,652)	(17,544,770)
	-----	-----
	2,172,639	2,668,131
	-----	-----
	\$ 2,614,751	\$ 3,340,465
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

F-5

AMPLIDYNE, INC.

STATEMENTS OF OPERATIONS

YEAR ENDED DECEMBER 31,

	2001	2000
	-----	-----
Net sales	\$ 2,205,429	\$ 2,595,090
Cost of goods sold	1,281,009	2,465,072
	-----	-----
Gross profit	924,420	130,018
Operating expenses		
Selling, general and administrative	1,904,490	1,986,170
Research, engineering and development	593,823	590,496
Stock compensation and financing costs	140,000	114,545
	-----	-----
Operating loss	(1,713,893)	(2,561,193)
Nonoperating income (expenses)		
Interest income and other income	50,915	116,870
Interest expense	(864)	(2,169)
Litigation settlement costs	(550,000)	(175,000)
Sale of New Jersey net operating loss carryforward	189,744	191,816
	-----	-----
Loss before income taxes	(2,024,098)	(2,429,676)

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Provision for income taxes	784	10,369
	-----	-----
NET LOSS	\$ (2,024,882)	\$ (2,440,045)
	=====	=====
Net loss per share - basic and diluted	\$ (.26)	\$ (.34)
	=====	=====
Weighted average number of shares outstanding	7,706,971	7,276,237
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

F-6

AMPLIDYNE, INC.

STATEMENT OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2001 AND 2000

	Preferred stock		Common
	Shares	Par value	Shares
	-----	-----	-----
Balance at December 31, 1999			6,924,970
Net loss for the year ended December 31, 2000			
Issuance of common stock, net of costs			319,000
Exercise of warrants			177,121
Financing and compensation costs related to options and warrants issued			-
Exercise of stock options into shares of common stock			42,750
	-----	-----	-----
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			
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

Edgar Filing: AMPLIDYNE INC - Form 10KSB

	-----	-----	-----
BALANCE AT DECEMBER 31, 2001	55,000	\$ 6	7,892,661
	=====	=====	=====
	Additional paid-in capital	Accumulated deficit	Subscription Receivable
	-----	-----	-----
Balance at December 31, 1999	\$17,618,398	\$(15,104,725)	
Net loss for the year ended December 31, 2000		(2,440,045)	
Issuance of common stock, net of costs	1,594,968	-	
Exercise of warrants	713,248	-	
Financing and compensation costs related to options and warrants issued	114,545	-	
Exercise of stock options into shares of common stock	170,995	-	
	-----	-----	-----
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	-	(180,000)
Issuance of Common Stock for services rendered by third party	14,639	-	
	-----	-----	-----
BALANCE AT DECEMBER 31, 2001	\$21,921,495	(\$19,569,652)	(180,000)
	=====	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

F-7

AMPLIDYNE, INC.

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31,

	2001	2000
	-----	-----
Cash flows from operating activities		
Net loss	\$(2,024,882)	\$(2,440,045)
	-----	-----

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	98,415	125
Bad debt expense	67,592	98
Write-off of obsolete inventory	20,000	10
Settlement of litigation	530,000	150
Stock compensation and finance cost	154,640	114
Changes in assets and liabilities		
Accounts receivable	(204,876)	26
Inventories	(603,728)	309
Prepaid expenses and other	105,179	(115)
Accounts payable and accrued expenses	(248,842)	(146)
	-----	-----
Total adjustments	(81,620)	573
	-----	-----
Net cash used in operating activities	(2,106,502)	(1,866)
	-----	-----
Cash flows from investing activities		
Loan receivable - officer	(22,225)	(33)
Purchase of property and equipment	(2,845)	(42)
	-----	-----
	(25,070)	(75)
Cash flows from financing activities		
Payment of lease obligations	(11,380)	(15)
Proceeds from sale of preferred stock, net of costs	315,000	
Proceeds from sale of common stock, net of costs	559,750	1,595
Proceeds from exercise of options and warrants	-	884
	-----	-----
Net cash provided by financing activities	863,370	2,463
	-----	-----
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,268,202)	521
	-----	-----
Cash and cash equivalents at beginning of year	1,966,142	1,445
	-----	-----
Cash and cash equivalents at end of year	\$ 697,940	\$ 1,966
	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid during the year for		
Interest	\$ 1,000	\$ 2,
Income taxes	\$ 3,000	\$ 3,

See Notes C, F and G-2 for noncash investing and financing activity

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

Edgar Filing: AMPLIDYNE INC - Form 10KSB

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE A - NATURE OF OPERATIONS AND LIQUIDITY

Amplidyne, Inc. (the Company) has historically operated in one segment, which is the design, manufacture and selling of ultra linear power amplifiers and related subsystems to the worldwide wireless, local loop and satellite uplink telecommunications market. In 1999 the Company introduced products which offer high-speed wireless internet connectivity to residential and business clients of internet service providers. These products are sold under the AmpWave (TM) name.

The Company has incurred losses of \$2,024,882 and \$2,440,045 in 2001 and 2000, respectively. The Company funded operations during this period primarily from the proceeds from privately placed common and preferred stock and exercise of warrants and options. 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:

- o Increasing sales of its high speed internet connectivity products through both individual customers and strategic alliances, which are expected to yield higher profit margins;
- o Decreasing the dependency on certain major customers by aggressively seeking other customers in the multicarrier 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 Investigate potential revenue - sharing partnership in other markets, such as the hospitality industry and multi-tenant buildings;
- o Reducing costs through a more streamlined operation by using automated machinery to produce components for our products;
- o Funding operations in 2002 with the remaining cash that was received from the 2001 private placements, possible 2002 private placements, and the 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 if necessary.

Edgar Filing: AMPLIDYNE INC - Form 10KSB

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001 AND 2000

NOTE B - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. REVENUE RECOGNITION

Revenue is recognized upon shipment of products to customers.

2. INVENTORIES

Inventories are stated at the lower of cost or market; cost is determined using the first-in, first-out method. At December 31, 2001 and 2000, inventories consisted of the following:

	2001	2000
	-----	-----
Component parts	\$724,797	\$507,199
Work-in-progress	231,150	90,754
Finished Goods	225,735	-
	-----	-----
	\$1,181,682	\$597,953
	=====	=====

3. PROPERTY, PLANT AND EQUIPMENT

Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, which range from three to seven years. Leasehold improvements are amortized over the lives of the respective leases, or the service lives of the improvements, whichever is shorter. The straight-line method of depreciation is followed for substantially all assets for financial reporting purposes, but accelerated methods are used for tax purposes.

4. VALUATION OF LONG-LIVED ASSETS

The Company reviews long-lived assets held and used for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company has not recorded any provision for the impairment of long-lived assets at December 31, 2001.

F-10

AMPLIDYNE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001 AND 2000

Edgar Filing: AMPLIDYNE INC - Form 10KSB

NOTE B (CONTINUED)

5. INCOME TAXES

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. This statement requires, among other things, an asset and liability approach for financial accounting and reporting of deferred income taxes. In addition, the deferred tax liabilities and assets are required to be adjusted for the effect of any future changes in the tax law or rates. Deferred income taxes arise from temporary differences resulting in the basis of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is provided if the Company is uncertain as to the realization of deferred tax assets.

6. RISKS, UNCERTAINTIES AND CERTAIN CONCENTRATIONS OF CREDIT RISK AND ECONOMIC DEPENDENCY

The Company's future results of operations involve a number of significant risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, but are not limited to, dependence on key personnel, dependence on a limited number of customers, ability to design new products and product obsolescence, ability to generate consistent sales, ability to finance research and development, government regulation, technological innovations and acceptance, competition, reliance on certain vendors, credit and other risks.

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and accounts receivable.

The Company maintains cash and cash equivalents in bank deposit and money market accounts in one bank, which, at times, may exceed federally insured limits or not be insured. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

During 2001, two customers accounted for 74% of net sales (62% and 12%) and 49% of accounts receivable at December 31, 2001. Export sales in 2001 accounted for approximately 85% of net sales and were primarily to the United Kingdom (62%), Canada (12%), and Europe.

F-11

AMPLIDYNE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001 AND 2000

NOTE B (CONTINUED)

Edgar Filing: AMPLIDYNE INC - Form 10KSB

During 2000, two customers accounted for 75% of net sales (49% and 26%) and 38% of accounts receivable at December 31, 2001. Export sales in 2000 accounted for approximately 83% of net sales and were primarily to the United Kingdom (47%), Canada (25%), and Europe.

In addition, the Company is dependent on a limited number of suppliers for key components used in the Company's products (primarily power transistors) and subcontracted manufacturing processes. Management believes that other suppliers could provide similar components and processes on comparable terms. A change in suppliers, however, could disrupt manufacturing.

The carrying values of financial instruments potentially subject to valuation risk, consisting of cash and cash equivalents, accounts receivable, and officer's loan receivable, approximate fair value, principally because of the short maturity of these items.

7. USE OF ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. STOCK-BASED EMPLOYEE COMPENSATION

Stock-based employee compensation is accounted for under the intrinsic value based method as prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations as clarified by Financial Interpretation No. 44 (FIN 44), Accounting for Certain Transactions Involving Stock Compensation. Included in these notes to the financial statements are the pro forma disclosures required by Statement of Financial Accounting Standards No. 123 (SFAS No. 123), Accounting for Stock-Based Compensation.

F-12

AMPLIDYNE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001 AND 2000

NOTE B (CONTINUED)

9. CASH AND CASH EQUIVALENTS

Edgar Filing: AMPLIDYNE INC - Form 10KSB

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

10. ADVERTISING EXPENSES

The Company expenses advertising costs as incurred. Advertising expenses were approximately \$93,000 and \$175,000 for the years ended December 31, 2001 and 2000, respectively.

11. RECLASSIFICATIONS

Certain reclassifications were made to the 2000 amounts to conform to the current presentation.

12. LOSS PER SHARE

Statement of Financial Accounting Standards No. 128 (SFAS No. 128), Earnings per Share, specifies the computation, 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 shares of common stock outstanding. Net loss per common share - diluted does not include potential common shares derived from stock options and warrants because they are antidilutive. The number of antidilutive securities excluded from the dilutable loss per share calculation for the years ended December 31, 2001 and 2000 were 2,134,000 shares and 2,062,250 shares, respectively.

F-13

AMPLIDYNE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001 AND 2000

NOTE B (CONTINUED)

Edgar Filing: AMPLIDYNE INC - Form 10KSB

13. 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:

	2001 -----	2000 -----
Sales - external for the years ended December 31,		
Amplifier	\$ 1,901,702	\$2,139,590
Internet business	303,727	455,500
	-----	-----
	\$ 2,205,429	\$2,595,090
	=====	=====
Inventory as of December 31,		
Amplifier	\$802,964	439,953
Internet business	378,718	158,000
	-----	-----
	\$ 1,181,682	\$ 597,953
	=====	=====

14. NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (SFAS No. 133), Accounting for Derivative Instruments. SFAS No. 133, as amended, is effective for fiscal years beginning after June 15, 2000. SFAS No. 133 established accounting and reporting standards for derivative instruments and for hedging activities. SFAS No. 133 requires that an entity recognize all derivatives as either assets or liabilities and measure those instruments at fair market value. Under certain circumstances, a portion of the derivative's gain or loss is initially reported as a component of income when the transaction affects earnings. For a derivative not designated as a hedging instrument, the gain or loss is recognized in the period of change. We believe that the adoption of SFAS No. 133 will not have an impact on our financial position or results of operations.

In December 1999, the staff of the Securities and Exchange Commission issued Staff Accounting Bulletin 101, Revenue Recognition. to provide guidance on the recognition, presentation, and disclosure of revenue in financial statements. Our policies on revenue recognition are consistent with this bulletin.

Edgar Filing: AMPLIDYNE INC - Form 10KSB

AMPLIDYNE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001 AND 2000

NOTE B (CONTINUED)

In March 2000, the Financial Accounting Standards Board issued Financial Interpretation No. 44 (FIN 44), Accounting for Certain Transactions Involving Stock Compensations - and Interpretation of APB No. 25. FIN 44 clarifies the application of APB No. 25 for certain issues including: (a) the definition of an employee for purposes of applying APB No. 25, (b) the criteria for determining whether a plan qualifies as a non-compensatory plan, (c) the definition of the date of granting employee stock options, and (d) the accounting consequences of various modifications to the terms of a previously fixed stock option or award. FIN 44 became effective July 1, 2000, except for the provisions that relate to modifications that directly or indirectly reduce the exercise price of an award and the definition of an employee, which became effective after December 15, 1998. The adoption of FIN 44 had no material impact on the accompanying financial statements.

On July 20, 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 141, Business Combinations, and SFAS 142, Goodwill and Intangible Assets. SFAS 141 is effective for all business combinations completed after June 30, 2001. SFAS 142 is effective for fiscal years beginning after December 15, 2001; however, certain provisions of this Statement apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS 142. Major provisions of these Statements and their effective dates for the Company are as follows:

- all business combinations initiated after June 30, 2001 must use the purchase method of accounting. The pooling of interest method of accounting is prohibited except for transactions initiated before July 1, 2001.
- intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal rights or are separable from the acquired entity and can be sold, transferred, licensed, rented or exchanged, either individually or as part of a related contract, asset or liability
- goodwill, as well as intangible assets with indefinite lives, acquired after June 30, 2001, will not be amortized. Effective January 1, 2002, all previously recognized goodwill and intangible assets with indefinite lives will no longer be subject to amortization.
- effective January 1, 2002 goodwill and intangible assets with indefinite lives will be tested for impairment annually and whenever there is an impairment indicator
- all acquired goodwill must be assigned to reporting units for purposes of impairment testing and segment reporting.

Although it is still reviewing the provisions of these Statements, management's preliminary assessment is that these Statements will not have a material impact on the Company's financial position or results of operations.

NOTE C - PUBLIC OFFERING AND PRIVATE PLACEMENTS

PUBLIC OFFERING

Edgar Filing: AMPLIDYNE INC - Form 10KSB

A registration statement covering an underwritten public offering of 1,610,000 units at a price of \$5.10 per unit, prior to underwriters' commissions, was declared effective by the Securities and Exchange Commission on January 21, 1997. Each unit consisted of one share of common stock, par value \$.0001 per share and one redeemable common stock purchase warrant. In 1997, the Company received net proceeds from the public offering of approximately \$6,782,000, which included the over allotment of 210,000 units. The proceeds are net of legal fees, underwriters' fees and other expenses of the offering totaling approximately \$1,429,000. Each warrant originally entitled the holder to purchase one share for \$6.00 during the four-year period ending January 21, 2001. The Company provided notice in April 2000 to redeem the warrants on May 17, 2000 unless the warrants were previously exercised.

On May 1, 2000, the Company reduced the exercise price of the warrants to \$5.00 per share. Through May 16, 2000, 124,871 warrants were exercised, yielding proceeds of \$650,454. The remaining unexercised warrants of 1,485,129 were redeemed at \$0.01 per warrant on May 17, 2000, resulting in an aggregate expenditure of \$14,851.

The underwriter received an option to purchase up to 140,000 shares of common stock and 140,000 warrants under the same terms. All the options remained outstanding at December 31, 2000 and the warrants were redeemed in May 2000.

F-15

AMPLIDYNE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001 AND 2000

NOTE C (CONTINUED)

PRIVATE PLACEMENTS

In 2000, the Company entered into the following private placements and issuance of warrants:

- o Sale of 319,000 shares of common stock at \$5.00 per share, resulting in net proceeds of \$1,595,000.
- o Warrants to purchase 141,000 shares of common stock at \$1.75 per share were issued to an investment bank assisting in a prior private placement and to a consultant. None of these warrants were exercised in 2000.
- o Agreed to issue 1,820 shares of restricted stock to a media consultant for services rendered which were issued in January 2001.

At December 31, 2001, the following 882,500 warrants, remained outstanding:

(1) 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 2002 and (12) 100,000

Edgar Filing: AMPLIDYNE INC - Form 10KSB

exercisable at \$5.00 through November 2002.

At December 31, 2001, the Company had employee stock options outstanding to acquire 2,181,000 shares of common stock at exercise prices of \$1.25 to \$4.00.

In 2001 the Company entered into the following private placements:

- o During the second quarter ended June 30, 2001, the Company issued 390,000 shares of common stock at \$1.50 per share, to accredited investors, resulting in gross proceeds of \$585,000. The Company paid cash commissions of \$58,500 in connection with such private placement.
- o In July 2001, the Company issued 25,000 shares of common stock at \$1.50 per share, to accredited investors, resulting in gross proceeds of \$37,000. The Company paid cash commissions of \$3,750 in connection with such private placement.
- o In the 3rd and 4th quarters of 2001, the Company issued 55,000 shares of Series B Preferred Stock to accredited investors pursuant to Rule 506 of Regulation D of the Act. The Company sold such shares at \$10.00 per share, received gross proceeds of \$550,000 and paid brokerage commissions of \$55,000 (resulting in net proceeds of \$495,000, \$180,000 [net] of which was received in the first quarter of 2002). The Preferred Stock: (i) are entitled to dividends at the annual rate of 10%, payable semi-annually, in cash or in shares of Common Stock; (ii) has a liquidation preference of \$10.00 per share, (iii) is convertible into shares of Common Stock at the lesser of (A) 100% of the average closing sales price of the Common Stock on the five trading days prior to issuance or (B) 85% of the average closing sale price of the Common Stock for the five trading days prior to conversion, in each case not less than \$.75 per share; (iv) is non-voting, (v) is subject to redemption (at the option of the Company) at a rate of 110% of the original issuance price and (vi) shall automatically convert into Common Stock on September 30, 2004 (if not previously converted). The Company shall also have the right, at its option, to convert the Preferred Stock (at a conversion rate of \$1.00 per share) if the average closing sales price per share of Common Stock, for a consecutive 20 trading day period, is \$3.00 or greater. All shares outstanding at December 31, 2001 converted to common in the first quarter of 2002.

F-16

AMPLIDYNE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001 AND 2000

NOTE C (CONTINUED)

For the year ended December 31, 2001 and 2000, the Company recorded a charge to operations of \$140,000 and \$114,000, respectively, reflecting the costs recognized for warrants issued to consultants of the Company, and employee stock options granted with a strike price below quoted market value (see Note D).

Under the accounting guidance of FIN 44, a reduction of a warrant's exercise price or an extension of the exercise date is treated as a variable option, and therefore requires that a portion of the difference between the market values at the date of the modification be charged to operations. The extension of the exercise date of the warrants mentioned above did not result in a charge to operations because the extension occurred prior to the effective date of FIN 44

Edgar Filing: AMPLIDYNE INC - Form 10KSB

and because the exercise price exceeded the market value of the underlying common stock at the date of the extension.

NOTE D - STOCK OPTION PLANS

An option and stock appreciation rights (SARs) plan was authorized prior to the public offering whereby options could be granted to purchase no more than 1,500,000 shares of common stock at exercise prices no less than fair market value as of date of grant. At the 2001 Annual Shareholders' Meeting, the maximum number of shares set aside for this plan was increased to 2,225,000. Under the plan, employees and directors may be granted options to purchase shares of common stock at the fair market value at the time of grant. Options generally vest in three years and expire in four years from the date of grant. 1,491,000 options remained outstanding at December 31, 2001. The extension of the exercise date of the warrants mentioned above did not result in a charge to operations because the extension occurred prior to the effective date of FIN 44 and because the exercise price exceeded the market value of the underlying common stock at the date of the extension.

F-17

AMPLIDYNE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001 AND 2000

NOTE D (CONTINUED)

The Company has elected to follow Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees, and related Interpretations in accounting for its stock options. Under APB No. 25, if the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. SFAS No. 123, Accounting for Stock-Based Compensation, requires presentation of pro forma net loss and loss per share as if the Company had accounted for its employee stock options granted under the fair value method of that statement. For purposes of pro forma disclosure, the estimated fair value of the options is amortized to expense over the vesting period. Under the fair value method, the Company's net loss and loss per share would have been as follows:

Edgar Filing: AMPLIDYNE INC - Form 10KSB

	2001 -----	2000 -----
Net loss	\$(2,061,649)	\$(2,476,812)
Loss per share	\$ (.27)	\$ (.34)

During 2000, 19,000 options were granted at a strike price above quoted market value at the date of grant, and 91,000 options were granted at a below market value price. During 2000, 91,000 options were granted at a price equal to the quoted market value at the date of grant. The fair values were determined using a Black-Scholes option-pricing model using the following assumptions:

	2000 -----
Dividend	-
Risk-free rate	6.0%
Volatility	157.07%
Expected life	4 YEARS
Calculated weighted-average fair value of options issued during the year	\$ 2.83

F-18

AMPLIDYNE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001 AND 2000

NOTE D (CONTINUED)

Stock option activity during 2000, is summarized below:

	Shares of common stock attributable to options -----	Weighted- average exercise price of options -----
Unexercised at December 31, 1999	1,471,000	3.83

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Exercise of options	(42,750)	4.00
Forfeiture	(28,250)	4.00
Issuance to employees and directors	91,000	3.25

Unexercised at December 31, 2000 and 2001	1,491,000	3.85
	=====	

The following table summarizes information concerning outstanding and exercisable options, including warrants issued to officers, at December 31, 2001:

Exercise prices	Options outstanding			Options
	Number outstanding at period-end	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable at period-end
1.25	60,000	1 year	\$1.25	60,000
3.25	85,000	3 years	3.25	56,666
4.00	1,346,000	3.4 years (1)	4.00	1,346,000
	-----			-----
	1,491,000			1,462,666
	=====			=====

(1) Expiration date extended from May 1, 2000 to May 31, 2004.

F-19

AMPLIDYNE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001 AND 2000

NOTE E - INCOME TAXES

Edgar Filing: AMPLIDYNE INC - Form 10KSB

Temporary differences and carryforwards give rise to deferred tax assets and liabilities. The principal components of the deferred tax assets relate to net operating loss carryforwards. At December 31, 2001, the Federal net operating loss carryforwards are approximately \$12,000,000. The net operating loss carryforwards expire at various dates through 2021, and because of the uncertainty in the Company's ability to utilize the net operating loss carryforwards, a full valuation allowance of approximately \$4,426,000 and \$3,688,000 has been provided on the deferred tax asset at December 31, 2001 and 2000, respectively.

The Company participated in the New Jersey Technology Tax Certificate Transfer Program, whereby net operating loss carryforwards generated in New Jersey can be sold to other qualified companies. During 2001 and 2000, the Company received approximately \$190,000 and \$191,000, respectively, from the sale of such net operating losses. The Company expects to sell additional New Jersey net operating losses in 2002, although there can be no assurance a suitable transaction will be consummated. The New Jersey net operating loss carryforwards are approximately \$3,082,000 at December 31, 2001.

Internal Revenue Code Section 382 places a limitation on the utilization of Federal net operating loss and other credit carryforwards when an ownership change, as defined by the tax law, occurs. Generally, this occurs when a greater than 50 percentage point change in ownership occurs. Accordingly, the actual utilization of the net operating loss carryforwards and other deferred tax assets for tax purposes may be limited annually under Code Section 382 to a percentage (about 5%) of the fair market value of the Company at the time of any such ownership change.

The Company's tax provision for 2001 and 2000 is principally due to the impact of state income and minimum taxes.

AMPLIDYNE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001 AND 2000

NOTE F - CAPITAL LEASE OBLIGATIONS

The Company has capital leases (at interest rates ranging from 8.5% to 14.2%) for certain equipment for use in its manufacturing and research, engineering and development activities and a vehicle.

Future minimum lease payments on these leases are as follows:

Year ending December 31,	
2002	\$10,170 -----
	10,170
Less amount representing interest	899 -----
Present value of minimum lease payments	\$9,271 =====
Short-term portion	\$9,271
Long-term portion	- -----
	\$9,271 =====

The cost of assets under capital leases was approximately \$24,000 at December 31, 2001 and 2000, and is included in property and equipment. Accumulated amortization at December 31, 2001 and 2000 was approximately \$24,000.

NOTE G - COMMITMENTS

1. OPERATING LEASES

During July 2000, the Company entered into a lease agreement for approximately 11,000 square feet of office and manufacturing space, for a five-year period ending July 13, 2004. The annual rental is \$71,000 plus the Company's share of real estate taxes, utilities and other occupancy costs.

F-21

AMPLIDYNE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001 AND 2000

NOTE G (CONTINUED)

Future minimum lease payments on non-cancelable operating leases are as follows:

Year ending December 31,

2002	\$71,000
2003	71,000
2004	38,000
2005	-
2006	-

	\$180,000
	=====

Rent expense, including the Company's share of real estate taxes, utilities and other occupancy costs, was \$87,000 and \$85,000 for the years ended December 31, 2001 and 2000, respectively.

2. EMPLOYMENT AGREEMENTS

Commencing May 1, 1996, the Company entered into three five-year employment agreements with its Chairman, its Vice President of Sales and Marketing and its Secretary (the Officers). These agreements were extended to expire April 30, 2005. The agreements call for aggregate annual base salaries of \$312,000, plus certain employee benefits.

Commencing September 12, 2001, the Company entered into a three-year employment agreement with its President. The agreement provides for an annual base salary of \$160,000, subject to increase in certain circumstances. He is entitled to receive an incentive bonus of up to 100% of his base salary as determined by the Board. The agreement contains covenants not to compete with the Company following termination of employment. Pursuant to the agreement, the Company issued 300,000 options to purchase common stock with an exercise price of \$1.50 per share, half of which vest in March 2002 and half of which vest in September 2002 and is also entitled to the grant of additional options in certain circumstances.

The Officers have deferred a portion of their compensation from 1997 through 1999. In 1999 the Officers converted an aggregate of \$181,131 of such deferrals, principally arising in 1999, into 66,378 shares of common stock of the Company,

Edgar Filing: AMPLIDYNE INC - Form 10KSB

representing the estimated fair value of the common stock of the Company at that time. During 2001 and 2000, no shares were converted in lieu of officers' deferred compensation and no compensation was deferred.

In December 1995, the Company entered into employment agreements with its Vice-President of Corporate Communications and Investor Relations and its Vice-President of Strategic Alliances. At December 31, 1998, the Company had accrued expenses aggregating \$120,000 for these individuals who had since resigned. In January 2000, these individuals converted an aggregate of \$60,000 of such amounts due into 48,000 shares of common stock of the Company, representing the estimated fair value of the common stock of the Company at that time. The remaining balance was forgiven and resulted in \$60,000 of income recorded in the 1999 statement of operations.

F-22

AMPLIDYNE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001 AND 2000

NOTE G (CONTINUED)

3. 401(K) PLAN

During 1996, the Company established a defined contribution plan, the Amplidyne, Inc. 401(k) Plan. The Company makes no contributions. All employees with greater than six months' service with the Company are eligible to join the plan. American Funds Service Company administers the plan.

NOTE H - RELATED PARTY TRANSACTIONS

1. STOCKHOLDER LOAN

Approximately \$56,000 and \$34,000 was owed to the Company by the Company's president and principal shareholder as of December 31, 2001 and 2000 respectively. No repayment terms have been set.

2. PURCHASES FROM RELATED PARTY

A member of the Company's Board of Directors is President and CEO of one of the Company's vendors. During 2001 and 2000, the Company made purchases of approximately \$79,000 and \$70,000, respectively, from this vendor.

NOTE I - 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.

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

Edgar Filing: AMPLIDYNE INC - Form 10KSB

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 and \$150,000 remained unpaid at December 31, 2001 and 2000 respectively.

F-23

AMPLIDYNE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001 AND 2000

NOTE I (CONTINUED)

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

Edgar Filing: AMPLIDYNE INC - Form 10KSB

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.

NOTE J - SUBSEQUENT EVENTS

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 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 April 8, 2002, the Company has successfully negotiated one property and has incurred no liability to pay any additional sums under the contract.

In the first quarter of 2002, the Company privately placed 750,000 shares of common stock for gross proceeds of \$600,000.

F-24

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMPLIDYNE, INC.

By: /s/ Devendar S. Bains

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

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Signature

Title

Date

Edgar Filing: AMPLIDYNE INC - Form 10KSB

----- /s/ Devendar S. Bains ----- Devendar S. Bains	----- Chief Executive Officer, Treasurer, Principal Accounting Officer and Director	----- April 15, 2002
----- /s/Michael E. Lawrence ----- Michael E. Lawrence	----- President and Chief Operating Officer	----- April 15, 2002
----- /s/ Tarlochan Bains ----- Tarlochan Bains	----- Vice President and Director	----- April 15, 2002
----- /s/ Nirmal Bains ----- Nirmal Bains	----- Secretary	----- April 15, 2002
----- /s/Charles J. Ritchie ----- Charles J. Ritchie	----- Director	----- April 15, 2002
----- /s/Manish V. Detroja ----- Manish V. Detroja	----- Director	----- April 15, 2002