AMPLIDYNE INC
Form 10QSB
November 14, 2001

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

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001.

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934.

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number 0-21931

AMPLIDYNE, INC.

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

DELAWARE	22-3440510
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

(908) 253-6870
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

The number of shares outstanding of the Issuer's Common Stock, $.0001 Par Value, as of October 31, 2001 was 7,892,661.

AMPLIDYNE, INC.
FORM 10-QSB
NINE MONTHS ENDED SEPTEMBER 30, 2001

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PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

AMPLIDYNE, INC.
BALANCE SHEETS

ASSETS

	September 30, 2001 (Unaudited)	December 31, 2000
CURRENT ASSETS		
Cash and cash equivalents	$1,148,168	$1,966,142
Accounts receivable, net of allowance for doubtful accounts of $359,000 and $291,000 at September 30, 2001 and December 30, 2000, respectively	557,449	318,345
Inventories, principally raw materials	1,053,857	597,953
Loan receivable-officer	46,892	33,667
Prepaid expenses and other	22,122	101,957
Total current assets	2,828,488	3,018,064
PROPERTY AND EQUIPMENT - AT COST		

Machinery and equipment	723,664	720,818
Furniture and fixtures	43,750	43,750
Autos and trucks	66,185	66,183
Leasehold improvements	8,138	8,141
Total	841,737	838,892
Less: Accumulated depreciation and amoritization	687,260	588,845
Net property and equipment	154,477	250,047
OTHER ASSETS		
Security Deposits and other non-current assets	57,518	72,354
TOTAL ASSETS	$3,040,483	$3,340,465

The accompanying notes are an integral part of these financial statements

AMPLIDYNE, INC.
BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2001 (Unaudited)	December 31, 2000
CURRENT LIABILITIES		
Current maturities of lease obligations	$ 11,312	$ 11,385
Accounts payables	342,966	242,289
Accrued expenses	162,543	258,875
Settlement of litigation	180,000	150,000
Total current liabilities	696,821	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; 20,000 shares issued and outstanding at September 30, 2001 (liquidation preference of $200,000 at September 30, 2001)	2	-
Common stock - authorized, 25,000,000 shares Of $.0001 par value; shares 7,892,661, and 7,463,841 shares issued and outstanding at September 30, 2001 and December 31, 2000, respectively.	790	747
Additional paid-in-capital	21,610,099	20,212,154
Accumulated deficit	(19,267,229)	(17,544,770)

Total stockholders' equity	2,343,662	2,668,131
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,040,483	$ 3,340,465

The accompanying notes are an integral part of these financial statements

AMPLIDYNE, INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000	Nine Months Ended September 30 2001
Net Sales	$ 663,899	$ 474,128	$ 1,838,519
Cost of goods sold	409,384	564,949	1,158,698
Gross profit	254,515	(90,821)	679,821
Operating expenses			
Selling, general & administrative	449,697	454,606	1,315,607
Research, engineering and development	138,480	133,799	439,671
Equity-based compensation charge	-	-	140,000
Operating loss	(333,662)	(679,226)	(1,215,457
Other non operating income (expenses)			
Interest income	7,495	39,085	47,462
Interest expense	(3,600)	179	(4,464
Cost of litigation settlement	-	-	(550,000
NET LOSS	$ (329,767)	$ (639,962)	$ (1,722,459
Net loss per share - basic and diluted	$ (.04)	$ (.09)	$ (.23
Weighted average number of shares outstanding	7,883,672	7,430,448	7,609,173

The accompanying notes are an integral part of these financial statements

AMPLIDYNE, INC.
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended Sept. 30, 2001	Nine Months Ended Sept. 30, 2000
Cash flows from operating activities:		
Net Loss	$ (1,722,459)	$ (1,651,020)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	98,415	99,152
Stock compensation charge	-	100,000
Changes in assets and liabilities		
Accounts receivable	(239,104)	(9,381)
Inventories	(455,904)	201,606
Prepaid expenses and other assets	94,671	(25,209)
Accounts payable and accrued expenses	34,345	(247,115)
Total adjustments	(467,577)	119,053
Net cash used for operating activities	(2,190,036)	(1,531,967)
Cash flows from investing activities:		
Loan receivable - officer	(13,225)	-
Purchase of property and equipment	(2,845)	(6,692)
Net cash used for investing activities	(16,070)	(6,692)
Cash flows from financing activities:		
Payment of lease obligations	(9,858)	(13,910)
Proceeds from issuance of stock and exercise of options and warrants, net of costs	1,397,990	2,469,266
Net cash provided by financing activities	1,388,132	2,455,356
NET INCREASE (DECREASE) IN CASH	(817,974)	916,697
Cash at beginning of period	1,966,142	1,445,055
Cash and cash equivalents at end of period	$ 1,148,168	$ 2,361,752
Supplemental disclosures of cash flow information		
Cash paid for: Interest	$ 4,464	$ 729
Income taxes	-	2,700

The accompanying notes are an integral part of these financial statements

AMPLIDYNE, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2000
AND NINE MONTHS ENDED SEPTEMBER 30, 2001

	Preferred Stock		Common Stock		
	Shares	Par Value	Shares	Par Value	Additional Paid-In-Capita
Balance at December 31, 1999		$ -	6,924,970	$ 692	$17,618,398
Net loss for the year ended December 31, 2000			-	-	-
Issuance of common stock net of costs			319,000	32	1,594,968
Exercise of warrants			177,121	19	713,248
Financing and compensation costs related to options and warrants issued			-	-	114,545
Exercise of stock options into shares of common stock			42,750	4	170,995
Balance at Dec. 31, 2000	-	-	7,463,841	747	20,212,154
Unaudited:					
Cost of litigation to be settled by the issuance of common stock					500,000
Financing cost associated with warrants extended and shares issued			1,820		140,000
Issuance of common stock net of costs			415,000	42	559,708
Issuance of Preferred Stock net of costs	20,000	2			179,998
Beneficial Conversion cost relating to convertible Preferred Stock					3,600
Issuance of Common Stock for services rendered by third party			12,000	1	14,639
Net loss for nine months ended September 30, 2001					
Balance at Sept. 30, 2001	20,000	$ 2	7,892,661	$ 790	$ 21,610,099

The accompanying notes are an integral part of these financial statements

AMPLIDYNE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

NOTE A - ADJUSTMENTS

In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of (a) results of operations for the three and nine month periods ended September 30, 2001 and September 30, 2000 (b) the financial position at September 30, 2001 (c) the statements of cash flows for the nine-month period ended September 30, 2001 and September 30, 2000, and (d) the changes in stockholders' equity for the nine-month period ended September 30, 2001 have been made. The results of operations for the nine months ended September 30, 2001 are not necessarily indicative of the results to be expected for the full year.

NOTE B - UNAUDITED INTERIM FINANCIAL INFORMATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for financial statements. For further information, refer to the audited financial statements and notes thereto for the year ended December 31, 2000, included in the Company's Form 10-KSB filed with the Securities and Exchange Commission on April 16, 2001.

NOTE C - PUBLIC OFFERING AND PRIVATE PLACEMENTS

Public Offering

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. Each warrant entitles the holder to purchase one share for $6.00 during the four-year period ending January 21, 2001. The Company provided notice on May 1, 2000 to reduce the exercise price of the warrants to $5.00 per share. The Company previously provided notice in April 2000 to redeem the warrants on May 17, 2000 unless the warrants were previously exercised. Through May 16, 2000, 124,871 warrants were exercised for proceeds of $650,454. The remaining 1,485,129 were redeemed at $.01 per warrant on May 17, 2000.

AMPLIDYNE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

NOTE C - PUBLIC OFFERING AND PRIVATE PLACEMENTS-(CONTINUED)

Private Placements

At September 30, 2001, the following 792,500 warrants remain outstanding: (1) 67,500 exercisable at $2.50 originally through January 20, 2001 but extended to

December 31, 2001, (2) 145,000 exercisable at $4.00 originally through January 20, 2001 but extended to December 31, 2001, (3) 20,000 exercisable at $1.00 through May 2010, (4) 20,000 exercisable at $7.00 through December 2004, (5) 30,000 exercisable at $6.00 through November 2004, (6) 50,000 exercisable at $2.00 through December 2004 and (7) 50,000 exercisable at $4.00 through December 2004, (8) 141,000 exercisable at $1.75 (16,000 of which expire December 2004 and 125,000 of which expire December 2002), (9) 41,500 exercisable at $1.80 through July 31, 2004, (10) 207,500 exercisable at $3.00 through July 31, 2004 and (11) 20,000 exercisable at $1.20 through September 30, 2004. At September 30, 2001, the Company had employee stock options outstanding to acquire 2,136,000 shares of common stock at exercise prices of $1.25 to $4.00.

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.

During the third quarter ended September 30, 2001, the Company issued 25,000 shares of common stock at $1.50 per share, to accredited investors, resulting in gross proceeds of $37,500. The Company paid cash commissions of $3,750 in connection with such private placement.

In September 2001, the Company issued 20,000 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 $200,000 and paid brokerage commissions of $20,000 (resulting in net proceeds of $180,000). 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.

NOTE C - PUBLIC OFFERING AND PRIVATE PLACEMENTS-(CONTINUED)

During the third quarter ended September 30, 2001, the Company issued 12,000 shares of Common Stock to an investor relations firm. An expense amounting to $14,600 was charged to operations as a result of the stock issue.

NOTE D - LOSS PER SHARE

The Company complies with the requirements of the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS No. 128"). SFAS No. 128 specifies the compilation, presentation and disclosure requirements for earnings per share for entities with publicly

held common stock or potential common stock. Net loss per common share - basic and diluted is determined by dividing the net loss by the weighted average number of common stock outstanding.

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

NOTE E - LITIGATION

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

The Company is involved in the following matters:

1. AIRNET COMMUNICATIONS CORPORATION VS AMPLIDYNE, INC.

AirNet filed a complaint in the Circuit Court of the Eighteenth Judicial District of the State of Florida on January 23, 1997 alleging breach of contract. During 2000, the Company settled with AirNet at a cost of $175,000; $25,000 is to be paid quarterly over the next two years. The Company has made partial payments of the required quarterly amount. At September 30, 2001, $95,000 remained unpaid.

NOTE E - LITIGATION-(CONTINUED)

2. ENS ENGINEERING VS AMPLIDYNE, INC.

The Company is 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 September 30, 2001. The Company has not received any required documents and Releases from ENS.

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 purchasers of the Company's common stock and warrants between September 9, 1999 and September 17, 1999. That 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

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) was established for the benefit of members of the class. In addition, the Company is obligated to issue 324,486 freely tradable shares of its common stock (which was valued at $500,000 as of May 2, 2001) on behalf of the class members. As of September 30, 2001, the Company had not been given instructions regarding the issuance of such shares. The Company has recorded the cost of the litigation, including a credit to Additional Paid-In Capital for the value of the settlement that has been settled by the issuance of common stock.

AMPLIDYNE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

NOTE F - LIQUIDITY

The Company has incurred a loss of $1,722,459 for the nine months ended September 30, 2001. The Company funded operations during this period primarily from the proceeds from privately placed common and preferred stock and exercise of warrants and options during the fiscal years ended December 31, 2000 and 2001. The Company has also historically funded certain operating expenses through borrowings (in the form of deferring salaries and cash advances) from officers and principal shareholders. The Company has in the past issued its stock in lieu of cash payments for compensation, sales commissions and consulting fees, wherever possible.

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

- Increasing sales of its high speed internet connectivity products through both individual customers and strategic alliances, which are expected to yield higher profit margins;

- Decreasing the dependency on certain major customers by aggressively seeking other customers in the multicarrier amplifier markets;

- 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;

- Investigate potential revenue - sharing partnership in other markets, such as the hospitality industry and multi-tenant buildings;

- Reducing costs through a more streamlined operations by using automated machinery to produce components for our products;

- Funding operations in 2001 with the remaining cash that was received from the 2000 and 2001 private placements, possible additional 2001 private placements, and the deferral of payments of officers' salaries, as needed;

- Selling remaining net operating losses applicable to the State of New Jersey, pursuant to a special government high-technology incentive program in order to provide working capital, if possible;

- Reducing overhead costs and general expenditures if necessary.

NOTE G - SEGMENT INFORMATION

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

	Nine Months Ended September 30,		Year Ended
Sales-external	2001	2000	December 31, 2000
Amplifier	$ 1,564,512	$ 1,579,153	$ 2,139,590
Internet business	274,007	323,051	455,500
	$ 1,838,519	$ 1,902,204	$ 2,595,090

Inventory:	September 30, 2001	December 31, 2000
Amplifier	$ 714,953	$ 439,953
Internet business	338,904	158,000
	$ 1,053,857	$ 597,953

NOTE H - RECENT ACCOUNTING PRONOUNCEMENTS

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.

NOTE H - RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- 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.

PART I - FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

RESULTS OF OPERATIONS-THREE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2000.

Net sales for the three month period ended September 30, 2001 were $663,899 while net sales for the three month period ended September 30, 2000 were $474,128. Sales increased in both the Company's amplifier and wireless internet products. In addition, the period reflected continued deliveries of orders to Harris Corporation and other large OEM's.

Gross profit for the three months ended September 30, 2001 amounted to $254,515 (38% of sales) compared to ($90,281) (-19% of sales) for the three months ended September 30, 2001 and 2000, respectively. Gross profit improved in 2001, due to higher profit margins on amplifier products and improvements in the manufacturing process. The wireless internet products also produced some of the gross profit, however, the set-up time to develop manufacturing processes and small order quantities decreased the overall gross profit margin. Further, in the third quarter of 2000, the sales volume was particularly low thereby reducing the opportunity to recover fixed manufacturing costs.

Selling, general and administrative expenses were $449,697 and $454,606 for the three months ended September 30, 2001 and 2000, respectively. Overall the costs have remained relatively unchanged.

Research, engineering, and development costs remained relatively constant for the three months ended September 30, 2001 from the corresponding three month period of 2000.

The interest income decreased for the three months ended September 30, 2001 compared to the corresponding period of 2000. The decrease is due to funds available for short term investment.

As a result of the foregoing, the Company incurred net losses of ($329,767) or ($.04) per share and ($639,962) or ($.09) per share for the three months ended September 30, 2001 and 2000, respectively.

RESULTS OF OPERATIONS-NINE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2000.

Net sales for the nine month period ended September 30, 2001 were $1,838,519 while sales for the nine months ended September 30, 2000 were $1,902,204. Sales decreased due to the Company's decline in the wireless internet products marketplace caused in part by difficulties incurred by customers and potential customers in obtaining funding to build their telecommunications network. In addition, the period reflects continued deliveries of amplifier products to Harris Corporation and other large OEM's.

RESULTS OF OPERATIONS-NINE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2000 - (CONTINUED)

Gross profit for the nine months ended September 30, 2001 amounted to $679,821 (37% of sales), compared to gross profit of $167,573 (9% of sales) for the corresponding nine months of 2000. Gross profit improved in 2001, especially in the second and third quarters of 2001 due to higher profit margins on amplifier products and improvements in the manufacturing process. The wireless internet products also produced some of the gross profit, however, the set-up time to develop manufacturing processes and small order quantities decreased the overall gross profit margin.

Selling, general and administrative expenses were $1,315,607 and $1,407,292 for the nine months ended September 30, 2001 and 2000, respectively. Overall the costs have remained relatively unchanged.

Research, engineering, and development costs increased by $59,033 for the first nine months of 2001 from the corresponding nine month period of 2000. This increase was primarily due to increased costs of testing and development of new products.

Stock compensation charges of $140,000 recorded in 2001 related to the extension of certain outstanding warrants and stock issued to consultants.

The interest income decreased for the first nine months of 2001 compared to the corresponding period of 2000. The decrease is due to a reduction of funds available for short term investment as funds have been used for operations.

A $550,000 charge was allocated to the class action lawsuit settlement in May 2001.

As a result of the foregoing, the Company incurred net losses of ($1,722,459) or ($.23) per share for the nine months ended September 30, 2001 compared to net losses of ($1,651,020) or ($.23) per share for the same period in 2000.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2001, the Company had cash and cash equivalents of $1,148,168 principally due to the injection of private placement funds and exercise of warrants in 1999, 2000, and 2001. The Company issued its common stock in lieu of cash payments for compensation, commissions, and consulting fees where possible during 2000 and 2001. This trend is expected to continue in the fourth quarter of 2001.

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Although the Company believed that the class action complaint (See Part I - Note E) had no merit and 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) was established for the benefit of members of the class. In addition, the Company is obligated to issue 324,486 freely tradable shares of its common stock (which was valued at $500,000 as of May 2, 2001) on behalf of the class members. As of September 30, 2001, the Company had not been given instructions regarding the issuance of such shares.

ITEM 2. CHANGE IN SECURITIES

In July 2001, the Company issued 25,000 shares of Common Stock, at $1.50 per share (resulting in gross proceeds of $37,500), to accredited investors pursuant to Rule 506 of Regulation D of the Securities Act of 1933, as amended (the "Act). In connection with such private offering, the investors were issued 12,500 warrants (one warrant for each two shares purchased), which are exercisable at $3.00 per share and expire July 31, 2004. The Company paid commissions to NASD broker-dealers in the amount of $3,750 and issued to such persons 2,500 warrants, which are exercisable at $1.80 per share and expire July 31, 2004.

In September 2001, the Company issued 20,000 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 $200,000 and paid brokerage commissions of $20,000 (resulting in net proceeds of $180,000). See Part I - Note C.

During the third quarter ended September 30, 2001, the Company issued 12,000 shares of Common Stock to an investor relations firm. The sale was made in reliance on Section 4(2) of the Act.

SIGNATURES

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

AMPLIDYNE, INC.

Dated: November 14, 2001

By: /s/ Devendar S. Bains

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