

Edgar Filing: AMPLIDYNE INC - Form 10QSB

AMPLIDYNE INC
Form 10QSB
August 22, 2005

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

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2005.

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)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the Issuer's Common Stock, \$.0001 Par Value, as of August 15, 2005 was 17,778,267.

AMPLIDYNE, INC.
FORM 10-QSB
SIX MONTHS ENDED JUNE 30, 2005

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1 Financial Statements (Unaudited):

Edgar Filing: AMPLIDYNE INC - Form 10QSB

	Balance Sheets.....	1-2
	Statements of Operations.....	3
	Statement of Cash Flows.....	4
	Statement of Changes in Stockholders' Deficiency.....	5
	Notes to Financial Statements.....	6-13
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	14-17
Item 3.	Controls and Procedures.....	17
Item 6.	Exhibits.....	17
PART II - OTHER INFORMATION		
Item 1.	Legal Proceedings.....	18
Item 2.	Change in Securities.....	18
	Signatures.....	19
	Certification.....	20-21
	Exhibit 99.1.....	22

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

AMPLIDYNE, INC. BALANCE SHEETS

	(Unaudited) June 30 2005	As restated and reclassified for comparability December 31 2004
ASSETS - Pledged		
CURRENT ASSETS		
Cash	\$ 116,304	\$ 122,234
Accounts receivable	15,976	15,597
Inventories	352,165	309,633
Total current assets	484,445	447,464
PROPERTY AND EQUIPMENT - AT COST		
Machinery and equipment	565,629	565,629
Furniture and fixtures	43,750	43,750
Leasehold improvements	8,141	8,141
	683,703	683,703

Edgar Filing: AMPLIDYNE INC - Form 10QSB

Less accumulated depreciation and amortization	(683,703)	(681,956)
	-----	-----
	--	1,747
	-----	-----
TOTAL ASSETS	\$ 484,445	\$ 449,211
	=====	=====

Note: The balance sheet at December 31, 2004 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

The accompanying notes are an integral part of these financial statements

-1-

AMPLIDYNE, INC.
BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' DEFICIENCY	(Unaudited) June 30 2005	As restated and reclassified for comparability December 31 2004
	-----	-----
CURRENT LIABILITIES		
Note payable in connection with Phoenix investor rescission agreement	\$ 30,000	\$ 40,000
Convertible notes payable pursuant to Lee financing agreement	700,745	506,000
Customer advances	--	22,008
Accounts payable (as restated) -- Note J	340,342	321,064
Other convertible notes payable	22,773	22,173
Accrued expenses and other current liabilities	80,441	117,845
Delinquent federal and state payroll taxes, penalties & interest	145,717	81,353
Accrued settlement of litigation	95,000	95,000
Loans payable - officers	366,948	368,706
	-----	-----
Total current liabilities	1,781,966	1,574,149
	-----	-----
STOCKHOLDERS' DEFICIENCY		
Common stock - authorized, 25,000,000 shares of \$.0001 par value; shares 17,376,500 and 10,376,500 shares issued and		

Edgar Filing: AMPLIDYNE INC - Form 10QSB

outstanding at June 30, 2005 and December 31, 2004, respectively		
-- Note C	1,738	1,038
Additional paid-in capital	22,772,314	22,503,014
Accumulated deficit	(24,071,573)	(23,628,990)
	-----	-----
	(1,297,521)	(1,124,938)
	-----	-----
	\$ 484,445	\$ 449,211
	=====	=====

Note: The balance sheet at December 31, 2004 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

The accompanying notes are an integral part of these financial statements

-2-

AMPLIDYNE, INC.
STATEMENTS OF OPERATIONS (Unaudited)
Three and Six Months Ended June 30

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
	-----	-----	-----	-----
Net sales	\$ 150,785	240,226	\$ 293,377	\$ 534,152
Cost of goods sold	190,219	223,367	293,627	534,152
	-----	-----	-----	-----
Gross profit (loss)	(39,434)	16,859	(250)	0
	-----	-----	-----	-----
Operating expenses				
Selling, general and administrative	109,893	109,033	209,144	418,166
Research, engineering and development	128,105	83,654	229,978	418,166
Litigation settlement costs	--	20,160	--	418,166
	-----	-----	-----	-----
Total operating expenses	237,998	212,847	439,122	854,502
	-----	-----	-----	-----
Operating loss	(277,432)	(195,988)	(439,372)	854,502
	-----	-----	-----	-----
Nonoperating income (expenses)				
Interest income and other income	--	--	3,563	3,563
Loss on rescission of Phoenix agreements	--	(40,780)	--	3,563
Interest expense	(300)	(368)	(600)	3,563
Federal tax penalties and interest	(2,500)	--	(5,500)	3,563
Gain on sale of property and				3,563

Edgar Filing: AMPLIDYNE INC - Form 10QSB

equipment	--	--	--	
	-----	-----	-----	-----
Loss before income taxes	(280,232)	(237,136)	(441,909)	
Provision for income taxes	60	2,662	674	
	-----	-----	-----	-----
NET LOSS	\$ (280,292)	\$ (239,798)	\$ (442,583)	\$
	=====	=====	=====	=====
Net loss per share - basic and diluted	\$ (0.03)	\$ (0.02)	\$ (0.04)	\$
	=====	=====	=====	=====
Weighted average number of shares outstanding	10,622,396	10,376,500	10,500,127	10
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements

-3-

Amplidyne, Inc.
STATEMENTS OF CASH FLOWS (Unaudited)
Six Months Ended June 30

	Six Months Ended June 30	
	2005	2004
	-----	-----
Cash flows from operating activities:		
Net Loss	\$ (442,583)	\$ (504,862)
	-----	-----
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	1,747	20,000
Provision for doubtful accounts	(2,878)	15,260
Litigation settlement costs	--	20,160
Deferred officer compensation	3,942	55,233
Interest accrued on other convertible promissory note	600	600
Issuance of secured promissory in connection with loss incurred on rescission of Phoenix agreements	--	40,000
Changes in assets and liabilities		
Accounts receivable	2,498	18,368
Inventories	(42,532)	59,189
Prepaid expenses and other assets	--	12,307
Customer advances	(22,008)	23,122
Accounts payable and accrued expense	(18,125)	210,187
Delinquent Federal and state payroll taxes payable	64,364	--
	-----	-----
Total adjustments	(12,392)	428,182
	-----	-----

Edgar Filing: AMPLIDYNE INC - Form 10QSB

Net cash (used) for operating activities	(454,975)	(76,680)
	-----	-----
Cash flows from financing activities:		
Change in overdraft	--	(17,855)
Officer loans	(5,700)	17,000
Proceeds from convertible notes received directly in cash pursuant to Lee financing agreement	194,745	93,000
Partial payment of Phoenix secured promissory note	(10,000)	--
Proceeds from private placement of common stock	270,000	--
	-----	-----
Net cash provided by financing activities	449,045	92,145
	-----	-----
NET INCREASE (DECREASE) IN CASH	(5,930)	15,465
Cash at beginning of period	122,234	--
	-----	-----
Cash at end of period	\$ 116,304	\$ 15,465
	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid for: Interest	\$ --	\$ --
Income taxes	\$ 674	\$ 5,862
Noncash financing activities:		
Convertible notes issued by Company pursuant to Lee financing agreement	\$ --	\$ 250,000
Less: Proceeds received directly in cash by Company	--	93,000
	-----	-----
Payment of Company obligations by lender in connection with financing agreement in exchange for convertible notes	\$ --	\$ 157,000
	=====	=====

The accompanying notes are an integral part of these financial statements

-4-

Amplidyne, Inc.
STATEMENT OF STOCKHOLDERS' DEFICIENCY
Year Ended December 31, 2004 and Six Months Ended June 30, 2005

	Preferred Stock	Common Stock
	Shares	Par Value
	-----	-----
BALANCE AT DECEMBER 31, 2003 as originally reported	--	\$
Prior period adjustment -- write-off of accounts payable balances no longer due, discovered in the first quarter of 2005		
	-----	-----
Balance at December 31, 2003 as restated		

Edgar Filing: AMPLIDYNE INC - Form 10QSB

Net loss for the year ended December 31, 2004
 Litigation settlement to be paid through the issuance of common stock

BALANCE AT DECEMBER 31, 2004 as restated

Prior period adjustment -- write-off of accounts payable balances no longer due, discovered in the first quarter of 2005

Balance at December 31, 2004 as restated

Net loss for the six months ended June 30, 2005 Offering costs for private Offering costs for placement settleable in authorized but not yet issued restricted common stock
 Private placement of common stock, net of costs of \$26,000

BALANCE AT JUNE 30, 2005

	Additional Paid-In Capital	Accumulate Deficit
	-----	-----
BALANCE AT DECEMBER 31, 2003 as originally reported	\$ 22,494,854	\$(22,930,
Prior period adjustment -- write-off of accounts payable balances no longer due, discovered in the first quarter of 2005		70,
	-----	-----
Balance at December 31, 2003 as restated	22,494,854	(22,860,
Net loss for the year ended December 31, 2004		(834,
Litigation settlement to be paid through the issuance of common stock	(8,160)	
	-----	-----
BALANCE AT DECEMBER 31, 2004 as restated	22,503,014	(23,694,
Prior period adjustment -- write-off of accounts payable balances no longer due, discovered in the first quarter of 2005		65,
	-----	-----
Balance at December 31, 2004 as restated	22,503,014	(23,628,
Net loss for the six months ended June 30, 2005		(442,
Offering costs for private placement settleable in authorized but not yet issued restricted common stock	26,000	
Private placement of common stock, net of costs of \$26,000	243,300	
	-----	-----
BALANCE AT JUNE 30, 2005	\$ 22,772,314	\$(24,071,
	=====	=====

The accompanying notes are an integral part of these financial statements

Edgar Filing: AMPLIDYNE INC - Form 10QSB

AMPLIDYNE, INC.
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
June 30, 2005

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 six month periods ended June 30, 2005 and 2004, (b) the financial position at June 30, 2005, (c) the statements of cash flows for the six month period ended June 30, 2005 and 2004, and (d) the changes in stockholders' deficiency for the six month period ended June 30, 2005 have been made. The results of operations for the three or six months ended June 30, 2005 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, 2004 included in the Company's Form 10-KSB filed with the Securities and Exchange Commission on April 15, 2005.

The Company's financial statements have been presented on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The liquidity of the Company has been adversely affected in recent years by significant losses from operations. As further discussed in Note F, the Company incurred losses of \$442,583 for the six months ended June 30, 2005, has limited cash reserves and has seen its working capital decline by \$170,836 to a deficiency of \$1,297,521 (\$647,521 after considering conversion of the Lee notes - see Note C 2) since the beginning of the fiscal year. Current liabilities exceed cash and receivables by \$1,649,686 (\$999,686 after conversion of Lee notes) indicating that the Company will have difficulty meeting its financial obligations for the balance of this fiscal year. These factors raise substantial doubt as to the Company's ability to continue as a going concern. Recently, operations have been funded by loans from the Chief Executive Officer and costs have been cut through substantial reductions in labor and operations.

As further discussed in Note F, management is seeking additional financing and intends to aggressively market its products, control operating costs and broaden its product base through enhancements of products. The Company believes that these measures may provide sufficient liquidity for it to continue as a going concern in its present form. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern in its present form.

Off-balance sheet arrangements

We do not have any transactions, agreements or other contractual arrangements that constitute off balance sheet arrangements.

-6-

AMPLIDYNE, INC.
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
June 30, 2005

Edgar Filing: AMPLIDYNE INC - Form 10QSB

NOTE C - STOCKHOLDERS' EQUITY

1. Warrants and Options

At June 30, 2005, the following 395,000 warrants, remained outstanding:

- (1) 20,000 exercisable at \$1.00 through May 2010
- (2) 300,000 exercisable at \$2.00 through December 31, 2005
- (3) 75,000 exercisable at \$.96 through March 2007

At June 30, 2005, the Company had employee stock options outstanding to acquire 370,000 shares of common stock at exercise prices of \$0.20 to \$1.50.

2. Stock Purchase and Financing Agreements

On January 28, 2004, the Company entered into a Subscription Agreement (the "Agreement") with Phoenix Opportunity Fund II, L.P. ("Phoenix"), a limited partnership organized under the laws of the State of Delaware, pursuant to which Phoenix agreed to make investments in the Company in exchange for notes and preferred shares..

The preferred shares were never issued to Phoenix. Due to a dispute among the Parties with respect to the terms of the loan transaction. The Company and Phoenix agreed to rescind their agreement, and the Company agreed to pay Phoenix: (i) \$20,000 in cash for the funds Phoenix invested, (ii) \$80,000 in cash for the funds which Phoenix lent to the Company, and (iii) \$40,000 for expenses incurred by Phoenix on behalf of the Company. The \$40,000 was paid by delivery of a secured promissory note due March 31, 2005, and bearing interest at the rate of eight percent per annum secured by substantially all the assets of the Company.

The Company did not make the required \$40,000 payment due on March 31, 2005 under the Phoenix rescission agreement, and the Company remains currently delinquent. However, the Company did make a payment of \$10,000 during the quarter ended June 30, 2005. As yet, no action has been taken by Phoenix concerning this default.

In a separate transaction, John Lee of Piscataway, NJ ("Lee") entered into a Note Purchase Agreement with the Company by which Lee agreed to lend the Company an initial \$200,000 and up to an additional \$200,000 in one or more installments on or before October 30, 2004. The Company agreed to deliver to John Lee convertible promissory notes which are convertible into Series C shares representing approximately 80% of the Company's outstanding stock on a fully diluted basis. Such conversion will take place at such time as the Company is able to do so. Messrs. Devendar Bains and Tarlochan Bains are required to devote their full business time and attention to the business of the Company for eight (8) years from May 25, 2004. In the event that either Devendar Bains or Tarlochan Bains must leave the employ of the Company for any reason, each agrees that, if requested by the Board of Directors of the Company, he will use his best efforts to find a qualified replacement for himself acceptable to the Board of Directors, and that he will not engage in a business competitive with the Company for a period of eight (8) years. On May 25, 2004, Lee loaned the Company \$250,000, and was issued two convertible promissory notes which will be convertible in the aggregate into Series C shares representing approximately 32% of the Company's outstanding stock on a fully diluted basis, if and when converted. If not converted, the notes are payable on demand, provided that demand cannot be made before December 31, 2004, unless the Company is in default of the Note Purchase Agreement.

Edgar Filing: AMPLIDYNE INC - Form 10QSB

AMPLIDYNE, INC.
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
June 30, 2005

Of the \$250,000 loaned to the Company, \$100,000 was used to pay Phoenix in connection with the rescission described above, \$45,000 was used to make a final payment in resolution of litigation with High Gain Antenna Co. Ltd. of Korea, and to pay associated bank fees, \$12,000 was used to pay legal fees and \$43,000 was used for working capital purposes. In August 2004, an additional \$50,000 was received from each of Hye Joung Lee (A/K/A Jessica Lee) and Joong Bin Lee (an aggregate of \$100,000) in connection with the same agreement. These parties are business associates of John Lee, but otherwise unrelated. In October 2004, an additional \$156,000 was received from John Lee, of which \$6,000 represented a temporary additional advance outside of the Series C Convertible financing.

At various times from February through May 2005, an aggregate of \$194,745 was received from John Lee in connection with the Series C Convertible financing.

No conversions to the Series C shares, pursuant to the Lee financing, have been made as of June 30, 2005 and to the date of the issuance of the current quarter's financial statements. In addition, no demand for payment has been made by Lee as of June 30, 2005 and to the date of the issuance of the current quarter's financial statements. However, on June 27, 2005, the Company entered into an agreement with Lee whereby 130,000 of Series C Preferred shares (convertible into 13,000,000 common shares) would be issued in full satisfaction of \$650,000 of loans made by him to the Company. These shares had not issued by June 30, 2005 because the Company had not authorized the issuance of preferred shares.

In June 2005 the Board of Directors consented to the following:

- o Authorized and created 500,000 Series C Convertible Preferred Stock with a par value of \$.0001 with each share convertible into 100 shares of common stock;
- o Amend the Certificate of Incorporation to increase the authorized shares of common stock to 100,000,000 shares, \$.0001 par value;
- o Authorize the conversion of \$650,000 of the Lee notes into 130,000 shares of Series C Convertible Preferred Stock;
- o Renew and amend the Stock Option Plan extending the plan for an additional ten (10) years and increasing the number of shares from 2,250,000 to 5,000,000;
- o Issue to Jessica Lee 10,000 shares of Series C Convertible Preferred Stock convertible into 1,000,000 shares of common stock in satisfaction of \$50,000 due to her;
- o Issue 185,000 shares to the holders of the convertible promissory notes with a balance of \$22,773 at June 30, 2005 at a price of \$.06 per share reduced from the \$.10 per share as set forth in the promissory notes;
- o Issue 200,000 shares of common stock and 200,000 cashless warrants exercisable at \$.30 per share to its lawyer for services rendered;
- o Issue an aggregate of 7,000,000 shares of common stock to certain selected individuals and entities via Private Placements with piggy-back registration rights and;
- o Settlement of the liability for unpaid officer compensation through the issuance of common stock warrants and the establishment of new employment agreements (See Note G).

Edgar Filing: AMPLIDYNE INC - Form 10QSB

-8-

AMPLIDYNE, INC. NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS June 30, 2005

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.

1. A customer 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 that customer at a cost of \$175,000; \$25,000 was to be paid quarterly over two years. \$95,000 remained unpaid at June 30, 2005.

2. In April 2004, a law firm filed a judgement against the Company in the amount of approximately \$40,000 in connection with non-payment of legal fees owed to it. Inasmuch as this is a perfection of an already recorded liability, management does not believe that the judgement will have a material impact on the financial position of the Company.

3. The Company (as well as an officer and director of the Company) is a defendant in a complaint brought in November 2003 in the Circuit Court of the State of Florida (17th Judicial District, Broward County) alleging fraud and seeking relief for unspecified damages and costs associated with an aborted plan of merger. Management has been in settlement discussions with the plaintiff, but to date has not reached an accord. On June 29, 2004, the Company filed a Motion to Dismiss the lawsuit against the Company.

NOTE F - LIQUIDITY

The Company's financial statements have been presented on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The liquidity of the Company has been adversely affected in recent years by significant losses from operations. The Company has incurred losses of \$442,583 and \$504,862 for the six months ended June 30, 2005 and 2004, respectively.

With insufficient remaining cash and reduced revenues, we believe that we will have great difficulty meeting our working capital needs over the next 12

Edgar Filing: AMPLIDYNE INC - Form 10QSB

months. The Company is presently dependent on cash flows generated from sales and financing from private placements and under the Note Purchase Agreement described in Note C.2. Our failure to enter into additional private placements of securities, consummate a merger with an appropriate partner or to substantially improve our revenues will have serious adverse consequences and, accordingly, there is substantial doubt in our ability to remain in business over the next 12 months. There can be no assurance that any 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.

-9-

AMPLIDYNE, INC. NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS June 30, 2005

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

- o Increasing sales of its amplifier products by developing newer products for the Multimedia Broadcast market place through both individual customers, strategic alliances and mergers.

- o Issue common and preferred stock through private placements.

- o Decreasing the dependency on certain major customers by aggressively seeking other customers in the 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 Reducing costs through a more streamlined operation by using automated machinery to produce components for our products;

- o 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.

- o Merging with another company to provide adequate working capital and jointly develop innovative products.

-10-

AMPLIDYNE, INC. NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS June 30, 2005

NOTE G - OFFICER LOANS AND DEFERRED COMPENSATION

As of June 30, 2005, the Company owes \$291,649 to Devendar S. Bains, the

Edgar Filing: AMPLIDYNE INC - Form 10QSB

former Chief Executive Officer for loans and unpaid salaries. During the six months ended June 30, 2005, the Company repaid \$5,700 to officers.

On June 27, 2005, the Board of Directors resolved to enter into settlement agreements with Devendar S. Bains and Tarlochan S. Bains to settle the liability for unpaid salaries as follows:

o Devendar S. Bains - the Company shall (a) issue a three-year warrant for the purchase of 1,000,000 shares common stock exercisable at \$.20 per share (the "Warrant"), and (b) enter into a three-year employment agreement at \$80,000 per year. The Company will also provide an option, in lieu of the Warrant and the employment agreement, for the payment of \$250,000 in cash and a consulting agreement at approximately \$65 per hour, to be exercised within 90 days upon successful completion of a contemplated private offering of the Company's securities raising gross proceeds of \$2,500,000 (the "Option"). Mr. Bains beneficially owns 1,050,000 stock options that shall be extended until May 2008, and are otherwise not affected by this settlement.

o Tarlochan Bains - the Company shall (a) issue a three-year warrant for the purchase of 1,000,000 shares of common stock exercisable at \$.20 per share (b) enter into a three-year employment agreement at \$80,000 per year, and (c) issue 500,000 employee stock options pursuant to the Plan, of which 166,667 will vest per year for three years and be exercisable at \$.20 per share.

Neither the Warrants or Options described above have as yet been issued, nor have the Employment Agreements been executed and signed.

NOTE H - SEGMENT INFORMATION

The Company has not pursued its wireless Internet connectivity business since 2003 and is essentially currently operating in one segment.

NOTE I - COMMITMENTS AND OTHER COMMENTS

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 was \$71,000 plus the Company's share of real estate taxes, utilities and other occupancy costs. The landlord held a security deposit of \$35,625 representing approximately 6 months rent.

-11-

AMPLIDYNE, INC.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

June 30, 2005

In July 2004, Tek, Ltd. ("Tek") a company wholly owned by John Lee, entered into a contract with the existing landlord of the operating premises to purchase the building. In connection therewith, Tek negotiated a return of the security deposit and accumulated interest thereon to the Company in the aggregate amount of \$40,160. The Company was leasing the premises on a month to month basis and paying rent on a semi-monthly basis. On April 22, 2005, concurrent with the closing of the purchase of the building by Tek, the Company entered into a non-cancelable operating lease with Tek which commenced on June 1, 2005 and expires on May 31, 2008. The Company is obligated for minimum annual rental payments as follows:

Edgar Filing: AMPLIDYNE INC - Form 10QSB

Year ending December 31

2005	\$ 33,000
2006	69,000
2007	72,000
2008	30,000

	\$ 204,000
	=====

Rent expense, including the Company's share of real estate taxes, utilities and other occupancy costs, was \$51,387 and \$41,932 for the six months ended June 30, 2005 and 2004, respectively.

2. NOTES PAYABLE CONVERTIBLE INTO COMMON STOCK AT HOLDERS' OPTION In March 2003, two investors, each of which already own approximately 4% of the Company's outstanding common stock, loaned the Company \$20,000. The terms of each loan provide for 6% interest and were due in March 2005 with accrued interest. By their terms, the loans provide for accelerated payment under certain conditions, and conversion prior to maturity into the Company's common stock at the holders option at the rate of \$.10 per share. As of December 31, 2004, there were no conditions present that trigger an acceleration, nor has either holder exercised their option to convert them into common stock.

The Company did not make the required payments due March 31, 2005 under the notes, for principal and interest, and the Company remains currently delinquent. As yet, no actions have been taken by the holders concerning this default. On June 27, 2005, the Board of Directors resolved to issue 185,000 of restricted common stock to each note holder (370,000 shares in total) at a revised conversion price of \$.06 per share.

NOTE J - RESTATEMENT OF PRIOR AND CURRENT YEAR'S FINANCIAL STATEMENTS

During the quarter ended March 31, 2005, as a result of management review of accounts payable details, it was determined that liabilities reflected as outstanding at both December 31, 2004 and 2003 for accounts payable were no longer due and payable. The write-off of these liabilities resulted in the reflection of a gain of \$135,846 reflected in operations for the year ended December 31, 2003, and reduction in Company liabilities and a reduction in its shareholders' deficit at December 31, 2004 and 2003. Accordingly, the accumulated deficit as originally reported at December 31, 2003 as reflected in the Statement of Shareholders' Deficiency has been restated to reflect the write-off of accounts payable balances as they should have occurred prior to December 31, 2003.

-12-

NOTE K - SUBSEQUENT EVENTS

o July 30, 2005: The Company filed a Certificate of designation of Series C Convertible Preferred Stock with the State of Delaware, designating 500,000 shares at a par value of \$.0001 per share. The shares are convertible into Common Stock at the rate 100 shares of Common Stock per share of series C Preferred Stock and have a liquidation preference of \$750,000 per share. It has been determined that the amount of the liquidation preference exceeds the amount originally intended by the Board. The Company plans to amend the Certificate of Designation to reflect the correct liquidation preference after the amount is properly determined.

o August 11, 2005: Issued 130,000 shares of Series C Convertible Preferred

Edgar Filing: AMPLIDYNE INC - Form 10QSB

Stock to John C. Lee in satisfaction of \$650,000 owed to him by the Company.

o August 11, 2005: Issued 10,000 shares of Series C Convertible Preferred Stock to Jessica Lee in satisfaction of \$50,000 owed to her by the Company.

o July 26, 2005: Issued 370,000 shares in settlement of convertible promissory notes

-13-

AMPLIDYNE, INC.

PART I - FINANCIAL INFORMATION

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

Results of Operations - The Three Months Ended June 30, 2005 Compared to Three Months Ended June 30, 2004.

Revenues for the three months ended June 30, 2005 declined by \$89,441 from \$240,226 to \$150,785, or 37% compared to the three months ended June 30, 2004. The sales decreases were primarily in amplifiers. The majority of the amplifier sales for the three months ended June 30, 2005 were obtained from the Wireless Local Loop amplifier products to a major European customer. Sales of amplifiers were approximately 94% of total sales compared to 93% of total sales for the same period last year. The Ampwave high speed wireless Internet products and broadband solutions accounted for approximately 6% of total sales, against 7% of total sales for the same period last year.

The Company has continued to develop and refine its amplifier products for the wireless communications market. The company completed the development of its W-CDMA amplifier with DSP control. The sale of this product is initially targeted at Asian markets. To this end product is being submitted to potential customers for evaluation. The company hopes this will turn into production orders and such company is retaining its core production personnel even though the sales of older product are declining

Cost of sales was \$190,219 or 126% of sales compared to 93% during the same period for 2004. Gross margin for the three months ended June 30, 2005 amounted to a loss of \$(39,434) ((26)%) compared to a profit of \$16,859 (7%), for the same period ended June 30, 2004. The decline in gross margin was principally due to the lowered production while staff levels were maintained in preparation for new product production. The Company is continuing to assess cost reduction and is promoting increased product demand to improve gross margins in 2005.

Selling, general and administrative expenses increased in 2005 by \$860 to \$109,893 from \$109,033 in 2004. Expressed as a percentage of sales, the selling, general and administrative expenses were 73% in 2005 and 45% in 2004. The principal factors contributing to the stability of selling, general and administrative expenses were related to the effects of our cost cutting program implemented in 2002. In the quarter ended June 30, 2005, we continued to maintain the lower staffing and overhead levels that we instituted in 2002.

Research, engineering and development expenses were \$128,105 or 85% of net sales for the three months ended June 30, 2005 compared to \$83,654 or 35% of net sales in 2004. In 2005, the principal activity of the business related to the design and production of product for OEM manufacturers, particularly for the W-CDMA with DSP control. 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 Company's

Edgar Filing: AMPLIDYNE INC - Form 10QSB

research and development efforts are influenced by available funds and the level of effort required by the engineering staff on customer specific projects.

Interest income was \$NIL in 2005 and 2004 because we have not been investing our cash balances in interest bearing accounts due to immediate cash flow needs.

-14-

AMPLIDYNE, INC.

Interest expense was \$600 in 2005 compared to \$600 in 2004 and was for accrued interest on other convertible promissory notes.

As a result of the foregoing, the Company incurred net losses of \$280,292 or \$0.03 per share for the quarter ended June 30, 2005 compared with net losses of \$239,798 or \$0.02 per share for the same quarter in 2004.

Results of Operations - The Six Months Ended June 30, 2005 Compared to Six Months Ended June 30, 2004.

Revenues for the six months ended June 30, 2005 declined by \$262,216 from \$555,593 to \$293,377, or 47% compared to the six months ended June 30, 2004.

The majority of the amplifier sales for the six months ended June 30, 2005 were obtained from the Wireless Local Loop amplifier products to a major European customer.

The Company has continued to develop and refine its amplifier products for the wireless communications market. Sales and marketing efforts have been focused on Asian markets.

Cost of sales was \$293,627 or nearly 100% of sales compared to \$511,767 or 92% of sales during the same period for 2004. The decline in gross margin was principally due to the lowered production while staff in production was retained in anticipation rotating into new product. The Company is continuing to assess cost reduction and is promoting increased product demand to improve gross margins in 2005.

Selling, general and administrative expenses decreased in 2005 by \$112,962 to \$209,144 from \$322,106, in 2004. Expressed as a percentage of sales, the selling, general and administrative expenses (excluding stock based compensation) were 71% in 2005 and 58% in 2004. The principal factors contributing to the decrease in selling, general and administrative expenses were related to the effects of our cost cutting program implemented in 2002. In the quarter ended June 30, 2005, we continued to maintain the lower staffing and overhead levels that we instituted in 2002.

Research, engineering and development expenses were \$229,978 or 78% of net sales for the six months ended June 30, 2005 compared to \$163,180 or 29% in 2004. In 2005, the principal activity of the business related to the design and production of product for OEM manufacturers, particularly for the W-CDMA amplifier. 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 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 2004 of \$NIL. Interest income was \$NIL in 2005 because we have not been investing our cash balances in interest bearing accounts due to immediate cash flow needs.

Edgar Filing: AMPLIDYNE INC - Form 10QSB

As a result of the foregoing, the Company incurred net losses of \$442,583 or \$0.04 per share for the six months ended June 30, 2005 compared with net losses of \$504,862 or \$0.05 per share for the same period in 2004.

-15-

AMPLIDYNE, INC.

Item 3. Liquidity and Capital Resources

Liquidity refers to our ability to generate adequate amounts of cash to meet our needs. We have been generating the cash necessary to fund our operations from continual loans from the former President and Chief Executive Officer of the Company, Devendar Bains. We have incurred a loss in each year since inception. We expect to incur further losses, that the losses may fluctuate, and that such fluctuations may be substantial. As of June 30, 2005 we had an accumulated deficit of \$24,071,573. Potential immediate sources of liquidity are loans in connection with the Convertible Notes.

As of June 30, 2005, our current liabilities exceeded our cash and receivables by \$1,649,686 (\$999,686 after conversion of the Lee notes). Our current ratio was 0.27 to 1.00, but our ratio of accounts receivable to current liabilities was only 0.07 to 1.00. This indicates that we will have difficulty meeting our obligations as they come due. We are carrying \$352,165 in inventory, of which \$202,363 represents component parts. Based on year to date usage, we are carrying 569 days worth of parts inventory. Because of the lead times in our manufacturing process, we will likely need to replenish many items before we use everything we now have in stock. Accordingly, we will need more cash to replenish our component parts inventory before we are able realize cash from all of our existing inventories.

As of June 30, 2005, we had cash of \$116,304 compared to an cash of \$122,234 at December 31, 2004. Overall our cash decreased \$5,930 during 2005. Our cash used for operating actives was \$454,975 This year we repaid loans of \$5,700 and deferred salary payments to officer/stockholders of \$3,942. We also received proceeds from the issuance of convertible promissory notes of \$194,745.

Because of our relatively small number of customers and low sales volume, accounts receivable balances and allowances for doubtful accounts do not reflect a consistent relationship to sales. We determine our allowance for doubtful accounts based on a specific customer-by-customer review of collectibility. At June 30, 2005 and December 31, 2004 no allowance for doubtful accounts was required.

Our inventories increased by \$42,532 to \$352,165 in 2005 compared to \$309,633 at December 31, 2004, a decrease of 14%.

The Company has a lease obligation for its premises and certain equipment requiring minimum monthly payments of approximately \$5,500 to \$6,000 through 2008.

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.

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 lieu of cash payments, and may do so in the future. There

Edgar Filing: AMPLIDYNE INC - Form 10QSB

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.

With insufficient remaining cash and reduced revenues, we believe that we will have great difficulty meeting our working capital needs over the next 12 months. The Company is presently dependent on cash flows generated from sales and financing from private placements and under the Note Purchase Agreement described in Note C.2. Our failure to enter into additional private placements of securities, consummate a merger with an appropriate partner or to substantially improve our revenues will have serious adverse consequences and, accordingly, there is substantial doubt in our ability to remain in business over the next 12 months. There can be no assurance that any 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.

-16-

AMPLIDYNE, INC.

CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including the former Chief Executive and Principal Accounting officer, we have evaluated the effectiveness of the design and operation of our disclosure controls pursuant to Exchange Act Rule 13a-14(c) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive and Principal Accounting Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting him to material information required to be included in the Company's periodic SEC filings relating to the Company. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these internal controls subsequent to the date of my most recent evaluation.

Our management, including the former Chief Executive and Principal Accounting officer, does not expect that our disclosure controls and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their cost. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud within the Company, if any, will be detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that a breakdown can occur because of a simple error. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

Edgar Filing: AMPLIDYNE INC - Form 10QSB

Item 6. EXHIBITS

The following is a list of exhibits to this Form 10-QSB:

* Certification of the Company's Chief Executive and Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxely Act of 2002.

* Certification of the Company's Chief Executive and Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxely Act of 2002.

-17-

AMPLIDYNE, INC.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note E to the Company's financial statements set forth in Part I. * ITEM 2. CHANGE IN SECURITIES

o During the second quarter ended June 30, 2005, the Company issued 7,000,000 shares of Common Stock through private placements.

o July 30, 2005: The Company filed a Certificate of designation of Series C Convertible Preferred Stock with the State of Delaware, designating 500,000 shares at a par value of \$.0001 per share. The shares are convertible into Common Stock at the rate 100 shares of Common Stock per share of series C Preferred Stock and have a liquidation preference of \$750,000 per share. It has been determined that the amount of the liquidation preference exceeds the amount originally intended by the Board. The Company plans to amend the Certificate of Designation to reflect the correct liquidation preference after the amount is properly determined.

o August 11, 2005: Issued 130,000 shares of Series C Convertible Preferred Stock to John C. Lee in satisfaction of \$650,000 owed to him by the Company. o August 11, 2005: Issued 10,000 shares of Series C Convertible Preferred Stock to Jessica Lee in satisfaction of \$50,000 owed to her by the Company.

o July 26, 2005: Issued 370,000 shares in settlement of convertible promissory notes

-18-

SIGNATURES

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

AMPLIDYNE, INC.

Dated: August 22, 2005 By: /s/ John C. Lee

Edgar Filing: AMPLIDYNE INC - Form 10QSB

Name: John C. Lee
Title: Chief Executive Officer,
Principal Accounting Officer and Director

Dated: August 22, 2005 By: /s/ Tarlochan S. Bains

Name: Tarlochan S. Bains
Title: Vice President, Amplifier Division, Directors,
Former Chief Executive Officer and
Former Principal Accounting Officer