AMPLIDYNE INC
Form 10KSB
April 14, 2004

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, 2003

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 $1,351,225

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, 2004, was approximately $357,000.

Number of shares outstanding of the issuer's common stock, as of March 31, 2004 was 10,376,500

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.

The Company continued to refine 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 refined its amplifier products such as the MINI amplifier for its high-speed wireless Internet products. This amplifier was modified to be operational via power over Ethernet configuration. The company also developed a single channel NMT 450 Mhz amplifier for a major OEM customer. The Company has had its test site in Sparta New Jersey under continuous operation for more than 4 years. The Company has been able to get reliable and successful service under various and severe weather including rain and snow.

In the year 2002, the Company experienced a considerable downturn in its overall business due to the general decline in the Telecommunications Industry as well as slow down in demand for its High Speed Internet products, due to prevailing economic conditions. This trend reversed somewhat during the first quarter of 2003.However this could not be sustained through the rest of the year. The company made significant staff cutbacks in late 2002,which resulted in lower overhead costs during 2003. The Company was unable to raise any additional funds and as a result the Company has been operating under severe cash flow conditions for most of 2003.These conditions have considerably limited the company's sales and marketing efforts.

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 very effective in reducing distortion, in amplifiers. 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 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 1999 the Company made 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 turnkey 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 turnkey systems for various applications or components for expansion and concentration of existing networks. During 2003, Amplidyne continued offered its "ISP in a Box" complete network start-up kit for deployment to ISPs.

In light of the events of 2003,particularly the downsizing of the Company and serious cash flow constraints during the year, the Company will need to re-evaluate its products and future marketing strategy during 2004.

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 NASD OTC Bulletin Board under the symbol AMPD.OB.

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FORWARD LOOKING STATEMENTS

Certain information contained in this Annual Report is 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 statements labeled with the terms "believes," "belief," "expects," "intends," "estimate," "project," "may," "will," "should," continue," "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, including the risks described in Part I-Risk Factors. 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, 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.

WIRELESS LOCAL LOOP AMPLIFIER PRODUCTS

The Company has continued to refine its wireless local loop amplifier products during 2003. . The Company designed a prototype amplifier for the NMT 450 Mhz band for a major North American OEM customer during 2003 and refined its 3.5Ghz products during 2003,and has been manufacturing products during 2003.

Military Amplifier Development

During the year the Company developed prototype amplifiers for a military replacement amplifier project. The Company intends to explore more opportunities in this area during 2004.

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. As a result of these developments, the Company has continued to obtain orders for these products from its customers.

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.

COMPANY STRATEGY

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 3G system operators, to develop technologically advanced amplifier based products. The Company has recently developed amplifiers for military applications and intends to pursue further other such opportunities when they arise.

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.

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.

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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 four 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),

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 450 MHz single and 3G multichannel products to OEM's during 2003. The Company intends to pursue this market segment during 2004. 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.

Maintain a Technology Edge. 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 significantly increase the quality and quantity of calls processed by new and existing cellular base stations. The Company intends to continue to maintain resources in research and development associated with its interference cancellation technologies. The Company has continued its development on 3.5GHz, NMT-450, 3G (Third Generation) amplifiers and wireless local loop products during 2003.

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 develops products for the NMT-450, 3G (Third Generation) and wireless local loop markets.

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. 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:

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.

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 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 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 Company's amplifiers are, in management's belief, among the better products 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.

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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 advantage over our competitors.

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 market share.

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 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 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 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.

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.

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.

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MARKETS

The market for wireless communications services has grown substantially during the past decade as cellular wireless local loop, 3G 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 decreased substantially over the last year or so, decreasing 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. The general downturn in this segment decreased demand for amplifier products during 2003.

Wireless Local Loop. Wireless local loop systems are increasingly being adopted in developing markets to more quickly implement telephone and Data communication services. In certain developing countries, 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 four 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).

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.

o 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.

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

o 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, 3G 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.

o 3G (THIRD GENERATION) AMPLIFIER DEVELOPMENT. The Company has continued to refine its 4channel ultra-linear 3G amplifier.

o 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 can be ordered as modules or in a rack configuration.

o 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 filed operation.

o 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, 3G 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.

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 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 decline in the Telecommunications industry resulted in low activity during most of 2003. Only the first quarter showed somewhat of a recovery for sales of our products. The outlook for 2004 remains uncertain. 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, 2003, the Company had signed purchase orders for approximately $600,000. The Company expects to ship these products during the first half of 2004. In the present state of the Telecommunications Industry there is a reluctance of companies to commit to large blanket orders. We expect to see this trend, of just in time orders, to continue during 2004. 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 acquisition of certain of the Darwin assets in 2001 (which included access to hotels) and the Company venturing into the "hospitality" market in 2001 was new to the Company and turning this venture into a success depended 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 has decreased with time. These products are being sold under the Ampwave product line.

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 2002 and 2003.

NET REVENUES BY MARKET CATEGORIES
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,	
	2002	2003
AMPLIFIER MARKETS		
Cellular Analog and digital	$264.5	415.72
Wireless Telephony	711.1	653
Satellite Communications, Custom and other Products	57.0	59.8
AMPWAVE MARKET		
Wireless Internet Products. And Broadband solutions	581	222.7
Total	$1,613.6	$1,351,22

* Wireless Telephony. Sales to the wireless telephone segments of the wireless communications industry have increased from approximately 44% of total revenues for fiscal year end 2002 to approximately 48% of total revenue for the fiscal year end 2003.

* Wireless Internet and Broadband solutions. The Company shipped products to its customers in 2003 with total sales for the year of $222,700 which accounts for approximately 16% of total revenues. The Company sold some of its Darwin Hotel assets and inventory during 2003.

* International Sales. Sales of wireless products outside the United States (primarily to Western Europe and Canada represented approximately 67% and 85% of net sales during fiscal 2002 and fiscal 2003, respectively.

* Sales and Marketing. The Company reduced its sales and marketing force considerably during 2003.The Company's officers and sales and marketing consultants maintain significant contact with key customers, ensuring close technical liaison with customer engineers and purchasing managers.

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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.

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. During 2003 the Company has been operating under severe cash flow circumstances, which has restricted the Company's sales and marketing efforts.

HIGH SPEED WIRELESS INTERNET PRODUCTS AND BROADBAND SOLUTIONS

The Company has targeted its products to segments: (a) Hospitality and Multi-Dwelling Units (MDU) including hotels and condominiums, (b) enterprise, corporate and education campuses (c) Internet Service Provider (ISP) networks, and (d) Small Office/Home Office (SOHO). The Company's revenues from these products during 2003, and this market accounted for approximately 16% of the total sales for the year 2003.

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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 may not be able to obtain such financing.

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.

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. Others also manufacture other components such as resistors, capacitors, connectors or mechanical supported subassemblies. 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. The Company has started to manufacture some of the products for its High Speed Wireless Internet products.

The Company manufacturers 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.

The Company has historically devoted a significant portion of its resources to research, engineering and development programs The Company's research, engineering and development expenses in fiscal 2002 and 2003 were approximately $406,614 and $287,629 respectively, and represented approximately 25 and 21%, 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 3G and refinements to its bi-directional amplifier, Client Premise equipment, and Microcell for its wireless internet systems and other high speed wireless internet products. During 2003 the Company has been operating with fewer staff than 2002 as a result of the cost cutting in late 2002.

During most of 2003, 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 workstations 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.

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 then other currently available technology. There can be no assurance that the Company's patent will not be challenged or circumvented by competitors.

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 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(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.

EMPLOYEES

As of December 31, 2003, the Company had a total of 14 employees, 9 in operations, 2 in engineering, 3 in administration; the Company employs 1 consultant in sales and marketing. The employee headcount was reduced significantly in the third and fourth quarters of 2002, from 33 employees and 3 consultants, to the present levels. The Company believes its future performance will depend in large part on its ability to 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.

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.

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 all or part of your investment.

WE HAVE A RECENT HISTORY OF LOSSES AND EXPECT LOSSES TO CONTINUE. We have incurred net losses of $2,380,027 and $980,496 for the years ended December 31, 2002 and 2003, 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, sales and marketing efforts 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 may need to cancel such orders, and the inability to do so may result in material losses to the company. We expected to have increased sales in this area to compensate for the expenses, however we have reduced staff levels, therefore there is no guarantee that this will happen. The need for high bandwidth products may lead to rapid product obsolescence. With our reduced staff levels, we may not be able to compete. Further, we have not generated sufficient sales volume to cover our overhead costs and generate profits. We have minimized losses by staff reduction; this could result in loss of market share from which we may not be able to recover. We expect that our losses will increase and will 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 $22,930,175 as of December 31,2003.

Other factors may cause us to incur additional losses. We have experienced a down turn in our amplifier and High Speed Wireless Internet Access business due to the worldwide recession in the telecommunications market, and general lack of funding to Wisp's and corporate spending restraints. We may also not be able to sell-off certain of our Darwin assets or inventory, which will further contribute to our losses (or lower sales). We need to update our high speed wireless internet access products and amplifier products, but may not be able to accomplish this given the losses we have sustained and the capital that is required. Finally, we may not be able to collect certain Ampwave receivables, which will further cause us to sustain additional losses. In addition, we lost a lawsuit in May 2002 (See Risk Factors - We lost a lawsuit which brought a jury verdict against us and will need to use funds to make the required settlement payments, which will have an adverse effect on our cash position.

THE REPORT FROM OUR INDEPENDENT AUDITORS INCLUDES AN EXPLANATORY PARAGRAPH REGARDING THE DOUBT OF THE COMPANY TO CONTINUE AS A GOING CONCERN. The auditors' report on the Company's financial statements for the year ended December 31, 2003 includes an explanatory paragraph stating that our losses, lack of cash and otherwise limited financial resources raise substantial doubt about our ability to continue as a going concern. The risk that we may not be able to continue in existence may limit our ability to access certain types of financing, or may prevent us from obtaining financing on acceptable terms.

WE WILL REQUIRE ADDITIONAL FINANCING. We believe that collections of our current accounts receivable and sales in 2004, together with recently obtained funding will be adequate to fund our operations for at least three to four months. However, we will require additional financing during fiscal 2004. We have considerable accounts payable and accrued professional fees, which have aged considerably and need to be paid to avoid further undesirable collection action by vendors or even litigation. We have in the past, 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 sufficient financing will be available to us on acceptable terms or at all. If adequate funds are not available, we will have to further reduce our operations, resulting in delays, scale back or elimination of our research, engineering and development or manufacturing programs, or we may have to cease operation entirely. To raise funds through arrangements with partners or others may require us to relinquish rights to certain of our technologies, potential products or other assets. Thus, our inability to obtain the necessary financing will have a material adverse effect on our business, financial condition and operations.

TERRORIST ATTACKS OR ACTS OF WAR MAY SERIOUSLY HARM OUR BUSINESS. Terrorist attacks or acts of war may impact our revenues, expenses and financial condition. The terrorist attacks that took place in the United States on September 11, 2001 were unprecedented events that have created many economic and political uncertainties, some of which may materially and adversely affect our business, results of operations, and financial condition. The potential for future terrorist attacks, the national and international responses to terrorist attacks, and other acts of war or hostility have created many economic and political uncertainties, which could materially and adversely affect our business, results of operations, and financial condition in ways that we currently cannot predict.

WE LOST A LAWSUIT, WHICH BROUGHT A JURY VERDICT AGAINST US. In connection with the complaint brought in the Superior Court of New Jersey, Law Division, Somerset County, by High Gain Antenna

Co. Ltd. of Korea, a trial commenced on May 7, 2002, and on May 13, 2002, the jury brought in a verdict against us for $400,000. A settlement was reached, whereby we agreed to pay $200,000 in cash and to issue 700,000 shares of common stock. $125,000 has been paid to date and $25,000 is required to be paid quarterly until the balance is paid in full. If Amplidyne fails to make any payment when the same is due or within the fifteen (15) day cure period, then High Gain shall have the right to execute on the outstanding balance due under the $400,000 judgment, after crediting the value of the shares of stock transferred which shall be valued at $105,000 and crediting all payments made. High Gain will also be able to levy and execute its judgment, which will have an adverse effect on the company and may jeopardize our ability to continue to operate.

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. During 2002 and 2003, a major downturn occurred in the Telecommunications market and recovery may not occur for a year or two, therefore the demand for our products will remain subject to great uncertainty from quarter to quarter.

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. 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 2002, two customers accounted for 60% of net sales (44% and 16%). In 2003, two customers accounted for 80% of net sales (49% and 31%). In the past few years we have experienced reductions, delays and cancellations in orders from our new and existing customers, we anticipate that sales of our products to relatively few customers will account for a majority of our 2004 revenues. 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 LIMITED MARKETING EXPERIENCE (PARTICULARLY FOR OUR HIGH SPEED WIRELESS INTERNET PRODUCTS), MAY ADVERSELY AFFECT OUR BUSINESS. 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, particularly with our reduced staff levels.

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 30% of our issued and outstanding common stock, not including common stock options they may own. Subsequent to December 31, 2003, this control has shifted to Phoenix Capital Holdings (the acquirers of Class C Convertible Preferred Stock) by virtue of the issuance of an irrevocable proxy by Devendar Bains. As of March 31, 2004, Phoenix has effective control over 53% of the Company's common stock. Accordingly, such holders may be in a position to affect the election of all of our directors and control the company.

WE MAY NOT BE ABLE TO COMPLY IN A TIMELY MANNER WITH ALL OF THE RECENTLY ENACTED OR PROPOSED CORPORATE GOVERNANCE PROVISIONS. Beginning with the enactment of the Sarbanes-Oxley Act of 2002 in July 2002, a significant number of new corporate governance requirements have been adopted or proposed. Although we currently expect to comply with all current and future requirements, we may not be successful in complying with these requirements at all times in the future. In addition, certain of these requirements will require us to make changes to our corporate governance practices. For example, one NASDAQ proposal (which may become applicable to companies listed on the OTC Bulletin Board, or its successor, the BBX Exchange) under review by the Securities and Exchange Commission will require that a majority of our Board of Directors be composed of independent directors by our 2004 Annual Meeting of Stockholders. Currently, two of the members of our Board of Directors are considered to be independent. We may not be able to attract a sufficient number of directors in the future to satisfy this requirement, if enacted and if it becomes applicable to our Company. Additionally, the Commission recently passed a final rule that requires companies to disclose whether a member of their Audit Committee satisfies certain criteria as a "financial expert" We currently do not have an Audit Committee member that satisfies this requirement and, we may not be able to satisfy this, or other, corporate governance requirements at all times in the future, and our failure to do so could cause the Commission or NASDAQ to take disciplinary actions against us, including an action to delist our stock from the OTC Bulletin Board or any other exchange or electronic trading system where our shares of common stock trade.

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 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. 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 is 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 67 % and 85% of our net revenues for the years

ended December 31, 2002 and 2003, 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 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;
- 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 Executive Officer. The employment

agreement terminates April 30, 2005 and contains certain covenants not to compete against our company following termination of employment with our company. We cannot be sure whether we will be able to replace Mr. Bains if his services become unavailable.

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 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 that we may realize in the foreseeable future will be retained to finance our growth.

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.

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 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.

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 NASD OTC Electronic Bulletin Board, it is subject to the definition of "penny stock and is subject to the "penny stock" rules. These rules 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.

THERE ARE RISKS ASSOCIATED WITH OUR STOCK TRADING ON THE NASD OTC BULLETIN BOARD RATHER THAN A NATIONAL EXCHANGE. There are significant consequences associated with our stock trading on the NASD OTC Bulletin Board rather than a national exchange. The effects of not being able to list our securities on a national exchange include:

- Limited release of the market prices of our securities;
- Limited news coverage of us;

- o Limited interest by investors in our securities;
- o Volatility of our stock price due to low trading volume;
- o Increased difficulty in selling our securities in certain states due to "blue sky" restrictions;
- o Limited ability to issue additional securities or to secure financing.

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. 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.

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, 2003, there were 10,376,500 shares of our common stock issued and outstanding, which amount does not include:

- o (1) 20,000 exercisable at $1.00 through May 2010
- o (2) 20,000 exercisable at $7.00 through December 2004
- o (3) 30,000 exercisable at $6.00 through November 2004
- o (4) 50,000 exercisable at $2.00 through December 2004
- o (5) 50,000 exercisable at $4.00 through December 2004
- o (6) 16,000 exercisable at $1.75 through December 2004
- o (7) 41,500 exercisable at $1.80 through July 31, 2004
- o (8) 207,500 exercisable at $3.00 through July 31, 2004
- o (9) 55,000 exercisable at $1.20 through September 30, 2004

- (10) 300,000 exercisable at $2.00 through December 31, 2005
- (11) 75,000 exercisable at $.96 through March 2007
- (12) 80,000 exercisable at $1.50 through December 2004.

2,021,000 shares of our common stock issuable upon exercise of options granted to our employees and Directors at exercise prices ranging from $0.15 to $3.25 per share.

As of December 31, 2003, after reserving a total of 2,996,000 shares of our common stock for issuance upon the exercise of all options and warrants described above, we will have at least 11,627,500 shares of authorized but unissued common stock available for issuance without further shareholder approval. 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. 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. Subsequent to year end, we issued 54,325 shares of Series C Convertible Preferred Shares to Phoenix Opportunity Fund III, L.P. who in connection therewith has obtained effective control of 53% of the Company's voting stock.

SHARES ELIGIBLE FOR FUTURE SALE MAY ADVERSELY AFFECT THE MARKET. As of December 31, 2003 we had 10,376,500 shares of our common stock issued and outstanding. Of these 10,376,500 shares of issued and outstanding common stock, approximately 5,914,270 shares are considered "restricted securities". These "restricted securities" may be sold pursuant to Rule 144 of the Securities Act of 1933 as follows:

- Approximately 5,914,270 shares of our common stock may currently be sold pursuant to Rule 144;

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, 2003, we had the following outstanding stock options and warrants to purchase shares of our common stock:

(1) 20,000 exercisable at $1.00 through May 2010

(2) 20,000 exercisable at $7.00 through December 2004

(3) 30,000 exercisable at $6.00 through November 2004

(4) 50,000 exercisable at $2.00 through December 2004

(5) 50,000 exercisable at $4.00 through December 2004

(6) 16,000 exercisable at $1.75 through December 2004

(7) 41,500 exercisable at $1.80 through July 31, 2004

(8) 207,500 exercisable at $3.00 through July 31, 2004

(9) 55,000 exercisable at $1.20 through September 30, 2004

(10) 300,000 exercisable at $2.00 through December 31, 2005

(11) 75,000 exercisable at $.96 through March 2007

(12) 80,000 exercisable at $1.50 through December 2004.

In addition, we have reserved 2,221,000 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 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.

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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.

ITEM 3. LEGAL PROCEEDINGS

Other than as set forth below, 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.

The Company is a party to the following matters:

1. HIGH GAIN ANTENNA CO., LTD. OF KOREA

The Company (as well as an officer and director of the Company) was a defendant in a complaint brought in the Superior Court of New Jersey, Law Division, Somerset County, by High Gain Antenna Co., Ltd. of Korea in November 2000. The complaint sought damages for an alleged breach of a contract for the repair of certain equipment purchased by plaintiff from a distributor of the Company's products and the Company. A trial commenced on May 7, 2002, and on May 13, 2002, the jury brought in a verdict against the Company for $400,000. The Company filed a motion in the Law Division for a new trial, which was denied, and gave a notice of appeal of the verdict and judgment to the Superior Court of New Jersey, Appellate Division. 2. A stipulated settlement was signed on January 3, 2003. According to the settlement the Company would pay $200,000 in cash, to be paid in installments. $125,000 has been paid to date; the balance of $75,000 has to be paid in quarterly payments of $25,000. The Company also issued 700,000 shares of common stock.

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

On May 30, 2002, the Company filed a two-count lawsuit against the above mentioned defendants in the Superior Court of New Jersey, Law Division, Somerset County, seeking, among other things, declaratory relief that the Company is not obligated to pay a finders fee (in connection with the Company's purchase of the Darwin Assets), and that the Company is entitled to monetary damages as a result of defendant's false misrepresentations. On July 10, 2002, the matter was removed to the United States District Court of New Jersey but later transferred back to the United States Bankruptcy Court and then transferred to the United States District Court of New Jersey. On July 29, 2002, defendants filed a counterclaim seeking $200,000 in damages as a result of a finders fee agreement. In January 2003, the matter was transferred to the United States District Court for the Middle District of Florida. The defendants sought a further transfer to the United States Bankruptcy Court for the Middle District of Florida, but such motion was denied. Internet Network Corporation has a pending motion seeking sanctions against the Company for violating the bankruptcy automatic stay for debtors in bankruptcy proceedings. Although the Company is confident in its position, it cannot predict the outcome of the case and any negative outcome may have a material adverse effect on the Company's financial position or prospects.

3. 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 issued 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. The Company had 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. .

3. The Company was subject to a SEC formal order of investigation relating to the subject matter of the Class Action Lawsuit that was commenced in 1999 and settled in 2001. On May 22, 2003, the Commission filed a settled action in the United States District Court for the District of New Jersey against Amplidyne, Inc. ("Amplidyne") and its President, Chairman and Chief Executive Officer, Devendar S. Bains ("Bains"). The Commission's Complaint alleges that Amplidyne and Bains violated the antifraud provision of the federal securities laws by making false statements concerning Amplidyne's purported entry into the high-speed Internet wireless access market. Simultaneously with the filing of the Complaint, Amplidyne and Bains, without admitting or denying the allegations in the Complaint, consented to the entry of a final judgment permanently enjoining both from violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. In addition, Bains agreed to pay a civil penalty of $50,000.

4. 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. The Company is seeking representation on this matter, but presently is unrepresented. No determination has been made as to the amount of damages, if any, the Company would be required to pay. Accordingly, there is no provision in the financial statements for any damages in connection with this matter.

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

There were no matters submitted to a vote of stockholders in 2003.

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. The Common Stock was regularly quoted and traded on the NASDAQ Small Cap Market under the symbol AMPD, through January 13, 2003. Since January 14, 2003, the common stock trades on the NASD OTC Bulletin Board under the symbol AMPD.OB.

The following table sets forth the range of high and low closing prices for the Company's Common Stock for fiscal years 2001 and 2002 and for the period of January 1, 2003 up to March 31, 2003 as reported by the NASDAQ SmallCap Market, or the NASD OTCBB, as the case may be. 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

2002 Calendar Year	High	Low
January 1-March 31	1.37	.86
April 1-June 30	1.07	.58
July 1-September 30	.57	.10
October 1-December 31	.28	.08
2003 Calendar Year		
January 1 - March 31	.18	.05
April 1-June 30	.14	.05
July1-September 30	.15	.07
October 1-December 31	.14	.04
2003 Calendar Year		
January 1-March 31	.20	.04

On March 31, 2004, the closing price of the Common Stock as reported on the NASD OTCBB was $.10. On March 31, 2004 there were 10,376,500 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, 2003 COMPARED TO FISCAL YEAR ENDED DECEMBER 31, 2002.

Revenues for the fiscal year ended December 31, 2003 decreased by $262,509 from $1,613,734 to $1,351,225, or 16% compared to the fiscal year ended December 31, 2002. The primary reason for the decrease was the general decline in purchasing of equipment by the telecommunications industry. The decline is largely represented by the decrease in sales to United States customers, which went down to $201,087 in 2003 from $572,084 in 2002, a decrease of $370,997 or 65%. Sales substantially declined in the fourth quarter of 2003. Fourth quarter sales represented only approximately 9% of the total sales for the year ($120,881).

The majority of the amplifier sales for the year ended December 31, 2003 were obtained from the Wireless Local Loop amplifier products to a major European customer. The Company has also supplied 3.5GHz linear amplifiers to its major North American customer.

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

Cost of sales was $1,411,679 or 104% of sales (including an inventory write-down of $164,672) during the year ended December 31, 2003, compared to 94% during the same period for 2002. Our fixed overhead costs are relatively high for our current sales volume. Excluding the inventory write-down, the cost of sales for the year ended December 31, 2003 was $1,247,007 or 92% of sales. The decline in gross margin was principally attributable to pricing pressures caused by business conditions in the telecommunications industry and a write-down of obsolete inventory of $164,672. Gross margin decreased from the year ended December 31, 2001 because of lower amplifier sales resulting in higher fixed direct costs and lower margins for the high-speed wireless Internet products. The Company is continuing to assess cost reduction of its products and sales volume increases to improve gross margins in 2003.

Selling, general and administrative expenses decreased in 2003 by $1,235,556 to $852,877 from $2,088,433, in 2002. Expressed as a percentage of sales, the selling, general and administrative expenses (excluding stock based compensation) were 63% in 2003 and 129% in 2002. The principal factors contributing to the increase in selling, general and administrative expenses were related to labor cutbacks and general cost cutting throughout the year.

Research, engineering and development expenses were 21% of net sales in 2003 compared to 25% in 2002. In 2003 and 2002, 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 and refinements to the High Speed Internet 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 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 2002 of $3,170 due to influx of new capital during 2000 and 2001 from our private placements and exercise of warrants and options. Interest income went down to $3 in 2003 because we no longer have any interest bearing temporary investments. Interest income declined by $3,167 or approximately 100%, which is consistent with the steady decline in cash balances and interest rates in 2003. The Company also sold New Jersey Net operating loss carryforwards pursuant to the New Jersey Technology Certificate Transfer Program, receiving $180,316 in 2003 and $163,687 in 2002.

Interest expense was $3,657 in 2003 compared to $932 in 2002 and principally related to balances due on capitalized leases for testing equipment.

Actual and estimated litigation settlement costs (see financial statement Note I - Litigation) have been provided in both 2003 and 2002, to reflect our known exposure in litigation against the Company, as well as the actual cost of the settlement of the following matters:

o Settlement of the High Gain Antenna matter for $200,000 plus 700,000 shares of restricted common stock of the Company (total charge $229,400).

o Because of the remoteness of any further assertions in another matter, we determined that the charge of $85,000 from 2001 should be reversed in 2002.

There was no stock compensation cost for 2003 or 2002.

As a result of the foregoing, the Company incurred net losses of $980,496 or

$0.10 per share for the year ended December 31, 2003 compared with net losses of $2,380,026 or $0.25 per share for the same period in 2002.

RESULTS OF OPERATIONS - FISCAL YEAR ENDED DECEMBER 31, 2002 COMPARED TO FISCAL YEAR ENDED DECEMBER 31, 2001.

Revenues for the fiscal year ended December 31, 2002 decreased by $591,696 from $2,205,428 to $1,613,732, or 27% compared to the fiscal year ended December 31, 2001. The primary reason for the decrease was the general decline in purchasing of equipment by the telecommunications industry. The decline is largely represented by the decrease in sales to European customers, which went down to $711,861 in 2002 from $1,361,316 in 2001, a decrease of $649,455 or 48%. Sales substantially declined in the first three quarters of 2002. Fourth quarter sales represented approximately 33% of the total sales for the year ($531,200). Coupled with the staff reductions and other aggressive cost cuts, the fourth quarter losses were significantly reduced.

The majority of the amplifier sales for the year ended December 31, 2002 were obtained from the Wireless Local Loop amplifier products to a major European customer. The Company has also supplied 3.5GHz linear amplifiers to its major North American customer.

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

Cost of sales was $1,520,237 or 94% of sales (including an inventory write-down of $233,995) during the year ended December 31, 2002, compared to 58% during the same period for 2001. Our fixed overhead costs are relatively high for our current sales volume. Excluding the inventory write-down, the cost of sales for the year ended December 31, 2002 was $1,286,242 or 80% of sales. The decline in gross margin was principally attributable to pricing pressures caused by business conditions in the telecommunications industry and a write-down of obsolete inventory in the 3rd quarter of 2002 of $233,995. Gross margin decreased from the year ended December 31, 2001 because of lower amplifier sales resulting in higher fixed direct costs and lower margins for the high-speed wireless Internet products. The Company is continuing to assess cost reduction of its products and sales volume increases to improve gross margins in 2003.

Selling, general and administrative expenses (excluding stock based compensation) increased in 2002 by $183,943 to $2,088,433 from $1,904,490, in 2001. Expressed as a percentage of sales, the selling, general and administrative expenses (excluding stock based compensation) were 129% in 2002 and 86% in 2001. The principal factors contributing to the increase in selling, general and administrative expenses were related to increases in bad debts and salaries, offset by labor cutbacks and general cost cutting in the 3rd and 4th quarters.

Research, engineering and development expenses were 25% of net sales in 2002 compared to 27% in 2001. In 2002 and 2001, 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 and refinements to the High Speed Internet 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 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 income went down to $3,170 in 2002 because our cash balances which we have historically temporarily invested in interest bearing accounts declined by $709,879 and interest rates went down. This is a decline of approximately 102%. Interest income declined by $47,745 or approximately 94%, which is consistent with the steady decline in cash balances and interest rates in 2002. The Company also sold New Jersey Net operating loss carryforwards pursuant to the New Jersey Technology Certificate Transfer Program, receiving $163,687 in 2002 and $189,744 in 2001.

Interest expense was $932 in 2002 compared to $864 in 2001 and principally related to balances due on capitalized leases for testing equipment.

Actual and estimated litigation settlement costs (see financial statement Note I - Litigation) have been provided in both 2002 and 2001, to reflect our known exposure in litigation against the Company, as well as the actual cost of the settlement of the following matters:

* 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.

* Settlement of the High Gain Antenna matter for $200,000 plus 700,000 shares of restricted common stock of the Company (total charge to operations in 2002 was $229.400).

* Because of the remoteness of any further assertions in another matter, we determined that the charge of $85,000 from 2001 should be reversed in 2002.

Stock compensation and financing expenses of $140,000 for the year ended December 31, 2001 is due to the financing cost associated with warrants extended and shares issued. There was no stock compensation cost for 2002.

As a result of the foregoing, the Company incurred net losses of $2,380,027 or $0.25 per share for the year ended December 31, 2002 compared with net losses of $2,024,882 or $0.26 per share for the same period in 2001.

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 President and Chief Executive Officer of the Company, Devendar Bains. We have incurred a loss in each year since inception. It is possible that we will incur further losses, that the losses may fluctuate, and that such fluctuations may be substantial. As of December 31, 2003, we had an accumulated deficit of $22,930,175. Potential immediate sources of liquidity are loans from Mr. Bains. Another potential source of liquidity is the sale of restricted shares of our common stock, but there are no immediate plans for such sale.

As of December 31, 2003, our current liabilities exceeded our cash and receivables by $906,027. Our current ratio was 0.51 to 1.00, but our ratio of accounts receivable to current liabilities was only 0.09 to 1.00. This indicates that we will have difficulty meeting our obligations as they come due.

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 December 31, 2003, we had an overdraft of $17,855 compared to an overdraft of $11,938 at December 31, 2002. Overall our overdraft increased by $5,917 during 2003. Our cash used for operating actives was $226,064, excluding the benefit of salary deferrals by officer/stockholders of $109,988. This was principally funded by officer and investor loans aggregating $67,701 and the sales of property and equipment of $44,500.

The allowance for doubtful accounts on trade receivables increased form $143,000 (25% of accounts receivable of $583,506) in 2002 to $251,000 (73% of accounts receivable of $342,482) in 2003. 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 collectiblity. In 2002, we had several large outstanding balances that we had doubt we would collect. Provision for doubtful accounts receivable decreased from $291,471 in 2002 to $108,000 in 2003.

Our inventories decreased by $519,004 to $407,709 in 2003 compared to $926,713 in 2002, a decrease of 56% We believe that the reasons for the decreased inventories primarily due to write-downs and distress sales of parts to generate cash.

During 2002 we raised $540,000 from the privately placed sale of securities and collected $180,000 from subscriptions receivable for our preferred stock offering at December 31, 2001 for a total of $720,000. During 2001, the Company raised $1,054,750 ($180,000 of which was collected in 2002) 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 July 2004. Although the Company did not convert salaries to officers through the issuance of Common Stock in 2003 or 2002, it may to do so in 2004. To help alleviate the cash flow difficulties, the Chief Executive Officer agreed to defer an aggregate of $139,706 of salaries. The Vice President of Operations also agreed to defer $44,281 of salaries.

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.

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In 2003, the Company settled a litigation matter for cash payments aggregating $200,000 plus 700,000 shares of restricted common stock, with a down payment of $75,000 in March 2003 and $25,000 per quarter from June 2003 through May 2004.

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 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 no remaining cash and no near term prospects of private placements, options or warrant exercises and reduced revenues, we believe that we will have great difficulty meeting our working capital and litigation settlement obligations over the next 12 months. We are presently dependent on cash flows generated from sales and loans from officers to meet our obligations. While the Company has obtained financing through the issuance of Series C Convertible Preferred Stock subsequent to December 31, 2003, our inability 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 sufficient 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.

None.

ITEM 8A: CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

Within the 90 days prior to the date of this report, Amplidyne, Inc. carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive and Principal Accounting Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the chief Executive and Principal Accounting Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting him to material information required to be included in the Company's periodic SEC filings relating to the Company.

(b) Changes in Internal Controls.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these internal controls subsequent to the date of my most recent evaluation.

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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*	53	Chairman of the Board, Chief Executive Officer, Treasurer and Director
Tarlochan Bains	54	Vice President-Operations and Director
Nirmal Bains	46	Secretary
Charles J. Ritchie*	62	Director
Manish V. Detroja*	36	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.

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 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 electronics 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 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 adopted an audit committee charter in 2002 and intends to adopt a new charter, which conforms to the requirements of the Sarbanes-Oxley Act of 2002.

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, 2003 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 2003 Annual Report on Form 10-KSB.

The audit committee consists of three members, two of whom (Messrs. Ritchie and Detroja) are "independent". Mr. Devendar Bains is the third member of the committee. The audit committee met four times during fiscal year 2002. The Board intends to take appropriate action that may be required under the Sarbanes-Oxley Act of 2002 and revised listing standards of the applicable stock markets to assure that all members of the Audit Committee are independent under those rules.

For the year ended December 31, 2003, the Company incurred professional fees to its auditors in the amount of $18,000, all of which related to auditing and quarterly review services. No non-audit services have been provided to the Company by its current auditor.

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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 2002.

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. 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.

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, 2003, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were satisfied.

CODE OF ETHICS

Despite the Sarbanes-Oxley requirement to have a Board approved Code of Ethics adopted by the Company, we have not as of yet created or adopted such a code. The Board intends to prepare and adopt a code of Ethics within the next 90 days.

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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, 2000, 2001 and 2002 for its Chief Executive Officer and Vice President, respectively. 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.

					LONG	
					AWARDS	
		ANNUAL COMPENSATION				
NAME OF INDIVIDUAL AND PRINCIPAL POSITION	YEAR	SALARY	BONUS($)	OTHER ANNUAL COMPENSATION	RESTRICTED STOCK AWARDS	SECURITI UNDERLY OPTIONS/S
Devendar S. Bains,	2003	$162,000(4)	---	$20,000 (1)		
Chairman, Chief						
Executive Officer,	2002	$162,000(2)	---	$20,000 (1)		
And Treasurer	2001	$162,000	---	$20,000 (1)		
Tarlochan Bains,	2003	$100,000(5)	---			
Vice President	2002	$100,000(3)	---			
and Director	2001	$125,000	---			

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

(2) Includes $54,000 accrued but unpaid at December 31, 2002. The accrued amount was paid in 2003. Does not include $50,000 paid to Nirmal Bains, the wife of Devendar Bains

(3) Includes $20,000 accrued but unpaid at December 31, 2002. The accrued amount was paid in 2003.

(4) Of the salary, $22,293 was paid and $139,707 was accrued but not paid in the year ended December 31, 2003. Does not include $50,000 paid to Nirmal Bains, the wife of Devendar Bains

(5) Of the salary, $55,719 was paid and $44,281 was accrued but not paid in the year ended December 31, 2003.

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.

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 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).

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 conversions of unpaid salary into equity from 2000 to 2003.

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 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, 2003, 1,856,000 options to purchase Common Stock under the Option Plan were granted and/or reserved to certain employees, including Devendar Bains (300,000 options), Tarlochan Bains (300,000 options), and Nirmal Bains (50,000 options), the Company's Chief Executive Officer, Vice President-Operations and Secretary, respectively. The options are exercisable at $0.15 and expire on May 31, 2004. 60,000 options to purchase Common Stock were granted to each of Messrs. Detroja and Ritchie, Directors of the Company. These options are exercisable at $0.07, are fully vested and expire on November 30, 2008. 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, 2003, each of Messrs. Detroja and Ritchie also own 130,000 options to purchase Common Stock, 70,000 of which are exercisable at $0.20 per share, are fully vested and expire May 31, 2006 and 60,000 are exercisable at $0.07 per share, are fully vested and expire November 30, 2008. In addition, pursuant to the terms a former employee's employment agreement employment agreement, the Company, in 2002, issued 300,000 options to purchase Common Stock exercisable at $1.50 per share. The options are fully vested and expire December 31, 2005.

Audit Committee

The Audit Committee does not have a financial expert. The Board has been unable to find a suitable expert to fill that position.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information, as of March 31, 2004 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	27.98
Tarlochan Bains(3)	178,456	1.53
Nirmal Bains(2)	3,272,985	27.98
Charles J. Ritchie(4)	130,000	1.11
Manish V. Detroja(5)	130,000	1.11
Joseph Giamanco (6)	584,674	5.00
Jerome Belson (7)	808,402	6.91
All Officers and Directors As a group (5 persons)(8)	3,711,441	31.73

* 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) 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."

(4) The address for such person is 92 Parker Road, Long Valley, NJ 07853. Includes 130,000 stock options. See "Executive Compensation - Stock Option Plans and Agreements."

(5) The address for such person is 2001 Buckingham Dr., Jamison, PA, 18929. Includes 130,000 stock options. See "Executive Compensation - Stock Option Plans and Agreements."

(6) 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.

(7) 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 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.

(8) Includes 1,000,000 options held by Devendar Bains, 50,000 options held by Nirmal Bains, 100,000 options held by Tarlochan Bains, 100,000 options held by Mr. Detroja, and 100,000 options held by Mr. Ritchie (See Notes 2, 3, 4, 5 and 6).

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

$55,982 was owed to the Company by the Chief Executive Officer and principal shareholder as of December 31, 2001. In 2002, this officer repaid this loan and advanced to the Company additional sums aggregating $152,308 of which $136,000 was repaid in 2002. Additionally, he agreed to defer $54,000 (2002) and $139,706 (2003) of salaries to help the Company with its cash flow. The Vice President of Operations and the Secretary each also agreed to defer $44,281 and $9,000 of salaries, respectively, in 2003. In 2003, the Chief Executive Officer and principal shareholder loaned the Company an additional $310,401 and was repaid $262,700. As of December 31, 2003, the Company owed $203,716 to the Chief Executive Officer for loans ($64,010) and accrued salaries ($139,706) and owed other officers an aggregate of $53,281 for accrued salaries. The total due to all officers combined at December 31, 2003 was $256,997.

From January through March 2004, the Chief Executive Officer loaned the Company an additional $18,000. As of March 31, 2004 the Company owed $244,908 to this officer for loans and accrued salaries.

Mr. Detroja, a director of the Company, is the president and chief executive officer of one of the Company's vendors. During 2003 and 2002, the Company made purchases of approximately $38,000 and $24,000, respectively, from this vendor.

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.

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

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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 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.

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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:

(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.

10.8* Agreement between the Company and Link Microtek Limited.

10.9* Agreement between the Company and ENS Engineering.23.1

* 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 2002.

The Company filed a report on Form 8-K in the first quarter of 2004

AMPLIDYNE, INC.

INDEX TO FINANCIAL STATEMENTS

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, 2003 and 2002, and the related statements of operations, stockholders' equity (deficiency), and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note A to the financial statements, the Company suffered losses from operations, has no cash and otherwise limited financial resources, raising substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note A. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amounts and classifications of liabilities that might result should the Company be unable to continue as a going concern.

KAHN BOYD LEVYCHIN, LLP

New York, New York
March 31, 2004

AMPLIDYNE, INC.
BALANCE SHEETS
December 31,

ASSETS	2003
CURRENT ASSETS	
Accounts receivable, net of allowance for doubtful accounts of $251,000 and $143,000 in 2003 and 2002, respectively	$ 91,482
Inventories	407,709
Prepaid expenses and other	12,307
Total current assets	511,498
PROPERTY AND EQUIPMENT - AT COST	
Machinery and equipment	565,629
Furniture and fixtures	43,750
Autos and trucks	66,183
Leasehold improvements	8,141
	683,703
Less accumulated depreciation and amortization	(646,627)

	37,076
SECURITY DEPOSITS AND OTHER NON-CURRENT ASSETS	35,625
	$ 584,199

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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AMPLIDYNE, INC.
BALANCE SHEETS
December 31,

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)

	2003
CURRENT LIABILITIES	
Overdraft	$ 17,855
Current maturities of lease obligations	--
Accounts payable	411,171
Accrued expenses	81,486
Accrued settlement of litigation	170,000
Advances from customers	60,000
Loans payable - officers	256,997
Total current liabilities	997,509
Notes payable, convertible into common stock at the holders' option	20,973
TOTAL LIABILITIES	1,018,482
COMMITMENTS AND OTHER COMMENTS - NOTE G	
RELATED PARTY TRANSACTIONS - NOTE H	
LITIGATION - NOTE I	
SUBSEQUENT EVENTS - NOTE J	
STOCKHOLDERS' EQUITY (DEFICIENCY)	
Common stock - authorized, 25,000,000 shares of $.0001 par value; shares 10,376,500 and 9,676,500 shares issued and outstanding at December 31, 2003 and 2002, respectively	1,038
Additional paid-in capital	22,494,854
Accumulated deficit	(22,930,175)
	(434,283)
	$ 584,199

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

AMPLIDYNE, INC.
STATEMENTS OF OPERATIONS
YEAR ENDED DECEMBER 31,

	2003	200
Net sales	$ 1,351,225	$ 1,61
Cost of goods sold (net of inventory write-down of $164,672 in 2003 and $233,995 in 2002)	1,411,679	1,52
Gross profit	(60,454)	9
Operating expenses		
Selling, general and administrative	852,877	2,08
Research, engineering and development	287,629	40
Operating loss	(1,200,960)	(2,40
Nonoperating income (expenses)		
Interest income and other income	3	
Interest expense	(3,657)	
Litigation settlement costs	--	(14
Gain on sale of property & equipment	44,500	
Sale of New Jersey tax benefits	180,316	16
Loss before income taxes	(979,798)	(2,38
Provision for income taxes	698	
NET LOSS	$ (980,496)	$ (2,38
Net loss per share - basic and diluted	$ (0.10)	$
Weighted average number of shares outstanding	10,318,167	9,38

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

AMPLIDYNE, INC.
STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIENCY)

YEARS ENDED DECEMBER 31, 2003 AND 2002

	Preferred Stock		Co
	Shares	Par Value	Shares
BALANCE AT DECEMBER 31, 2001	55,000	$ 6	7,892,66
Net loss for the year ended December 31, 2002			
Cost of litigation to be settled in issuable common stock, actually issued in the year ended December 31, 2003			
Issuance of common stock in settlement of class action			324,48
Issuance of common stock, net of costs			750,00
Conversion of preferred stock to common stock	(55,000)	(6)	701,19
Issuance of common stock for services rendered by third party			8,15
BALANCE AT DECEMBER 31, 2002	--	--	9,676,50
Net loss for the year ended December 31, 2003 Issuance of common stock in connection with litigation settled in the year ended December 31, 2002			700,00
BALANCE AT DECEMBER 31, 2003	--	$ --	10,376,50

	Additional Paid-In Capital	Accumulated Deficit	Sub R
BALANCE AT DECEMBER 31, 2001	$ 21,921,495	$(19,569,653)	$
Net loss for the year ended December 31, 2002		(2,380,026)	
Cost of litigation to be settled in issuable common stock, actually issued in the year ended December 31, 2003	29,400		
Issuance of common stock in settlement of class action	(32)		
Issuance of common stock, net of costs	539,925		
Conversion of preferred stock to common stock	(64)	180,000	
Issuance of common stock for services rendered by third party	4,200	--	
BALANCE AT DECEMBER 31, 2002	22,494,924	(21,949,679)	
Net loss for the year ended December 31, 2003		(980,496)	
Issuance of common stock in connection with litigation settled in the year ended December 31, 2002	(70)		

BALANCE AT DECEMBER 31, 2003	$ 22,494,854	$(22,930,175)	$
	============	============	==

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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AMPLIDYNE, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31,

	2003
Cash flows from operating activities:	
Net Loss	$ (980,496)
Adjustments to reconcile net loss to net cash used in operating activities	
Provision for doubtful accounts receivable	108,000
Gain on sale of property & equipment	(44,500)
Loss on write-down of long-term financed receivables previously included within other assets	30,058
Salary deferrals added to officer loans	109,988
Provision for inventory write-down	164,672
Depreciation and amortization	45,994
Provision for litigation settlement costs	--
Payment of litigation settlements	(125,000)
Changes in assets and liabilities	
Accounts receivable	241,024
Inventories	354,332
Prepaid expenses and other assets	(8,307)
Accounts payable and accrued expense	(72,814)
Advance from customer	60,000
Accrued interest on notes payable convertible into common stock at holders' option	973
Total adjustments	864,420
Net cash used for operating activities	(116,076)
Cash flows from investing activities:	
Proceeds from sale of property and equipment	44,500
Change in security deposits	--
Purchase of property and equipment	--
Net cash provided by investing activities	44,500
Cash flows from financing activities:	
Increase in overdraft	5,916
Proceeds of notes payable convertible into common stock at holders' option	20,000
Payment of capital lease obligations	(2,041)

Proceeds of loans from officer	47,701	
Proceeds from sale of common stock, net of costs	--	
Collection of Subscriptions receivable preferred stock	--	
Net cash (used for) provided by financing activities	71,576	
NET (DECREASE) IN CASH		
Cash and cash equivalents at beginning year	--	
Cash and cash equivalents at end year	$	$
Supplemental disclosures of cash flow information:		
Cash paid for: Interest	$ 3,657	$
Income taxes	$ 698	$

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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AMPLIDYNE, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002

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. The Company has 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. As of January 2004, the Company is effectively controlled by Phoenix Opportunity Fund III, L.P. (see Note J - Subsequent Events)

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 $980,496 and $2,380,026 in 2003 and 2002, respectively.

With no remaining cash and no near term prospects of private placements, options or warrant exercises and reduced revenues, management believes that the Company will have great difficulty meeting its working capital and litigation settlement obligations over the next 12 months. The Company is presently dependent on cash flows generated from sales and loans from officers to meet our obligations. While the Company has obtained financing through the issuance of Series C Convertible Preferred Stock subsequent to December 31, 2003, our inability 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 sufficient 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. In January 2004, the Company partially addressed these concerns by issuing Series C Convertible Preferred Stock (See Note J, Subsequent Events)

The Company 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, strategic alliances and mergers.

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.

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 because our shipping terms are F.O.B. shipping point.

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, 2003 and 2002, inventories consisted of the following:

	2003	2002
Component parts	$290,178	$489,542
Work-in-progress	36,052	209,822
Finished Goods	81,479	227,349
	$407,709	$926,713

AMPLIDYNE, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002

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, 2003.

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 2003, two customers accounted for 80% of net sales (49% and 31%) and 45% of net accounts receivable at December 31, 2003. Export sales in 2003 accounted for approximately 85% of net sales and were primarily to Europe (54%), Canada (31%).

During 2002, two customers accounted for 60% of net sales (44% and 16%) and 71% of net accounts receivable at December 31, 2002. Export sales in 2002 accounted for approximately 67% of net sales and were primarily to Europe (46%), Canada (18%), and other foreign countries.

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.

9. CASH AND CASH EQUIVALENTS

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 $5,792 and $68,878 for the years ended December 31, 2003 and 2002, respectively.

11. RECLASSIFICATIONS

Certain reclassifications were made to the 2002 amounts to conform to the current presentation.

AMPLIDYNE, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002

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, 2003 and 2002 were 945,000 shares.

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:

	Year Ended December 31, 2003	Year Ended December 31, 2002
Sales - external		
Amplifier	1,128,453	$ 992,362
Internet business	222,772	621,372
	$1,351,225	$1,613,734
Sales - external, by geographic area		
United States	$ 201,087	$ 572,084
Europe	732,694	711,862

Canada	417,444	273,350
All other foreign countries	--	56,438
	$1,351,225	$1,613,734

Inventory		
Amplifier	$ 248,575	$ 441,654
Internet business	159,134	485,059
	$ 407,709	$ 926,713

AMPLIDYNE, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002

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. 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.

In January 2001, the Company extended the expiration date of 212,500 warrants resulting in a charge to earnings of $140,000.

In 2001 the Company entered into the following private placements:

- 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.

- 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.

At December 31, 2003, the following 945,000 warrants, remained outstanding:

(1) 20,000 exercisable at $1.00 through May 2010

(2) 20,000 exercisable at $7.00 through December 2004

(3) 30,000 exercisable at $6.00 through November 2004

(4) 50,000 exercisable at $2.00 through December 2004

(5) 50,000 exercisable at $4.00 through December 2004

(6) 16,000 exercisable at $1.75 through December 2004

(7) 41,500 exercisable at $1.80 through July 31, 2004

(8) 207,500 exercisable at $3.00 through July 31, 2004

(9) 55,000 exercisable at $1.20 through September 30, 2004

(10) 300,000 exercisable at $2.00 through December 31, 2005

(11) 75,000 exercisable at $.96 through March 2007

(12) 80,000 exercisable at $1.50 through December 2004.

At December 31, 2003, the Company had employee stock options outstanding to acquire 2,221,000 shares of common stock at exercise prices of $0.15 to $3.25 per share.

During the first quarter ended March 31, 2002, the Company issued 750,000 shares of Common Stock, at $.80 per share (resulting in gross proceeds of $600,000), to accredited investors. In connection with such private offering, the Company paid commissions to NASD broker-dealers in the amount of $60,000 and issued to such persons 75,000 warrants, which are exercisable at $.96 per share and expire March 31, 2007.

During the first quarter ended March 31, 2002, the Company issued 701,194 shares of Common Stock in connection with the conversion of all of the Company's Series B Preferred Stock (which included shares of Common Stock issued in lieu of accrued dividends thereon).

During the first quarter ended March 31, 2002, the Company issued 324,486 shares of Common Stock to the members of a class action compliant settled in September 2001. The complaint, brought on behalf of purchasers of the Company's common stock during a specified period in a prior year, alleged that the Company and certain individuals violated the federal securities laws by, among other things, the issuance of a press release during that specified period.

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

NOTE D - 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. 1,656,000 options remained outstanding at December 31, 2003. 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.

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:

	2003	2002
Net loss	$(1,197,411)	$(2,567,411)
Loss per share	$ (0.12)	$ (0.27)

AMPLIDYNE, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002

Stock option activity during 2003 and 2002, is summarized below:

	Shares of common stock attributable to options	Weighted average exercise price of options
Unexercised at December 31, 2001	2,181,000	3.400
Expired at December 31, 2002	(180,000)	1.460
Issued during 2002	50,000	0.200
Unexercised at December 31, 2002	2,051,000	3.233
Issued during 2003	200,000	0.150
Expired at December 31, 2003	(30,000)	3.250
Unexercised at December 31, 2003	2,221,000	0.669

The following table summarizes information concerning outstanding and exercisable options, including warrants issued to officers, at December 31, 2003:

	Options Outstanding			Options Exerc	
Exercise Prices	Number outstanding at period end	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at period end	W a exe
0.150	1,346,000	1.4 years (1)	0.150	1,346,000	0
1.150	200,000	1.4 years	1.150	200,000	1
1.250	150,000	0.4 years	1.250	150,000	1
3.125	100,000	0.25 years	3.125	100,000	3
1.040	10,000	2 years	1.040	10,000	1
1.120	10,000	2 years	1.120	10,000	1
3.250	55,000	1 year	3.250	55,000	3

1.500	300,000	2 years	1.500	300,000	1
0.200	50,000	2.25 years	0.200	50,000	
	---------			---------	
	2,221,000			2,221,000	

(1) Expiration date extended from May 1, 2000 to May 31, 2006 and was re-priced on April 9, 2003 from $4.00 to $.15 per share.

NOTE E - INCOME TAXES

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, 2003, the Federal net operating loss carryforwards are approximately $15,440,000. The net operating loss carryforwards expire at various dates through 2023, and because of the uncertainty in the Company's ability to utilize the net operating loss carryforwards, a full valuation allowance of approximately $5,400,000 and $5,100,000 has been provided on the deferred tax asset at December 31, 2003 and 2002, 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 2003 and 2002, the Company received $180,316 and $163,687, respectively, from the sale of such net operating losses. The Company expects to sell additional New Jersey net operating losses in 2004, although there can be no assurance a suitable transaction will be consummated. The New Jersey net operating loss carryforwards are approximately $4,267,000 at December 31, 2003.

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 2003 and 2002 is principally due to the impact of state income and minimum taxes.

NOTE F - ASSETS FORMERLY UNDER CAPITAL LEASE OBLIGATIONS

The Company had 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. The remainder balances on these leases have been paid in full at December 31, 2003.

The cost of assets under capital leases was approximately $24,000 at December 31, 2003 and 2002, and is included in property and equipment. Accumulated depreciation at December 31, 2003 and 2002 was approximately $24,000.

AMPLIDYNE, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002

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

Future remaining minimum lease payments on non-cancelable operating leases are $38,000 for 2004.

Rent expense, including the Company's share of real estate taxes, utilities and other occupancy costs, was $81,940 and $79,725 for the years ended December 31, 2003 and 2002, 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.

The Officers 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, representing the estimated fair value of the common stock of the Company at that time. During 2001, no shares were issued in lieu of officers' deferred compensation and no compensation was deferred. During 2003, the Chief Executive Officer deferred salaries of $139,707 and the Vice President of Operations and the Secretary each also deferred salaries of $44,281 and $9,000, respectively. During 2002, the Chief Executive Officer deferred salaries of $54,000 and the Vice President of Operations and the Secretary each also deferred salaries of $20,000 and $9,000, respectively. No shares were issued in lieu of officers' deferred compensation in either 2003 or 2002.

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 participate in the plan. The plan is administered by a third party.

4. LETTER OF INTENT - ABORTED MERGER

In February, 2003, the Company entered into a letter of intent with V-Link, Inc., a provider of wireless networks for hotels whereby was to acquire all of that Company's common stock. V-Link, as a customer of the Company, advanced $100,000 in March 2003 for future orders which had been fulfilled by December

31, 2003. The merger negotiations have ceased and V-Link has sued the Company and its Chief Executive Officer (see Note I - Litigation - item 6).

5. 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 are 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 holder's option at the rate of $.10 per share. As of December 31, 2003, there are no conditions present that trigger an acceleration, nor has either holder exercised their option to convert them into common stock.

NOTE H - RELATED PARTY TRANSACTIONS

1. OFFICER / STOCKHOLDER LOANS

$55,982 was owed to the Company by the Chief Executive Officer and principal shareholder as of December 31, 2001. In 2002, this officer repaid this loan and advanced to the Company additional sums aggregating $152,308 of which $136,000 was repaid in 2002. Additionally, he agreed to defer $54,000 (2002) and $139,706 (2003) of salaries to help the Company with its cash flow. The Vice President of Operations and the Secretary each also agreed to defer $44,281 and $9,000 of salaries, respectively, in 2003. In 2003, the Chief Executive Officer and principal shareholder loaned the Company an additional $310,401 and was repaid $262,700. As of December 31, 2003, the Company owed $203,716 to the Chief Executive Officer for loans ($64,010) and accrued salaries ($139,706) and owed other officers an aggregate of $53,281 for accrued salaries. The total due to all officers combined at December 31, 2003 was $256,997.

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 2003 and 2002, the Company made purchases of approximately $38,000 and $24,000, 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. 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 is to be paid quarterly over two years. $95,000 remained unpaid at December 31, 2003.

2. 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 South Korean sales rep. 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 a total of $85,000 in twelve equal monthly installments, none of which has been paid to date. The Company has not received any required documents and releases from the plaintiff and management believes that the possibility of any further assertion in this matter is remote. Accordingly, the provision for litigation settlement costs for the year ended December 31, 2002, reflects a reduction for the estimated liability in this matter as of December 31, 2001. As of December 31, 2003, the status of this matter remains unchanged.

3. The Company was subject to a SEC formal order of investigation relating to the subject matter of the Class Action Lawsuit that was commenced in 1999 and settled in 2001. On May 22, 2003, the Commission filed a settled action in the United States District Court for the District of New Jersey against Amplidyne, Inc. ("Amplidyne") and its President, Chairman and Chief Executive Officer, Devendar S. Bains ("Bains"). The Commission's Complaint alleges that Amplidyne and Bains violated the antifraud provision of the federal securities laws by making false statements concerning Amplidyne's purported entry into the high speed Internet wireless access market. Simultaneously with the filing of the Complaint, Amplidyne and Bains, without admitting or denying the allegations in the Complaint, consented to the entry of a final judgment permanently enjoining both from violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10(b)-5 thereunder. In addition, Bains agreed to pay a civil penalty of $50,000.

4. The Company (as well as an officer and director of the Company) was a defendant in a complaint brought in the Superior Court of New Jersey, Law Division, Somerset County, by High Gain Antenna Co., Ltd. of Korea in November 2000. The complaint sought damages for an alleged breach of a contract for the repair of certain equipment purchased by plaintiff from a distributor of the Company's products and the Company. A trial commenced on May 7, 2002, and on May 13, 2002, the jury brought in a verdict against the Company for $400,000. The Company had filed a motion in the Law Division for a new trial, which was denied and gave notice of appeal to file an appeal of the verdict and judgment to the Superior Court of New Jersey, Appellate Division. Management later determined that pursuing the appeal would not be in the best interest of the Company and its shareholders.

In January 2003, the Company entered into a Stipulation of Settlement and Release before the Superior Court of New Jersey, Somerset County. The settlement stipulates that the Company pay a total of $200,000 plus 700,000 shares of restricted common stock of the Company valued by the agreement at $105,000 (management has determined that the discounted value of the 700,000 restricted shares was $29,400 as of February 4, 2003 based on quoted market price of $0.07 per share discounted for lack of marketability). Accordingly, a provision for litigation settlement costs of $229,400 for the year ended December 31, 2002, was made to reflect an estimated liability for it at that date. The stipulation called for an initial payment of $75,000 (paid in March 2003) with the remaining balance payable in $25,000 increments on the following dates: June 2, 2003, August 31, 2003, November 29, 2003, February 27, 2004 and May 28, 2004. The record judgment of $400,000 shall remain until the payment obligations are made in full. In the event of default, the plaintiff shall have the right to execute the judgment after crediting $105,000 for the agreed value of the shares issued plus any payments made pursuant to the settlement. As of December 31, 2003, the balance due in connection with this matter was $75,000. Failure by the Company to timely meet the settlement terms would have a material adverse effect on the Company's financial position and prospects.

5. On May 30, 2002, the Company filed a two-count lawsuit in the Superior Court of New Jersey, Law Division, Somerset County, seeking, among other things, declaratory relief that the Company is not obligated to pay a finders fee (in connection with the Company's purchase of the Darwin Assets), and that the Company is entitled to monetary damages as a result of defendant's false misrepresentations. On July 10, 2002, the matter was removed to the United States District Court of New Jersey but later transferred back to the United States Bankruptcy Court and then transferred to the United States District Court of New Jersey. On July 29, 2002, defendants filed a counterclaim seeking $200,000 in damages as a result of a finders fee agreement. In January 2003, the matter was transferred to the United States District Court for the Middle District of Florida. The defendants sought a further transfer to the United States Bankruptcy Court for the Middle District of Florida, but such motion was denied. Although the Company is confident in its position, it cannot predict the outcome of the case and any negative outcome may have a material adverse effect on the Company's financial position or prospects.

6. 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. The Company is seeking representation on this matter, but presently is unrepresented. No determination has been made as to the amount of damages, if any, the Company would be required to pay. Accordingly, there is no provision in the financial statements for any damages in connection with this matter.

NOTE J - SUBSEQUENT EVENTS

1. ISSUANCE OF SERIES C CONVERTIBLE PREFERRED STOCK

On January 28, 2004, the Company closed a $0.1 million financing from Phoenix and Phoenix Opportunity Fund III, L.P. ("Phoenix III"), which are managed by Phoenix Capital Holdings. Pursuant to the terms of the subscription agreement between the Company and Phoenix, Phoenix agreed to make an aggregate investment of approximately $100,000 in the Company in exchange for 282,700 shares of Series C Convertible Preferred Stock, representing approximately 80% of the outstanding stock of the Company on a fully diluted basis. As the Company will need to amend its certificate of incorporation or effect a reverse stock split in order to have sufficient authorized shares to complete the equity financing, Phoenix has made an initial investment of approximately $20,000 in exchange for 54,325 shares of Series C Convertible Preferred Stock of the Company, with the remaining portion of the equity investment to be completed after the recapitalization.

Phoenix also entered into a stock restriction agreement with Devendar Bains, pursuant to which Mr. Bains issued an irrevocable proxy to Phoenix until the recapitalization is completed, which, together with the shares received in connection with the initial investment, gives Phoenix effective control over 53% of the Company's voting stock.

In connection with the investment, Phoenix III has agreed to loan to the Company up to $0.4 million. The loan is secured by substantially all of the assets of the Company. The Company has drawn down approximately $80,000 of the loan immediately, $30,000 of which was immediately available to the Company and $50,000 of which had been placed into an escrow fund to be made available at such time as the Company completes its recapitalization. The Company has been allowed to draw down the $50,000 without completing the recapitalization. Generally, the remaining portion of the commitment is reserved for specific, enumerated purposes, and Phoenix III retains substantial discretion over the availability of the funds.

2. LOANS FROM AND REPAYMENTS TO OFFICER / STOCKHOLDER

From January through March 2004, the Chief Executive Officer loaned the Company an additional $18,000. As of March 31, 2004 the Company owed $244,908 to this officer for loans and accrued salaries. (See note H-1).

3. PAYROLL TAXES

The Company did not remit payments to Federal and state taxing authorities for taxes withheld from employees' pay, as well as the Company's share of those taxes for the first quarter of 2004. The balance of those taxes due approximate $38,000. Management estimates that taxing authorities will impose penalties and interest of approximately $5,000. Management is in the process of remedying this situation but the Company has not paid the taxes due as of March 31, 2004.

ITEM 14:

Audit fees

Aggregate fees bills by the Company's principal accountant were $18,000 in 2003 and $37,000 in 2002.

Audit-Related Fees

Aggregate fees billed for audit related services in 2002 were $8,500 and were principally for assistance in responses to S.E.C. comment letters. There were no audit related fees in 2003.

Audit Committee Policies and Procedures for Pre-Approval of Services

The audit committee is in the process of formulating procedures for pre-approval of all audit, review and attest services and non-audit services.

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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
/s/ Devendar S. Bains Devendar S. Bains	Chief Executive Officer, Treasurer, Principal Accounting Officer and Director	April 14, 2004
/s/ Tarlochan Bains Tarlochan Bains	Vice President and Director	April 14, 2004
/s/ Nirmal Bains Nirmal Bains	Secretary	April 14, 2004
/s/Charles J. Ritchie Charles J. Ritchie	Director	April 14, 2004
/s/Manish V. Detroja	Director	April 14, 2004

Manish V. Detroja