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GENERAL KINETICS INC  
Form 10-K/A  
September 28, 2001

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K/A  
Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended May 31, 2001

Commission File No. 0-1738

GENERAL KINETICS INCORPORATED  
(Exact Name of Registrant as specified in its Charter)

Virginia  
(State of Incorporation)

54-0594435  
(IRS Employer Identification No.)

10688-D Crestwood Drive, Manassas, VA  
(Address of principal executive offices)

20109  
(Zip Code)

Registrant's telephone number

(703) 331-8033

Securities registered pursuant to Section 12(b) of the Act:

None.

Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class  
Common Stock with par value of \$.25 per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 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  NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K .

Aggregate market value of the voting stock held by non-affiliates of the Registrant as of August 20, 2001 \$ 392,156\*

(\* Executive officers, directors, and Registrant's ESOP were considered affiliates, solely for purposes of this item.)

The number of shares outstanding of Registrant's Common Stock, \$.25 par value as of August 17, 2001, was 6,718,925

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Documents Incorporated by Reference

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

DIRECTORS

Name and Positions With the Company -----	Age ---	Business Experience During The Last Five Years -----	Director -----
Larry M. Heimendinger Chairman of the Board	57	Mr. Heimendinger has acted as the Chairman of the Board of Directors of the Company since he was elected to that position in March 1994. Also, since March 1994, in accordance with the Amended and Restated Bylaws of the Company, Mr. Heimendinger has been performing the duties of the President and Chief Executive Officer through his position as Chairman of the Board and will continue to do so until such time as a replacement for President and Chief Executive Officer is elected and qualified. Mr. Heimendinger is also a founder of Link2It, LLC (see "Certain Relationships and Related Transactions"). Mr. Heimendinger previously served as President and Chief Operating Officer of Nantucket Corp., a privately held software company, and after that company's acquisition by Computer Associates International was associated with Computer Associates, most recently as its Director of Product Strategy. Before joining Nantucket, Mr. Heimendinger was the President and Chief Executive Officer of Origin, Inc., a company that produced and marketed personal computer software for the banking industry. Mr. Heimendinger is the author of Advanced dBase IV and Advanced Clipper, books published by Brady Books, and is a computer industry conference and seminar speaker worldwide. Mr. Heimendinger is a member of Class 1 of the Board of Directors.	March, 1
Thomas M. Hacala	56	Mr. Hacala has been the President of Seating Technology, a marketing and consulting company specializing in the Asian/European office furniture industry, since 1991. Mr. Hacala is a member of Class I of the Board of Directors.	February
Marc E. Cotnoir	52	Mr. Cotnoir has been an independent consultant, providing business and strategic planning support and systems engineering consulting, for a wide range of clients since 1988. Mr. Cotnoir was Vice President	March, 1

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Name and Positions With the Company -----	Age ---	Business Experience During The Last Five Years -----	Director -----
		for Marketing, Sales, and Service for VideoSite Incorporated from September 1997 to July 1998. Prior to 1988, Mr. Cotnoir had extensive experience, both within private industry and in the U.S. Air Force, with computer and communications technology. Mr. Cotnoir is a member of Class II of the Board of Directors.	
Richard J. McConnell	41	Mr. McConnell has been the President of Square Systems, Corp., a research and development firm specializing in advanced software systems, since 1986. Mr. McConnell is also a founder of Link2It, LLC (see "Certain Relationships and Related Transactions"). Mr. McConnell has been involved in research and development in the computer software industry since 1981. Mr. McConnell is a member of Class III of the Board of Directors.	March, 1

EXECUTIVE OFFICERS AND CERTAIN  
SIGNIFICANT EMPLOYEES OF THE COMPANY

The names, ages, and positions of the executive officers of the Company are listed below.

Name ----	Age ---	Position -----
Larry M. Heimendinger	57	Chairman of the Board (performing duties of President and Chief Executive Officer)
Richard E. Munczenski	59	Vice President and General Manager
Sandy B. Sewitch	44	Chief Financial Officer

Larry M. Heimendinger has acted as the Chairman of the Board of Directors since March of 1994 and, also since March 1994, in accordance with the Amended and Restated Bylaws of the Company, he has been performing the duties of the President and Chief Executive Officer through his position as Chairman of the Board and will continue to do so until a replacement for President and Chief Executive Officer is elected and qualified.

Richard E. Munczenski joined the Company in August 1969, and has served as Vice President and General Manager since April 1995.

Sandy B. Sewitch joined the Company as Chief Financial Officer in April 1993.

The officers of the Company hold office at the discretion of the Board of Directors of the Company.

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SECTION 16(a) BENEFICIAL OWNERSHIP  
REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and officers, and persons who beneficially own more than 10% of its Common Stock, to file with the Securities and Exchange Commission reports of ownership and changes in ownership of the Company's equity securities. Officers, directors and greater than 10% stockholders are also required to furnish the Company with copies of all forms they file pursuant to Section 16(a).

To the Company's knowledge, based solely on a review of such reports furnished to the Company, during the fiscal year ended May 31, 2001, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% stockholders were complied with.

## ITEM 11. EXECUTIVE COMPENSATION

The information under this heading relates to the chief executive officer, the chief financial officer, and the vice president and general manager of the Company for the fiscal year ended May 31, 2001. The information is presented in compliance with the rules and regulations of the Securities and Exchange Commission applicable to those companies, such as General Kinetics Incorporated, that meet the definition of a "small business issuer."

Executive officers are appointed each year by the Board of Directors at its annual meeting following the annual meeting of shareholders and serve for one year or until their successors are chosen and qualify in their stead. There are no family relationships among the executive officers, or any arrangement or understanding between any officer and any person pursuant to which the officer was elected.

## SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Co
		Salary	Bonus	Other Annual Compensation	Number of Options
Larry M. Heimendinger(1) Chairman of the Board	2001	\$ 0	\$ 0	\$ 0	12,500
	2000	0	0	0	12,500
	1999	0	0	0	12,500
Sandy B. Sewitch(2) Chief Financial Officer	2001	\$108,000	\$ 10,000	\$ 4,800	0
	2000	108,000	7,5000	4,800	0
	1999	108,000	0	4,800	0
Richard E. Munczenski(3) VP and General Manger	2000	\$113,000	\$ 37,000	\$ 0	0
	1999	96,500	40,000	0	0
	1995	95,000	15,000	3,500	0

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- (1) Larry Heimendinger serves as the Company's Chairman of the Board, for which he has received no salary compensation since being elected to that position in March 1994.

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Since the resignation of the Company's former President in March 1994, the Company has not had a President. In accordance with the Company's Bylaws, until a new President is elected and qualified, the Company's Chairman performs the duties of that office.

- (2) The "Other Annual Compensation" for Sandy Sewitch includes a car allowance of \$4,800 for each year listed.
- (3) The "Other Annual Compensation" for Richard Munczenski includes a car allowance of \$3,500 for ten months of fiscal 1999. Thereafter, Mr. Munczenski was provided with a company leased car which was used substantially exclusively for company business during the remainder of fiscal 1999, fiscal 2000, and fiscal 2001.

INDIVIDUAL OPTION GRANTS TO EXECUTIVE OFFICERS  
DURING FISCAL YEAR 2001

Name of Executive Officer	Number of Options Granted	Percent of Total Options Granted to Employees in FY 2001	Exercise Price	Expiration Date	Potential at stock
Larry M. Heimendinger	12,500 (1)	26.3% (2)	\$ .08	6/01/11	\$
Sandy B. Sewitch	0	---	---	---	
Richard E. Munczenski	0	---	---	---	

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- (1) 75% of such options have vested and are currently exercisable. The remaining 25% will vest on May 31, 2002.
- (2) Mr. Heimendinger is not an employee of the Company. However, for purposes of the calculation of percentages in the foregoing table, his options have been included in the aggregate total employee options granted.

FY-2001 OPTIONS EXERCISE AND FY-2001 YEAR-END VALUE TABLE

Number of Options In-the-Money O

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Name of Executive Officer	Number of Shares Acquired on Exercise	At End-FY 2001		At End-FY 2000	
		Exerciseable	Unexerciseable	Exerciseable	Unexerciseable
Larry M. Heimendinger	0	130,250	128,125	0	0
Sandy B. Sewitch	0	12,500	0	0	0
Richard E. Munczenski	0	45,277	0	0	0

COMPENSATION OF DIRECTORS

Each nonemployee director of the Company other than Mr. Heimendinger has received a monthly retainer of \$1,500 since November 1994.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Principal Shareholders

The Company has understood that shares of its Common Stock and convertible debentures which in fiscal years prior to 1998 had been reported as beneficially owned by Gutzwiller & Partner, AG ("Gutzwiller") or its successor were held by Gutzwiller or its successor as nominee only for various underlying owners, none of which was a beneficial owner of five percent or more of the Company's Common Stock. The Company understands that to be under review. As of May 31, 2001, clients of Gutzwiller or its successor had invested approximately \$3 million in equity of the Company, and approximately \$9.0 million in convertible debentures of the Company, which are convertible into 18,000,000 shares of Common Stock.

As of September 28, 2001, no person or entity is believed by the Company to be the beneficial owner of more than 5 percent of its common stock, except to the extent noted above.

The following table sets forth the beneficial ownership of Common Stock as of September 28, 2001 of each of the current directors and each of the executive officers named in the Summary Compensation Table above:

Name	Shares of Common Stock Beneficially Owned (1)	Percentage of Outstanding Common Stock
Marc E. Cotnoir	105,000	1.5
Richard J. McConnell	105,000	1.5
Thomas M. Hacala	62,500	*
Larry M. Heimendinger	130,250	1.9
Sandy B. Sewitch	17,041	*

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Richard E. Munczenski	59,801	*
All Directors and Named Executive Officers as a group (six persons)	479,592	6.7%

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(1) Beneficial ownership also includes shares of Common Stock which may be acquired within 60 days of September 28, 2001 through the exercise of warrants, options, or otherwise, as follows: Mr. Cotnoir, 105,000 shares; Mr. Heimendinger, 130,250 shares; Mr. McConnell, 105,000 shares; Mr. Hacala, 62,500 shares; Mr. Sewitch, 12,500 shares; Mr. Munczenski, 45,277 shares; and all directors and named executive officers as a group, 460,527 shares. Additionally, each of Messrs. Cotnoir and McConnell were granted options to purchase 100,000 shares, and Mr. Heimendinger was granted an option to purchase 125,000 shares, each of which options will only vest if the stock price reaches certain stipulated multiples of a base price of \$1.0026 (for ten consecutive trading days).

\* Indicates less than 1 percent.

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### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

At May 31, 2000, the Company had a membership interest in and certain notes receivable due from Link2It, LLC, a company formed by Larry Heimendinger and Richard McConnell, both members of the Company's Board of Directors. Such membership interests and notes were originally received by the Company in consideration of, among other things, amounts advanced by the Company to or on behalf of Link 2It, LLC prior to 1998. The financial statements at May 31, 2000 included a valuation reserve of \$175,000, which represented the total due under the notes receivable.

During January 2001, Link2It, LLC merged into Link2It Corporation and completed a sale of equity securities in a private transaction. The \$175,000 principal amount of the notes due to the Company was repaid in full and recognized as "other income" on the statement of operations for the fiscal year ended May 31, 2001 included in the Company's Annual Report on the Form 10-K filed August 29, 2001. The Company also retained approximately 5.7% of Link2It Corporation's currently outstanding common stock, which it accounts for using the cost method. The Company has assigned no value to this investment due to its speculative nature. The entire value of the Company's interest in Link2It was assigned to the note receivable previously outstanding and repaid to the Company in January 2001.

Subsequent to May 31, 2001, Link2It Corporation entered into a factoring agreement with the Company, intended to supplement or replace the Company's prior agreement with Reservoir Capital Corporation ("Reservoir"). The new agreement, which was negotiated at arms length and approved by unanimous vote of the Company's Board of Directors, is on terms substantially identical to those of the Reservoir facility, but more favorable to the Company in certain respects. At September 17, 2001, advances due to Link2It Corporation pursuant to such factoring agreement totaled approximately \$157,000.

PART IV

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ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES  
AND REPORTS ON FORM 8-K

(c) Exhibits

4.8 Definitive Form of 1% Convertible Debentures due August 14, 2004

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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.

GENERAL KINETICS INCORPORATED

By: /s/ Larry M. Heimendinger  
-----  
Larry M. Heimendinger,  
Chairman of the Board  
(Principal Executive Officer)

Date: September 28, 2001

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