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GENERAL KINETICS INC
Form 10-K/A
September 30, 2002

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, 2002

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 14, 2002

\$261,437*

(* 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 31, 2002 was

6,718,925

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Documents Incorporated by Reference

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

Directors of the Company

Name and Positions With the Company -----	Age ---	Business Experience During The Last Five Years -----	Director since -----
Larry M. Heimendinger Chairman of the Board	57	Mr. Heimendinger has served 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 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 Corporation (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 has spoken at computer industry conferences and seminars worldwide. Mr.	March, 1994

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Heimendinger is a member of Class I of the Board of Directors.

Thomas M. Hacala	57	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, 1998
Marc E. Cotnoir	53	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 also served as Vice President for Marketing, Sales, and Service for VideoSite Incorporated from September 1997 to July 1998. Prior to 1988, Mr. Cotnoir worked extensively, 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.	March, 1994

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Richard J. McConnell	42	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 Corporation (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, 1994
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All directors hold office until the next annual meeting of shareholders and until their successors have been duly elected and qualified or until their earlier death, resignation or removal.

Executive Officers and Certain Significant Employees of the Company

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

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Name	Age	Position
----	---	-----
Larry M. Heimendinger	57	Chairman of the Board (performing duties of President and Chief Executive Officer)
Richard E. Munczenski	60	Vice President and General Manager
Sandy B. Sewitch	45	Chief Financial Officer

Larry M. Heimendinger has served as the Chairman of the Board of Directors since March of 1994. Also since March 1994, through his position as Chairman of the Board, in accordance with the Amended and Restated Bylaws of the Company, Mr. Heimendinger has been performing the duties of President and Chief Executive Officer. He will continue to perform such duties 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 has served as the Chief Financial Officer of the Company since April 1993, when he joined the Company.

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

There are no family relationships among the executive officers or directors of the Company, and there is no arrangement or understanding between any director and any other person pursuant to which such director was elected.

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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 the Company's Common Stock, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of the Company's equity securities. Officers, directors and greater than 10% shareholders 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, 2002, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% shareholders 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, 2002. 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."

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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, and there is no arrangement or understanding between any officer and any other person pursuant to which such officer was selected as an officer.

SUMMARY COMPENSATION TABLE

Name and Principal Position -----	Year ----	Annual Compensation -----			Long-Term
		Salary -----	Bonus -----	Other Annual Compensation -----	Number of Options -----
Larry M. Heimendinger(1) Chairman of the Board	2002	\$ 0	\$ 0	\$ 0	12,500
	2001	0	0	0	12,500
	2000	0	0	0	12,500
Sandy B. Sewitch(2) Chief Financial Officer	2002	\$108,000	\$ 0	\$ 4,800	0
	2001	108,000	10,000	4,800	0
	2000	108,000	7,500	4,800	0
Richard E. Munczenski(3) VP and General Manager	2002	\$113,000	\$ 42,000	\$ 1,300	0
	2001	113,000	37,000	0	0
	2000	96,500	40,000	0	0

(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. 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 Amended and Restated Bylaws, until a new President is elected and qualified, the Company's Chairman performs the duties of that office.

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- (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 for approximately three months of fiscal 2002. Prior to March 2002, Mr. Munczenski was provided with a company leased car which was used substantially exclusively for company business during the remainder of fiscal 2002, fiscal 2001 and fiscal 2000.

Options and Stock Appreciation Rights

INDIVIDUAL OPTION GRANTS TO EXECUTIVE OFFICERS DURING FISCAL YEAR 2002

Percent of

Potent

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Name of Executive Officer	Number of Options Granted	Total Options Granted to Employees in FY 2002	Exercise Price	Expiration Date	at a sto
Larry M. Heimendinger	12,500 (1)	26.3% (2)	\$.05	6/01/12	\$1,
Sandy B. Sewitch	0	---	---	---	---
Richard E. Munczenski	0	---	---	---	---

(1) 75% of such options have vested and are currently exercisable. The remaining 25% will vest on May 31, 2003.

(2) Although, pursuant to his position as Chairman of the Board of the Company, Mr. Heimendinger is currently performing the duties of President and Chief Executive Officer, he is not an employee of the Company. However, for purposes of the calculation of the percentages in the foregoing table, his options have been included in the aggregate total employee options granted.

Option Exercise and Holdings

FY-2002 OPTIONS EXERCISE AND FY-2002 YEAR-END VALUE TABLE

Name of Executive Officer	Number of Shares Acquired on Exercise	Number of Options At End-FY 2002		Exerc
		Exercisable	Unexercisable	
Larry M. Heimendinger	0	142,750	139,625	
Sandy B. Sewitch	0	12,500	0	
Richard E. Munczenski	0	45,277	0	

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Pension and Long Term Incentive Plan Awards

None.

Compensation of Directors

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

Employment Contracts and Termination of Employment and Change of Control

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Agreements

None.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Principal Shareholders

The following table sets forth certain information as of August 31, 2002 as to the security ownership of those persons known to the Company to be the beneficial owners of more than five percent of the outstanding shares of the Company's Common Stock and of each of the Company's directors and named executive officers and all of the Company's directors and named executive officers as a group:

Name	Shares of Common Stock Beneficially Owned (1)	Percentage of Common
Rabo Investment Management Ltd.	17,485,000 (2)	77
Marc E. Cotnoir	115,000	1
Richard J. McConnell	115,000	1
Thomas M. Hacala	72,500	*
Larry M. Heimendinger	142,750	2
Sandy B. Sewitch	4,541	*
Richard E. Munczenski	54,801	*
All Directors and Named Executive Officers as a group (six persons)	504,592	7

* Indicates less than one percent of the outstanding shares of the Company's Common Stock

(1) Beneficial ownership as reported in the above table has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, and includes shares of the Company's Common Stock which may be acquired within 60 days of August 31, 2002 through the exercise of warrants, options,

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or other convertible securities, as follows: Rabo Investment Management Ltd., 15,770,000 shares (see footnote 2 below) Mr. Cotnoir, 115,000 shares; Mr. McConnell, 115,000 shares; Mr. Hacala, 72,500 shares; Mr. Heimendinger, 142,750 shares; Mr. Munczenski, 40,277 shares; and all directors and named executive officers as a group, 485,527 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).

- (2) Based on information provided by Rabo Investment Management Ltd. (f/k/a Gutzwiller & Partner, A.G., the "Manager") in a Schedule 13D/A filed with the SEC on November 9, 2001. The Manager reported that it may be deemed to be the beneficial owner of an aggregate of 1,715,000 outstanding shares of the Company's Common Stock, including (x) 242,700 shares purchased by the Manager of which the Manager is the economic beneficial owner and holds sole voting and dispositive power and (y) 1,472,300 shares held in client accounts. The Manager also indicated that it may be deemed to be the beneficial owner of 1% convertible debentures of the Company having an aggregate principal amount of \$7,885,000, including (a) \$585,000 which were purchased by the Manager of which the Manager is the economic beneficial owner and holds sole voting and dispositive power, and (b) \$7,300,000 held in client accounts managed by the Manager on behalf of various clients who hold beneficial economic ownership thereof and of which the Manager holds voting and dispositive power. The debentures are convertible into 15,770,000 shares of Common Stock. After such a conversion, the Manager would be deemed to be the beneficial owner of 17,485,000 shares, which would represent 77.7% of the Company's then outstanding Common Stock.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

At May 31, 2002, the Company held approximately 5.7% of the outstanding common stock of Link2It Corporation, a company formed by Larry Heimendinger and Richard McConnell, both members of the Company's Board of Directors. Such equity securities were originally received by the Company prior to 1998 in consideration of, among other things, amounts advanced by the Company to or on behalf of Link2It, LLC, which merged into Link2It Corporation in January 2001. The Company accounts for its holdings of Link2It Corporation's common stock using the cost method. The Company has assigned no value to this investment due to its speculative nature.

In August 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 agreement, which was negotiated at arms' length and approved by a 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. A new factoring agreement, on similar terms, was entered into in April 2002. Interest expense related to the factoring agreement was \$30,500 in fiscal 2002.

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SIGNATURE

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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 27, 2002

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