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GENERAL KINETICS INC
Form 10-K/A
September 28, 2005

UNITED STATES
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, 2005

Commission File No. 0-1738
GENERAL KINETICS INCORPORATED
(Exact Name of Registrant as specified in its Charter)

Virginia 54-0594435
(State of Incorporation) (IRS Employer Identification No)

110 Sunray Drive, Johnstown, PA 15905
(Address of principal executive offices) (Zip Code)

Registrant's telephone number (814) 255-6891

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, \$0.25 par value 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 X 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 [].

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2)

YES NO X

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

YES NO X

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing sale price of Common Stock on

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November 30, 2004, the last business day of the registrant's most recently completed second fiscal quarter, as reported on the NASD OTC Bulletin Board, was approximately \$196,766. Shares of Common Stock held by the executive officers, directors and under the Registrant's ESOP have been excluded in that such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares outstanding of the Registrant's Common Stock, \$0.25 par value, as of August 16, 2005 was 7,118,925.

Documents Incorporated by Reference

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors of the Company

| Name ---- | Age --- | Director since ----- |
|---|------------|-------------------------|
| Larry M. Heimendinger (Chairman of the Board) | 60 | March, 1994 |
| Thomas M. Hacala | 60 | February, 1998 |
| Marc E. Cotnoir | 56 | March, 1994 |
| Richard J. McConnell | 44 | March, 1994 |

Larry M. Heimendinger has served as the Chairman of the Board of Directors of the Company since he was elected to that position in March 1994. In addition, 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 a replacement for President and Chief Executive Officer is elected and qualified. Mr. Heimendinger is also a founder of Link2It Corporation. 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. Heimendinger is a member of Class I of the Board of Directors.

Thomas M. 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.

Marc E. 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.

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Richard J. 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. 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.

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.

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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 | 60 | Chairman of the Board (performing duties of President and Chief Executive Officer) |
| Richard E. Munczenski | 63 | Vice President and General Manager |
| Franco DeBlasio | 35 | Chief Financial Officer |

Larry M. Heimendinger has served as the Chairman of the Board of Directors since March 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.

Franco DeBlasio has served as the Chief Financial Officer of the Company since July 1, 2005, when he replaced Sandy B. Sewitch, who had served as the Company's Chief Financial Officer from April 1993 until his resignation on May 11, 2005. Prior to assuming his position as Chief Financial Officer, Mr. DeBlasio served as a consultant to the Company from May 30, 2005 through June 30, 2005. Prior to such service, from 1995 through 2000, and again from 2003 to June 2005, Mr. DeBlasio served as a consultant/accountant at DeBlasio & DeBlasio Associates, a consulting and accounting firm based in Pittsburgh, Pennsylvania. From January 2001 through November 2003, he served as the Chief Financial Officer of Smart Parts, Inc., a high volume consumer goods manufacturer. Prior to joining Smart Parts, beginning in January 2000, Mr. DeBlasio served as a team leader in the international acquisitions division of Crown Castle Communications, a provider of technologically advanced shared wireless infrastructure. He holds a B.S.B.A in accounting from Robert Morris College and an M.B.A. with an emphasis in finance and MIS from Duquesne University.

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

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

Audit Committee:

The audit committee of the Board of Directors reviews the various accounting, financial reporting and internal control functions and makes recommendations to the Board of Directors for the selection of independent public accountants. In addition, the committee will monitor the independence of the independent accountants. The members of the audit committee are Mr. Hacala and Mr. Cotnoir.

The Company's Board of Directors does not have an "audit committee financial expert," within the meaning of such phrase under applicable regulations of the Securities and Exchange Commission (the "SEC"), serving on its audit committee. The Board of Directors believes that all members of its audit committee are financially literate and experienced in business matters, and that one or more members of the audit committee are capable of (i) understanding generally accepted accounting principles ("GAAP") and financial statements, (ii) assessing the general application of GAAP principles in connection with the Company's accounting for estimates, accruals and reserves, (iii) analyzing and evaluating the Company's financial statements, (iv) understanding the Company's internal controls and procedures for financial reporting; and (v) understanding audit committee

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functions, all of which are attributes of an audit committee financial expert. However, the Board of Directors believes that there are no audit committee members who have obtained these attributes through the experience specified in the SEC's definition of "audit committee financial expert." Further, like many small companies, it is difficult for the Company to attract and retain board members who qualify as "audit committee financial experts," and competition for these individuals is significant. The board believes that its current audit committee is able to fulfill its role under SEC regulations despite not having a designated "audit committee financial expert."

Code of Ethics:

The Company's Board of Directors has adopted a Code of Ethics for Senior Financial Officers to promote honest and ethical conduct, proper disclosure of information in the Company's periodic reports, and compliance with applicable governmental laws, rules, and regulations by the Company's senior officers who have financial responsibilities. A copy of the Code of Ethics for Senior Financial Officers may be obtained free of charge by submitting a request to General Kinetics Incorporated, 110 Sunray Drive, Johnstown, PA 15905, Attn: Secretary.

Section 16(a) Beneficial Ownership Reporting Compliance

To the Company's knowledge, based solely on a review of such reports furnished to the Company, during the fiscal year ended May 31, 2005, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% beneficial shareholders were complied with, except that, Rabo Investment Management Ltd., formerly a greater than 10% beneficial shareholder, failed to timely file a Form 4 during the fiscal year ended May 31, 2005. Additionally, due to administrative oversight, the directors did not timely report on Form 4 their annual receipt of options automatically granted to them during the fiscal year ended May 31, 2004 under the Company's 1994 Non-employee and Directors

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Stock Option Plan. The Form 4s reflecting such grants are being amended to correct the number of options granted as follows: Mr. Heimendinger (5,147 options), Messrs. Cotnoir and McConnell (each, 4,118 options) and Mr. Hacala (4,117 options).

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, 2005. 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 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 ----- Secur Under Opti |
|--|--------------|---------------------|----------------|---------------------------------------|--|
| | | Salary ----- | Bonus ----- | Other Annual Compensation ----- | |
| Larry M. Heimendinger(1) Chairman of the Board | 2005 | \$ 0 | \$ 0 | \$ 0 | |
| | 2004 | 0 | 0 | 0 | 5 |
| | 2003 | 0 | 0 | 0 | 12 |
| Sandy B. Sewitch(2) | 2005 | \$113,700 | \$ 0 | \$ 4,600 | |
| | 2004 | 107,800 | 10,000 | 4,800 | |
| | 2003 | 101,400 | 0 | 4,800 | |
| Richard E. Munczenski(3) VP and General Manager | 2005 | \$125,100 | \$ 60,000 | \$ 4,800 | |
| | 2004 | 112,600 | 20,000 | 4,800 | |
| | 2003 | 106,200 | 30,000 | 4,800 | |
| Franco DeBlasio(4) Chief Financial Officer | 2005 | (4) | \$ 0 | \$ 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. 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.

(2) The "Other Annual Compensation" for Sandy Sewitch includes a car

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allowance of \$4,600 for fiscal 2005 and \$4,800 for fiscal 2004 and 2003. Mr. Sewitch served as the Chief Financial Officer of the Company from April 1993, when he joined the Company until May 11, 2005 when he resigned.

(3) The "Other Annual Compensation" for Richard Munczenski includes a car allowance of \$4,800 for fiscal 2005, 2004, and 2003.

(4) Franco DeBlasio served as a consultant to the Company from May 30, 2005 to June 30, 2005; he assumed the position of Chief Financial Officer of the Company on July 1, 2005. He accepted \$1,200 as compensation for the two days in the fiscal year ended May 31, 2005 for his services as a consultant. If annualized this consulting compensation would have been equal to compensation of \$156,000.

Options and Stock Appreciation Rights

OPTION GRANTS IN FISCAL YEAR 2005

| Name of Executive Officer | Number of Securities Underlying Options Granted | Percent of Total Options Granted to Employees in FY 2005 | Exercise Price | Expiration Date | Potential assumed appreciation 5% |
|---------------------------|---|--|----------------|-----------------|-----------------------------------|
| Larry M Heimendinger | 0 | 0 | 0 | 0 | 0 |
| Sandy B. Sewitch | 0 | 0 | 0 | 0 | 0 |
| Richard E Munczenski | 0 | 0 | 0 | 0 | 0 |
| Franco DeBlasio | 0 | 0 | 0 | 0 | 0 |

(1) The dollar amounts under these columns are based upon calculations using assumed rates of appreciation set by the SEC and are not intended to forecast future appreciation of the Company's stock price.

Option Exercises and Holdings

AGGREGATED OPTION EXERCISES IN FISCAL YEAR 2005 AND YEAR-END OPTION VALUES

| Name of Executive Officer | Number of Shares Acquired on Exercise | Value Realized | Number of Securities Underlying Unexercised Options At End-FY 2005 | | Value |
|---------------------------|---------------------------------------|----------------|--|---------------|-------|
| | | | Exercisable | Unexercisable | |
| Larry M Heimendinger | 0 | 0 | 105,147 | 2,574 | \$ |

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| | | | | |
|-------------------------|---|---|---|---|
| Sandy B Sewitch | 0 | 0 | 0 | 0 |
| Richard E Munczenski | 0 | 0 | 0 | 0 |
| Franco DeBlasio | 0 | 0 | 0 | 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. There are no other arrangements pursuant to which any director of the Company was compensated during the Company's last completed fiscal year for any service provided as a director.

Employment Contracts and Termination of Employment and Change of Control 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, 2005 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 and Address ----- | Shares of Common Stock Beneficially Owned (1) ----- | Percentage of Outstand Common Stock ----- |
|--|---|---|
| Marc E. Cotnoir (2) c/o General Kinetics Incorporated 110 Sunray Drive, Johnstown, PA 15905 | 82,059 | 1.2 |
| Richard J. McConnell (3) c/o General Kinetics Incorporated 110 Sunray Drive, Johnstown, PA 15905 | 82,059 | 1.2 |
| Thomas M. Hacala (4) c/o General Kinetics Incorporated 110 Sunray Drive, Johnstown, PA 15905 | 87,058 | 1.2 |

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| | | |
|---|---------|------|
| Larry M. Heimendinger (5) c/o General Kinetics Incorporated 110 Sunray Drive, Johnstown, PA 15905 | 102,573 | 1.4 |
| Sandy B. Sewitch c/o General Kinetics Incorporated 110 Sunray Drive, Johnstown, PA 15905 | 0 | * |
| Richard E. Munczenski c/o General Kinetics Incorporated 110 Sunray Drive, Johnstown, PA 15905 | 14,735 | * |
| Franco DeBlasio c/o General Kinetics Incorporated 110 Sunray Drive, Johnstown, PA 15905 | 0 | * |
| All Directors and executive officers as a group (seven persons) | 368,484 | 5.2% |

* 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, 2005 through the exercise of warrants, options, or other convertible securities.
- (2) Consists of 82,059 shares issuable upon exercise of stock options.
- (3) Consists of 82,059 shares issuable upon exercise of stock options.
- (4) Consists of 87,058 shares issuable upon exercise of stock options.
- (5) Consists of 102,573 shares issuable upon exercise of stock options. Manassas Partners LLC, a Delaware limited liability company of which Mr. Heimendinger is the managing member, holds a portion of the Company's outstanding convertible debentures in an aggregate principal amount of \$5,800,000 (see "Certain Relationships and Related Transactions"). By their terms, such debentures provide for conversion through June 14, 2004, in whole or in part, into an aggregate of up to 11,600,000 shares of Common Stock.

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Equity Compensation Plan Information

The following table provides information as of May 31, 2005 with respect to the shares of the Company's Common Stock that may be issued under the Company's existing equity compensation plans.

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights |
|---------------|--|---|
| ----- | (a) | (b) |
| | | |

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| | | |
|--|---------|---------|
| Equity compensation plans approved by security holders (1) | 362,500 | \$ 0.37 |
| Equity compensation plans not approved by security holders | -- | -- |
| Total | 362,500 | \$ 0.37 |
| | ===== | ===== |

(1) Consists of the Company's 1994 Stock Option Plan and the Company's 1994 Nonemployee and Directors Stock Option Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On March 12, 2003, Manassas Partners LLC, a Delaware limited liability company of which Larry Heimendinger, Chairman of the Board of Directors of the Company, is the managing member, purchased from third parties, at a significant discount, a portion of the Company's outstanding convertible debentures in an aggregate principal amount of \$5,800,000. By their terms, such debentures provide for conversion through June 14, 2004, in whole or in part, into an aggregate of up to 11,600,000 shares of Common Stock.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees Paid to Independent Accountants for 2004 and 2005

The total fees and related expenses for professional services provided by the Company's independent registered public accounting firm, BDO Seidman LLP, for the fiscal years ended May 31, 2004 and 2005 are presented in the table below.

| | Year ended May 31, | |
|--------------------|--------------------|-----------|
| | 2005 | 2004 |
| Audit Fees | \$ 97,616 | \$ 93,100 |
| Audit Related Fees | \$ 4,220 | \$ 1,500 |
| Tax Fees | \$ 4,555 | \$ 9,500 |
| All Other Fees | -0- | -0- |

The Audit Fees listed above were billed in connection with the audit of the Company's financial statements for the fiscal year and the review of the financial statements included in the Company's quarterly reports on Forms 10-Q for the fiscal year. The Audit Related Fees listed above were billed for the audit of the Company's ESOP Plan. The Tax Fees listed above were billed for tax compliance, planning and advice.

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ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

| Exhibit Number | Description | Note No. |
|-------------------|--|-------------|
| 31.3 | Certification of the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | |
| 31.4 | Certification of the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | |

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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, 2005

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