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GYRODYNE CO OF AMERICA INC  
Form 10QSB  
December 12, 2003

US Securities and Exchange Commission  
Washington, D.C. 20549

Form 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended OCTOBER 31, 2003

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-1684

Gyrodyn Company of America, Inc.  
(Exact name of small business issuer as specified in its charter)

New York  
(State or other jurisdiction of  
incorporation or organization)

11-1688021  
(IRS Employer Identification No.)

102 Flowerfield, St. James, N.Y. 11780  
(Address of principal executive offices)

(631) 584-5400  
(Issuer's telephone number)

-----  
(Former name, former address and former fiscal year, if changed since last  
report)

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be  
filed by Section 12,13 or 15 (d) of the Exchange Act after the distribution of  
securities under a plan confirmed by a court. Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common  
equity, as of the latest practicable date: 1,140,505 shares of common stock, par  
value \$1.00 per share, as of December 01, 2003 Transitional Small Business  
Disclosure Format (Check One): Yes  No

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 QUARTER ENDED OCTOBER 31, 2003

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GYRODYNE COMPANY OF AMERICA, INC.  
 AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEET  
 (UNAUDITED)

ASSETS	October 31, 2003
	-----
REAL ESTATE	
Rental property:	
Land	\$ 4,250
Building and improvements	3,925,421
Machinery and equipment	156,292
	-----
	4,085,963
Less accumulated depreciation	3,308,066
	-----
	777,897
	-----
Land held for development:	
Land	792,201
Land development costs	2,879,274
	-----
	3,671,475
	-----
Total real estate, net	4,449,372

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CASH AND CASH EQUIVALENTS	2,099,555
RENT RECEIVABLE, net of allowance for doubtful accounts of \$42,862	149,007
MORTGAGE RECEIVABLE	1,800,000
PREPAID EXPENSES AND OTHER ASSETS	294,724
INVESTMENT IN CITRUS GROVE PARTNERSHIP	1,585,104
PREPAID PENSION COSTS	1,544,070

-----  
\$ 11,921,832  
=====

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

Accounts payable and accrued expenses	\$ 183,863
Deferred gain on sale of real estate	1,573,900
Tenant security deposits payable	238,160
Loans payable	731,343
Deferred income taxes	2,396,042

Total liabilities 5,123,308  
-----

STOCKHOLDERS' EQUITY:

Common stock, \$1 par value; authorized 4,000,000 shares; 1,531,086 shares issued and outstanding	1,531,086
Additional paid-in capital	7,447,707
Retained earnings	216,323

-----  
9,195,116

Less cost of shares of common stock held in treasury (2,396,592)  
-----

Total stockholders' equity 6,798,524  
-----

\$ 11,921,832  
=====

See notes to consolidated financial statements

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GYRODYNE COMPANY OF AMERICA, INC.  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Six Months Ended		Three Months Ended	
	2003	2002	2003	2002
REVENUE FROM RENTAL PROPERTY	\$1,100,753	\$1,222,763	\$542,569	\$557,000
	-----	-----	-----	-----
RENTAL PROPERTY EXPENSES:				
Real estate taxes	69,119	199,614	34,560	87,000

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Operating and maintenance	228,100	180,097	115,027	96
Interest expense	21,250	31,569	8,897	16
Depreciation	38,919	44,890	19,486	18
	-----	-----	-----	-----
	357,388	456,170	177,970	219
	-----	-----	-----	-----
INCOME FROM RENTAL PROPERTY	743,365	766,593	364,599	337
	-----	-----	-----	-----
GENERAL AND ADMINISTRATIVE	793,340	709,178	433,574	362
	-----	-----	-----	-----
(LOSS) INCOME FROM OPERATIONS	(49,975)	57,415	(68,975)	(25)
	-----	-----	-----	-----
OTHER INCOME:				
Gain on sale of real estate	0	3,124,307	0	3,124
Interest income	54,938	29,390	27,549	27
	-----	-----	-----	-----
	54,938	3,153,697	27,549	3,151
	-----	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAX	4,963	3,211,112	(41,426)	3,126
PROVISION (BENEFIT) FOR INCOME TAXES	1,985	1,284,445	(16,570)	1,250
	-----	-----	-----	-----
NET INCOME (LOSS)	\$2,978	\$1,926,667	(\$24,856)	\$1,876
	-----	-----	-----	-----
NET INCOME (LOSS) PER COMMON SHARE:				
Basic	\$0.00	\$1.73	(\$0.02)	\$
	-----	-----	-----	-----
Diluted	\$0.00	\$1.71	(\$0.02)	\$
	-----	-----	-----	-----
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
Basic	1,120,980	1,112,149	1,124,960	1,112
	-----	-----	-----	-----
Diluted	1,142,633	1,126,235	1,124,960	1,125
	-----	-----	-----	-----

See notes to consolidated financial statements

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GYRODYNE COMPANY OF AMERICA, INC.  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

Six Months Ended  
October 31,

-----  
2003

-----  
2002

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	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 2,978	\$ 1,926,667
	-----	-----
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	58,785	53,156
Bad debt expense	2,000	40,862
Deferred income tax provision	(19,958)	1,284,445
Stock compensation	76,606	54,331
Pension expense	118,435	129,940
Gain on sale of real estate	0	(3,124,307)
Changes in operating assets and liabilities:		
Increase in assets:		
Land development costs	(434,620)	(552,451)
Accounts receivable	(79,570)	(73,259)
Prepaid expenses and other assets	(54,496)	(187,194)
Prepaid pension costs	0	(186,473)
Decrease in liabilities:		
Accounts payable and accrued expenses	(65,761)	(183,590)
Tenant security deposits	(44)	(15,512)
	-----	-----
Total adjustments	(398,623)	(2,760,052)
	-----	-----
Net cash used in operating activities	(395,645)	(833,385)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of real estate	0	2,523,625
Acquisition of property, plant and equipment	(25,557)	(20,414)
	-----	-----
Net cash (used in) provided by investment activities	(25,557)	2,503,211
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of loans payable	(11,786)	(31,207)
Loan origination fees	73,519	0
Proceeds from exercise of stock options	227,707	5,364
	-----	-----
Net cash provided by (used in) financing activities	289,440	(25,843)
Net (decrease) increase in cash and cash equivalents	(131,762)	1,643,983
Cash and cash equivalents at beginning of period	2,231,317	1,105,790
	-----	-----
Cash and cash equivalents at end of period	\$ 2,099,555	\$ 2,749,773
	=====	=====

See notes to consolidated financial statements

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FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Quarterly Presentations:

The accompanying quarterly financial statements have been prepared in conformity

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with accounting principles generally accepted in the United States ("GAAP"). The financial statements of the Registrant included herein have been prepared by the Registrant pursuant to the rules and regulations of the Securities and Exchange Commission and, in the opinion of management, reflect all adjustments which are necessary to present fairly the results for the six month periods ended October 31, 2003 and 2002.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations; however, management believes that the disclosures are adequate to make the information presented not misleading.

This report should be read in conjunction with the financial statements and footnotes therein included in the audited annual report on Form 10-KSB as of April 30, 2003.

The results of operations for the three and six month periods ended October 31, 2003, and 2002 are not necessarily indicative of the results to be expected for the full year.

### 2. Principle of Consolidation:

The accompanying consolidated financial statements include the accounts of Gyrodyne Company of America, Inc. ("GCA") and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

### 3. Earnings Per Share:

Basic earnings per common share is computed by dividing the net income by the weighted average number of shares of common stock outstanding during the period. Dilutive earnings per share give effect to stock options and warrants which are considered to be dilutive common stock equivalents. Treasury shares have been excluded from the weighted average number of shares.

The following is a reconciliation of the weighted average shares:

	Six months ended October 31,		Three Months Ended October 31,	
	2003	2002	2003	2002
Basic	1,120,980	1,112,149	1,124,960	1,112,402
Effect of dilutive securities	21,653	14,086	0	12,840
Diluted	1,142,633	1,126,235	1,124,960	1,125,242

### 4. Income Taxes:

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

### 5. Revolving Credit Note:

On May 29, 2003, the Company restructured its only outstanding mortgage debt on the Flowerfield property. That amortizing loan, which had a balance of \$622,868 at an average interest rate of 8.04% during fiscal 2003, was satisfied and incorporated into a newly established revolving credit line in the amount of \$1,750,000 at prime plus one percent, currently 5.00%. The line is secured by certain real estate and expires on June 1, 2006.

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6. Stock Options:

We have elected the disclosure only provisions of Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") in accounting for our employee stock options. Accordingly, no compensation expense has been recognized. Had we recorded compensation expense for the stock options based on the fair value at the grant date for awards in the six months ended October 31, 2003 and 2002 consistent with the provisions of SFAS 123, our net income (loss) and net income (loss) per share would have been adjusted as follows:

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	Six Months Ended October 31,		Three Months Ended October 31,	
	2003	2002	2003	2002
Net income (loss), as reported	\$ 2,978	\$1,926,667	\$ (24,856)	\$1,876,008
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of related tax effects	(95,000)	(132,000)	(1,000)	(131,000)
Pro forma net (loss) income	\$ (92,022)	\$1,794,667	\$ (25,856)	1,745,008
Net income (loss) per share:				
Basic - as reported	\$ 0.00	\$ 1.73	\$ (0.02)	\$ 1.69
Basic - pro forma	\$ (0.08)	\$ 1.61	\$ (0.02)	\$ 1.57
Diluted - as reported	\$ 0.00	\$ 1.71	\$ (0.02)	\$ 1.67
Diluted - pro forma	\$ (0.08)	\$ 1.59	\$ (0.02)	\$ 1.55

Item 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

(a) Not Applicable

(b) MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The statements made in this Form 10-QSB that are not historical facts contain "forward-looking information" within the meaning of the Private Securities Litigation Reform Act of 1995, and Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, both as amended, which can be identified by the use of forward-looking terminology such as "may," "will," "anticipates," "expects," "projects," "estimates," "believes," "seeks," "could," "should," or "continue," the negative thereof, other variations or comparable

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terminology. Important factors, including certain risks and uncertainties with respect to such forward-looking statements that could cause actual results to differ materially from those reflected in such forward looking statements include, but are not limited, to the effect of economic and business conditions, including risk inherent in the Long Island, New York real estate market, the ability to obtain additional capital and other risks detailed from time to time in our SEC reports. We assume no obligation to update the information in this Form 10-QSB.

### Critical Accounting Policies

The consolidated financial statements of the Company include accounts of the Company and all majority-owned and controlled subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the Company's consolidated financial statements and related notes. In preparing these financial statements, management has utilized information available including its past history, industry standards and the current economic environment, among other factors, in forming its estimates and judgments of certain amounts included in the consolidated financial statements, giving due consideration to materiality. It is possible that the ultimate outcome as anticipated by management in formulating its estimates inherent in these financial statements might not materialize. However, application of the critical accounting policies below involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. In addition, other companies may utilize different estimates, which may impact comparability of the Company's results of operations to those of companies in similar businesses.

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### Revenue Recognition

Rental revenue is recognized on a straight-line basis, which averages minimum rents over the terms of the leases. The excess of rents recognized over amounts contractually due, if any, are included in deferred rents receivable on the Company's balance sheets. Certain leases also provide for tenant reimbursements of common area maintenance and other operating expenses and real estate taxes. Ancillary and other property related income is recognized in the period earned.

### Real Estate

Rental real estate assets, including land, buildings and improvements, furniture, fixtures and equipment are recorded at cost. Tenant improvements, which are included in buildings and improvements, are also stated at cost. Expenditures for ordinary maintenance and repairs are expensed to operations as they are incurred. Renovations and/or replacements, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives.

Depreciation is computed utilizing the straight-line method over the estimated useful lives of ten to thirty years for buildings and improvements and three to twenty years for machinery and equipment.

The Company is required to make subjective assessments as to the useful lives of its properties for purposes of determining the amount of depreciation to reflect on an annual basis with respect to those properties. These assessments have a direct impact on the Company's net income. Should the Company lengthen the expected useful life of a particular asset, it would be depreciated over more



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years, and result in less depreciation expense and higher annual net income.

Real estate held for development is stated at the lower of cost or net realizable value. In addition to land, land development and construction costs, real estate held for development includes interest, real estate taxes and related development and construction overhead costs which are capitalized during the development and construction period.

Net realizable value represents estimates, based on management's present plans and intentions, of sale price less development and disposition cost, assuming that disposition occurs in the normal course of business.

### Long Lived Assets

On a periodic basis, management assesses whether there are any indicators that the value of the real estate properties may be impaired. A property's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property are less than the carrying value of the property. Such cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. To the extent impairment occurs, the loss will be measured as the excess of the carrying amount of the property over the fair value of the property.

The Company is required to make subjective assessments as to whether there are impairments in the value of its real estate properties and other investments. These assessments have a direct impact on the Company's net income, since an impairment charge results in an immediate negative adjustment to net income. In determining impairment, if any, the Company has adopted Financial Accounting Standards Board ("FASB") Statement No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets."

### Stock-Based Compensation

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, to account for stock-based employee compensation plans and reports pro forma disclosures in its Form 10-KSB filings by estimating the fair value of options issued and the related expense in accordance with SFAS No. 123. Under this method, compensation cost is recognized for awards of shares of common stock or stock options to directors, officers and employees of the Company only if the quoted market price of the stock at the grant date (or other measurement date, if later) is greater than the amount the grantee must pay to acquire the stock.

### RESULTS OF OPERATIONS FOR THE SIX MONTHS AND QUARTER ENDED OCTOBER 31, 2003 AS COMPARED TO THE SIX MONTHS AND QUARTER ENDED OCTOBER 31, 2002

The Company is reporting a net loss of \$24,856 for the quarter ending October 31, 2003 compared to net income of \$1,876,008 for the same period last year and net income of \$2,978 and \$1,926,667 for the six month periods ending October 31, 2003 and 2002, respectively. The major contributing factor to this substantive variance between periods was the nonrecurring \$3,124,307 pre-tax profit on the sale of certain properties which occurred and was previously reported during the quarter ending October 31, 2002.

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Diluted per share earnings amounted to (\$0.02) and \$1.67 for the three months ending October 31, 2003 and 2002, respectively, and \$0.00 and \$1.71 for the six

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month periods of 2003 and 2002, respectively.

Revenue from rental property, which amounted to \$542,569 for the reporting period, reflects a \$15,027 decline compared to the same quarter last year when revenues totaled \$557,596. For the six months ending October 31, 2003, revenue from rental property amounted to \$1,100,753, a decrease of \$122,010 from the \$1,222,763 posted for the same period last year. In both cases, the decline is attributable to the loss of rental income associated with the sale of certain rental buildings in August 2002. This resulted in a reduction in rental income of \$10,202 and \$117,347 for the three and six months ended October 31.

Rental property expenses amounted to \$177,970 for the current reporting period, a decrease of \$41,845 from the \$219,815 posted for the same three month period in the previous year. Contributing factors to these savings are a \$67,287 reduction in real estate taxes attributed to capitalizing real estate taxes on the undeveloped acreage associated with our planned residential golf course community on the Company's Flowerfield property. This was partially offset by increased real estate taxes in the current period of \$9,188. As a result of restructuring our debt, interest expense was reduced by \$8,074 and a reduction in staffing levels resulted in a decrease in salaries and benefits of \$15,193. These various expense reductions were partially offset by increases in building and equipment maintenance of \$17,653 and a timing difference in the billing cycle to tenants for fuel and electric charges totaling \$17,156. For the six month period ending October 31, 2003, rental property expenses decreased from the prior year total by \$98,782, totaling \$357,388 for the current year and \$456,170 for the 2002 period. As in the case of the three month results, expenses were reduced for the capitalized portion of real estate taxes amounting to \$134,575 and a reduction in real estate taxes relating to the sold premises of \$19,099 when compared to the prior year. Once again, these reductions were impacted by increased real estate taxes in the current period for \$18,375. Salaries and benefits decreased by \$40,583 due to the reduced staff requirements and interest expense declined by \$10,319 as a result of our debt restructuring. These savings were partially offset by a prior year nonrecurring utility refund of \$64,968, an increase in building and equipment maintenance of \$19,882 and a timing difference in fuel and electric charges of \$7,549.

As a result of the foregoing, income from rental property increased for the three months ending October 31, 2003 by \$26,818 and decreased by \$23,228 for the six months then ended. For the three month period, income from rental property totaled \$364,599 and \$337,781 for 2003 and 2002, respectively and \$743,365 and \$766,593 for the six months ending October 31, 2003 and 2002, respectively.

General and administrative expenses increased in both the three and six month periods by \$70,671 and \$84,162, respectively. Expenses for the quarter ending October 31, 2003 amounted to \$433,574 compared to \$362,903 during the prior year. For the six month period, general and administrative expenses increased from \$709,178 in 2002 to \$793,340 for the current reporting period. Salaries and benefits increased by \$24,865 and \$36,536 during the three and six months ending October 31, 2003 with both periods reflecting a \$22,274 increase in non-cash stock option expense with the balance brought about by salary increases. Bad debt expense is \$38,500 over the prior year quarterly results due to a \$38,000 reversal of expense in the earlier period with the six month figures being virtually the same. Director's fees increased for the three and six month periods by \$27,681 and \$45,618, respectively, reflecting the expansion of the Board by two Directors and the need to have more frequently scheduled Board meetings. Rental expense for the Company offices for the three and six month periods amounted to \$13,125 and \$30,625, respectively. This rental expense is a new charge in the current year for which there is no corresponding amount in the prior year periods. The above increases for the quarter and six month periods were partially offset by reductions in legal and consulting fees of \$19,138 and \$11,865, respectively. Stockholder expense also decreased by \$9,880 and \$9,714 for the three and six month reporting periods, respectively, and are the result

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of having two shareholder meetings during the prior year. Pension expense declined by \$5,753 and \$11,505 for the three and six months ended October 31, 2003, respectively.

Reflecting the above, the Company is reporting a loss from operations for both the three and six month periods ending October 31, 2003. For the quarter, the loss from operations increased by \$43,853, amounting to \$68,975, compared to a loss of \$25,122 in the prior year. For the six month period ending October 31, 2003, the loss from operations amounted to \$49,975 which is a variance of \$107,390 compared to the same period last year when the Company recorded income from operations of \$57,415.

Last year, other income reflected the nonrecurring partial proceeds from the sale of certain properties, in both the three and six month periods, totaling \$3,124,307. As a result, other income decreased by \$3,124,254 and \$3,098,759 for the three and six month reporting periods, respectively. The remaining component of other income, interest income remained virtually the same at \$27,549 for the three months ending October 31, 2003 and increased by \$25,548 to a total of \$54,938 for the six months then ended. The increase is due primarily to interest income on the 5%, \$1,800,000 mortgage note associated with the property sale, maturing in August 2005, which is \$24,250 above the prior year six month period. This variance is attributable to the fact that the sale took place in August, 2002, thereby creating three months of interest income last year versus six months during the current fiscal year.

For the three months ending October 31, 2003, the Company is reporting a loss before tax of \$41,426, compared to income before tax of \$3,126,681 during the prior year. For the six months then ended, income before tax amounted to \$4,963 compared to the \$3,211,112 posted during the same period last year.

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### LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities was \$395,645 and \$833,385 during the six months ended October 31, 2003 and 2002, respectively. The principal use of cash in both periods were funds used in connection with planning and pre-construction costs associated with land development plans for the golf course community.

Net cash (used in) provided by investing activities was \$(25,557) and \$2,503,211 during the six months ended October 31, 2003 and 2002, respectively. The use of cash during the current period was for the acquisition of equipment. During the six months ended October 31, 2002, the Company purchased equipment in the amount of \$20,414 and received proceeds from the sale of real estate totaling \$2,523,625.

Net cash provided by (used in) financing activities was \$289,440 and \$(25,843) during the six months ended October 31, 2003 and 2002, respectively. The net cash proceeds during the current period were primarily the result of the restructuring of mortgage debt on the Flowerfield property. That amortizing loan, which had a balance of \$622,868 at an average interest rate of 8.04% during fiscal 2003, was satisfied and incorporated into a newly established revolving credit line in the amount of \$1,750,000 at prime plus one percent, currently 5.00 %. The unused portion of the credit-line will enhance our financial position and liquidity and be available, if needed, to fund any unforeseen expenses associated with the Company's development plan. Also during the six months ended October 31, 2003, the Company received \$227,707 in cash proceeds from the exercise of stock options. During the six months ended October 31, 2002, funds were used to repay the aforementioned amortizing loan.

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As of October 31, 2003, the Company had cash and cash equivalents of \$2,099,555 and anticipates having the capacity to fund normal operating and administrative expenses, its regular debt service requirements and the remaining predevelopment expenses related to securing entitlements for the planned residential golf course community. To date, expenses associated with the development of the Flowerfield property, which have been capitalized, total \$2,879,274. As of October 31, 2003, the portion of those expenses attributable to the residential golf course community amount to \$1,415,370. Working capital, which is the total of current assets less current liabilities as shown in the accompanying chart, amounted to \$1,991,666 at October 31, 2003.

	October 31,	
	2003	2002
Current assets:		
Cash and cash equivalents	\$2,099,555	\$2,749,773
Rent receivable, net	149,007	62,476
Net prepaid expenses and other assets	177,333	257,419
Total current assets	2,425,895	3,069,668
Current liabilities:		
Accounts payable and accrued expenses	183,863	225,766
Tenant security deposits payable	238,160	238,366
Current portion of loans payable	12,206	63,820
Total current liabilities	434,229	527,952
Working capital	\$1,991,666	\$2,541,716

Our limited partnership investment in the Callery Judge Grove continues to be carried on the Company's balance sheet at \$1,585,104. This represents a 10.93% ownership in a 3,500-acre citrus grove in Palm Beach County, Florida. The land is currently part of a 65,000-acre master planned community, which is under review by local regulatory authorities. We have no current forecast as to the likelihood of, or the timing required to achieve appropriate entitlements that might impact the Grove's value.

On November 7, 2003, the Company issued an announcement that according to published reports in The Palm Beach Post ([www.palmbeachpost.com](http://www.palmbeachpost.com)) and a news release issued by Scripps Research Institute ("Scripps") of La Jolla, California ([www.scripps.edu/news](http://www.scripps.edu/news)), Scripps confirmed its plans to establish a major science center in Palm Beach County Florida within five miles of the Callery-Judge Grove in Loxahatchee, Florida.

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### Item 3 CONTROLS AND PROCEDURES

Management, including the Company's President, Chief Executive Officer and Treasurer and Controller, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(e)) as of the end of the period covered by this report. Based upon that evaluation, the President, Chief Executive Officer and Treasurer and Controller concluded that the disclosure controls and procedures were effective,

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in all material respects, to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required.

There have been no significant changes in the Company's internal controls over financial reporting identified in connection with the evaluation that occurred during the Company's last fiscal quarter that has materially affected, or that is reasonably likely to materially affect, the Company's internal control over financial reporting.

### Part II Other Information

Items 1 through 4 are not applicable to the August 1, 2003, through October 31, 2003, period.

#### Item 5 Other Information

The Company's Chief Executive Officer and Chief Financial Officer has furnished a statement relating to its Form 10-QSB for the quarter ended October 31, 2003 pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002. The statement is attached hereto as Exhibit 31.1.

#### Item 6 Exhibits and Reports on Form 8-K

##### a. Exhibits:

31.1 Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 302 of The Sarbanes-Oxley Act of 2002.

32.1 Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of The Sarbanes-Oxley Act of 2002.

##### b. Reports on Form 8-K.

On September 15, 2003, the Company filed a Form 8-K furnishing, under Items 5 and 7, a press release announcing that its annual meeting of shareholders will be held on Tuesday, December 9, 2003. The Company also announced that the Board of Directors fixed the close of business on November 7, 2003 as a record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting. The Board also announced the three nominees for director.

### SIGNATURES

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

GYRODYNE COMPANY OF AMERICA, INC.  
(Registrant)

Date: December 10, 2003

/S/ Stephen V. Maroney  
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Stephen V. Maroney  
President, Chief Executive Officer and  
Treasurer

Date: December 10, 2003

/S/ Frank D'Alessandro  
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Frank D'Alessandro  
Controller

