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GYRODYNE CO OF AMERICA INC  
Form 10QSB  
March 22, 2004

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 JANUARY 31, 2004

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

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

Commission file number 0-1684

Gyrodyne 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: 1,145,462 shares of common stock, par  
value \$1.00 per share, as of January 31, 2004

Transitional Small Business Disclosure Format (Check One): Yes  No

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QUARTER ENDED JANUARY 31, 2004

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Part I Financial Information  
Item I Financial Statements

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

ASSETS	January 31, 2004
	-----
REAL ESTATE	
Rental property:	
Land	\$ 4,250
Building and improvements	3,925,421
Machinery and equipment	160,489
	-----
	4,090,160
Less accumulated depreciation	3,327,659
	-----

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	762,501
	-----
Land held for development:	
Land	792,201
Land development costs	3,266,138
	-----
	4,058,339
	-----
Total real estate, net	4,820,840
CASH AND CASH EQUIVALENTS	1,779,601
RENT RECEIVABLE, net of allowance for doubtful accounts of \$28,261	199,169
MORTGAGE RECEIVABLE	1,800,000
PREPAID EXPENSES AND OTHER ASSETS	396,587
PREPAID PENSION COSTS	1,484,853
	-----
	\$ 10,481,050
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
LIABILITIES:	
Revolving credit line	\$ 696,287
Accounts payable and accrued expenses	330,013
Deferred gain on sale of real estate	1,573,900
Tenant security deposits payable	234,442
Notes payable	32,005
Deferred income taxes	1,826,326
	-----
Total liabilities	4,692,973
	-----
STOCKHOLDERS' EQUITY:	
Common stock, \$1 par value; authorized 4,000,000 shares; 1,531,086 shares issued	1,531,086
Additional paid-in capital	7,467,444
Deficit	(835,855)
	-----
	8,162,675
Less the cost of 385,624 shares of common stock held in the treasury	(2,374,598)
	-----
Total stockholders' equity	5,788,077
	-----
	\$ 10,481,050
	=====

See notes to consolidated financial statements

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

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	Nine Months Ended January 31,		Three Months Ended January 31,	
	2004	2003	2004	2003
	----	----	----	----
REVENUE FROM RENTAL PROPERTY	\$ 1,622,048	\$ 1,777,086	\$ 521,295	\$ 554,323
-----				
RENTAL PROPERTY EXPENSES:				
Real estate taxes	105,717	246,783	36,598	47,169
Operating and maintenance	357,426	318,994	129,326	138,897
Interest expense	30,147	45,702	8,897	14,133
Depreciation	58,512	65,079	19,593	20,189
	551,802	676,558	194,414	220,388
-----				
INCOME FROM RENTAL PROPERTY	1,070,246	1,100,528	326,881	333,935
-----				
GENERAL AND ADMINISTRATIVE	1,185,540	1,129,238	392,200	420,060
-----				
(LOSS) FROM OPERATIONS	(115,294)	(28,710)	(65,319)	(86,125)
-----				
OTHER INCOME:				
Gain on sale of real estate	0	3,124,307	0	0
Interest income	83,465	58,881	28,527	29,491
	83,465	3,183,188	28,527	29,491
-----				
(LOSS) INCOME BEFORE INCOME TAX	(31,829)	3,154,478	(36,792)	(56,634)
(BENEFIT) PROVISION FOR INCOME TAXES	(12,732)	1,261,791	(14,717)	(22,654)
-----				
NET (LOSS) INCOME	\$ (19,097)	\$ 1,892,687	\$ (22,075)	\$ (33,980)
=====				
NET (LOSS) INCOME PER COMMON SHARE:				
Basic	\$ (0.02)	\$ 1.70	\$ (0.02)	\$ (0.03)
Diluted	\$ (0.02)	\$ 1.69	\$ (0.02)	\$ (0.03)
=====				
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
Basic	1,127,914	1,113,572	1,118,590	1,116,423
Diluted	1,127,914	1,122,962	1,118,590	1,116,423
=====				

See notes to consolidated financial statements

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GYRODYNE COMPANY OF AMERICA, INC.

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## AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended January 31,	
	2004	2003
	-----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss) income	\$ (19,097)	\$ 1,892,687
	-----	-----
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	89,331	77,772
Bad debt expense	5,000	2,545
Deferred income tax provision	(34,674)	1,261,792
Stock compensation	76,606	54,331
Pension expense	177,652	194,910
Gain on sale of real estate	0	(3,124,307)
Changes in operating assets and liabilities:		
Increase in assets:		
Land development costs	(821,484)	(734,525)
Accounts receivable	(132,732)	(20,928)
Prepaid expenses and other assets	(167,311)	(376,773)
Prepaid pension costs	0	(186,473)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	80,389	(230,590)
Tenant security deposits	(3,762)	(15,758)
	-----	-----
Total adjustments	(730,985)	(3,098,004)
	-----	-----
Net cash used in operating activities	(750,082)	(1,205,317)
	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of real estate	0	2,523,625
Acquisition of property, plant and equipment	(29,754)	(23,214)
	-----	-----
Net cash (used in) provided by investment activities	(29,754)	2,500,411
	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of loans payable	(14,837)	(48,437)
Loan origination fees	73,519	0
Proceeds from exercise of stock options	269,438	18,258
	-----	-----
Net cash provided by (used in) financing activities	328,120	(30,179)
	-----	-----
Net (decrease) increase in cash and cash equivalents	(451,716)	1,264,915
Cash and cash equivalents at beginning of period	2,231,317	1,105,790
	-----	-----
Cash and cash equivalents at end of period	\$ 1,779,601	\$ 2,370,705
	=====	=====

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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 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 (SEC) and, in the opinion of management, reflect all adjustments which are necessary to present fairly the results for the three and nine month periods ended January 31, 2004 and 2003.

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/A as of April 30, 2003.

The results of operations for the three and nine month periods ended January 31, 2004, and 2003 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. ("Company") and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

### 3. Earnings Per Share:

Basic earnings per common share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Dilutive earnings per share gives 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:

	Nine Months Ended		Three Months Ended	
	January 31,		January 31,	
	2004	2003	2004	2003
Basic	1,127,914	1,113,572	1,118,590	1,116,423
Effect of dilutive securities	0	9,390	0	0
Diluted	1,127,914	1,122,962	1,118,590	1,116,423

### 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

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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.

### 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 three and nine months ended January 31, 2004 and 2003 consistent with the provisions of SFAS 123, our net (loss) income and net (loss) income per share would have been adjusted as follows:

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	Nine Months Ended January 31,		Three Ja
	2004	2003	2004
	----	----	----
Net (loss) income, as reported	\$ (19,097)	\$ 1,892,687	\$ (22,0
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of related tax effects	(95,000)	(133,000)	(1,0
Pro forma net (loss) income	\$ (114,097)	\$ 1,759,687	\$ (23,0
Net (loss) income per share:			
Basic - as reported	\$ (0.02)	\$ 1.70	\$ (0.
Basic - pro forma	\$ (0.10)	\$ 1.58	\$ (0.
Diluted - as reported	\$ (0.02)	\$ 1.69	\$ (0.
Diluted - pro forma	\$ (0.10)	\$ 1.57	\$ (0.

### 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

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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 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.

### 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

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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.



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Depreciation is computed utilizing the straight-line method over the estimated useful life 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 life 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 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 NINE MONTHS AND QUARTER ENDED JANUARY 31, 2004 AS COMPARED TO THE NINE MONTHS AND QUARTER ENDED JANUARY 31, 2003

The Company is reporting a net loss of \$22,075 for the quarter ending January 31, 2004 compared to a net loss of \$33,980 for the same period last year and a net loss of \$19,097 for the nine months then ended. This compares to net income of \$1,892,687 for the same nine month period in the previous year when results

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were bolstered by the sale of certain real estate to a former tenant.

Diluted per share earnings amounted to (\$0.02) and (\$0.03) for the three months ending January 31, 2004 and 2003, respectively, and (\$0.02) and \$1.69 for the nine month periods, respectively.

Revenue from rental property, which amounted to \$521,295 for the reporting period, reflects a decrease of \$33,028 compared to the same period last year when revenues amounted to \$554,323. For the nine months ending January 31, 2004, revenue from rental property totaled \$1,622,048 and reflects a \$155,038 decline from the \$1,777,086 posted for the same period last year. The quarterly results

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were impacted by \$16,228 in real estate tax reimbursements, associated with the previously mentioned sale, which were recognized as rental revenue during the prior year. Additionally, the Company negotiated a renewal lease for an existing tenant who required less space; this reduced revenues by \$16,112 for the three month reporting period. For the nine months ending January 31, 2004, revenues reflected the foregoing declines plus a \$117,347 reduction in rent due to the sale during the prior year.

Rental property expenses declined in both the three and nine month periods ending January 31, 2004. During the third quarter, expenses associated with the rental property decreased by \$25,974, amounting to \$194,414 compared with \$220,388 for the prior year. Contributing factors include a net reduction of \$10,571 in real estate taxes primarily due to the accounting treatment for taxes paid by a former tenant during the prior year. These taxes were directly related to the sale of certain land and buildings and accounted for a net reduction of \$22,594. This was partially offset by a \$14,754 increase in the overall taxes on the property. Operating and maintenance expenses declined by \$9,571 for the quarter and reflect decreases in building and grounds maintenance of \$15,970 and maintenance on equipment of \$7,403. These were offset by increases in salaries and benefits and utility charges of \$5,314 and \$9,950, respectively. The balance of approximately \$1,500 in cost reductions was the result of several miscellaneous items during the three month period ending January 31, 2004. Interest expense for the quarter declined by \$5,236 and is the result of restructuring the Company's debt. For the nine months ending January 31, 2004, rental property expenses decreased by \$124,756, totaling \$551,802 for the current reporting period, compared to \$676,558 for the prior year. The major contributing factor to this reduction was the overall decrease of \$141,066 in real estate taxes charged to operations. Of this total, \$111,062 was capitalized pursuant to the accounting treatment for the acreage associated with our redevelopment plan and a reduction of \$44,564 was the result of the sold premises. These were partially offset by an overall increase of \$14,560 in taxes due on the property. Operating and maintenance expenses increased by \$38,432. As in the case of the three month results, there were several contributing factors. Reflecting a colder climate and higher demand, the year to date increase includes an \$18,862 increase in utility costs coupled with the fact that the previous year recorded a \$64,968 nonrecurring utility refund. These increases were mitigated by a reduction in salaries and benefits of \$35,270 as a result of staff reductions that affected this and earlier reporting periods. Building and ground maintenance and maintenance on equipment decreased by \$1,494 and \$5,716, respectively, and fees for outside services declined by \$2,615.

As a result, income from rental property decreased by \$7,054 for the three months ending January 31, 2004, amounting to \$326,881 and \$333,935 for the current quarter and prior year, respectively. For the nine months ending January 31, 2004, income from rental property declined by \$30,282, amounting to \$1,070,246 and \$1,100,528 for the current and prior year, respectively.

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General and administrative expenses declined by \$27,859 for the quarter ending January 31, 2004 and increased by \$56,302 for the nine month period then ended. For the three month period, expenses totaled \$392,200 compared to the \$420,060 during the prior year. Several factors contributed to this net reduction and include decreases of \$4,179 in travel expense, \$5,753 in costs associated with our pension plan, and \$37,489 in legal and consulting fees. We also experienced reduced expenses of \$20,776 in stockholder expense which is attributable to a timing difference regarding annual reports and meetings. These reductions were offset by increases in the cost of insurance premiums of \$9,555, \$5,487 in equipment repairs and \$3,498 in director's fees. Additionally, as previously reported, the Company is now subject to rental payments on its St. James headquarters which totaled \$13,125 for the period and expenses of \$5,878 for amortization of loan origination fees relating to the restructuring of existing debt. These fees, which also include prepayment penalties incurred to complete the transaction, are being amortized over a three year period.

For the nine month period ending January 31, 2004, general and administrative expenses totaled \$1,185,540 compared to the \$1,129,238 for the same period last year. As in the case of the quarterly results, this increase of \$56,302 is attributable to several factors. Salaries and benefits increased by \$36,994, of which \$22,274 is related to stock option compensation; insurance premiums, current year rent, and director's fees increased by \$14,933, \$43,750, and \$49,116, respectively. During the prior year, the Company had no rental payments. The increase in director's fees is the result of having two additional Board members and four additional meetings when compared to the prior year. Amortization of loan origination fees accounted for an increased cost factor of \$15,674. These increases were offset by reductions in legal and consulting fees, pension costs, and stockholder expense of \$49,355, \$17,257 and \$30,490, respectively. The reduction in stockholder expense is due to the fact that there were two shareholder meetings conducted in the prior year nine month timeframe. Additionally, fees for accounting services were reduced by \$4,500 as were travel expenses which decreased by \$4,759.

Reflecting the above, the Company is reporting a loss from operations of \$65,319 for the three month period ending January 31, 2004 compared to a loss of \$86,125 for the same three months last year. For the nine month period ending January 31, 2004, the loss from operations amounted to \$115,294, which is \$86,584 above last year's results when the Company reported a loss from operations of \$28,710.

Other income for the quarter ending January 31, 2004 mirrored the results for the same period last year totaling \$28,527 and \$29,491, respectively. On a year to date basis for the nine months ending January 31, 2004, other income was comprised solely of interest income amounting to \$84,465. During the prior year, the Company had other income totaling \$3,183,188. Last year's results included \$58,881 in interest income and the nonrecurring partial proceeds from the previously reported sale of land and buildings amounting to

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\$3,124,307. The improvement in interest income is due primarily to a 5%, \$1,800,000 mortgage note associated with the aforementioned sale which matures in August 2005.

For the three months ending January 31, 2004, the Company is reporting a loss before tax of \$36,792, compared to a loss of \$56,634 for the same period last year. For the nine month reporting period, the Company is reporting a loss before tax of \$31,829 compared to income before tax of \$3,154,478.

LIQUIDITY AND CAPITAL RESOURCES

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Net cash used in operating activities was \$750,082 and \$1,205,317 during the nine months ended January 31, 2004 and 2003, 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 were \$(29,754) and \$2,500,411 during the nine months ended January 31, 2004 and 2003, respectively. The use of cash during the current period was for the acquisition of property, plant and equipment. During the nine months ended January 31, 2003, the Company purchased property, plant and equipment in the amount of \$23,214 and received proceeds from the sale of real estate totaling \$2,523,625.

Net cash provided by (used in) financing activities was \$328,120 and \$(30,179) during the nine months ended January 31, 2004 and 2003, 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 nine months ended January 31, 2004, the Company received \$269,438 in cash proceeds from the exercise of stock options. During the nine months ended January 31, 2003, funds were used to repay the aforementioned amortizing loan.

As of January 31, 2004, the Company had cash and cash equivalents of \$1,779,601 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 \$3,266,138. As of January 31, 2004, the portion of those expenses attributable to the residential golf course community amount to \$1,627,368. Working capital, which is the total of current assets less current liabilities as shown in the accompanying chart, amounted to \$1,693,456 at January 31, 2004.

	January 31,	
	2004	2003
Current assets:		
Cash and cash equivalents	\$1,779,601	\$2,370,705
Rent receivable, net	199,169	48,462
Net prepaid expenses and other assets	290,148	446,997
	-----	
Total current assets	2,268,918	2,866,164
	-----	
Current liabilities:		
Accounts payable and accrued expenses	330,013	178,766
Tenant security deposits payable	234,442	238,120
Current portion of loans payable	11,007	71,230
	-----	
Total current liabilities	575,462	488,116
	-----	
Working capital	\$1,693,456	\$2,378,048
	=====	

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Our limited partnership investment in the Callery Judge Grove, L.P. is carried on the Company's balance sheet at \$0 as a result of recording equity losses equal to the carrying value of the investment. 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.

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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.

### OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

### 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(e) 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, 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 3 are not applicable to the November 1, 2003, through January 31, 2004, period.

### Item 4 Submission of Matters to a Vote of Security Holders

The Company's annual shareholder meeting for Fiscal Year 2003 was held on December 9, 2003. On each matter submitted to shareholders, the votes were as follows:

To elect one Director, Ronald J. Macklin, to serve for a term of one year and two directors, Paul L. Lamb and Richard B. Smith, to serve for a term of three years or until their successors shall be elected and shall qualify: Ronald J. Macklin; votes for 972,509, votes withheld 63,382; Paul L. Lamb; votes for

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975,228, votes withheld 60,663; Richard B. Smith; votes for 975,228, votes withheld 60,663.

Messrs. Maroney, Palmedo, Beyer and Friemann continue to serve as Directors in accordance with their terms of office.

To ratify the engagement of Holtz Rubenstein & Co., LLP as certified public accountants and auditors for the fiscal year ending April 30, 2004; votes for 1,025,979, votes against 8,585, votes abstain 1,327.

### 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 January 31, 2004 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.

There were no Form 8-K reports issued in the current quarter.

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### 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: March 19, 2004

/S/ Stephen V. Maroney

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Stephen V. Maroney  
President, Chief Executive  
Officer and Treasurer

Date: March 19, 2004

/S/ Frank D'Alessandro

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Frank D'Alessandro  
Controller

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