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GYRODYNE CO OF AMERICA INC  
Form 10KSB/A  
March 22, 2004

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549  
FORM 10-KSB/A

Amendment No. 1

- ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended. APRIL 30, 2003.
- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-1684

GYRODYNE COMPANY OF AMERICA, INC.  
(Name of small business issuer in its charter)

NEW YORK  
(State or other jurisdiction of  
incorporation or organization)

11-1688021  
(I.R.S. Employer Identification No.)

102 FLOWERFIELD, ST. JAMES, NY  
(Address of principal executive offices)

11780  
(Zip Code)

Issuer's telephone number (631) 584-5400

Securities registered under Section 12(b) of the Exchange Act: NONE

Securities registered under Section 12(g) of the Exchange Act: COMMON STOCK  
\$1.00 PAR VALUE

Title of each class	Name of each exchange on which registered
COMMON STOCK, PAR VALUE \$1.00 PER SHARE	NASDAQ SMALL CAP

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 a 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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB/A or any amendment to this Form 10-KSB/A.

The issuer's revenues for its most recent fiscal year were: \$2,344,396

The aggregate market value of the 966,766 shares of voting stock held by non-affiliates of the issuer on June 12, 2003 was \$17,479,129. The aggregate market value was computed by reference to the average bid and asked prices of the common stock, on such date, on the NASDAQ system.

The number of shares outstanding of the issuer's Common \$1.00 Par Value stock as of June 12, 2003 was 1,117,062.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement to be filed pursuant to Regulation

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14A for the FY 2003 Annual Meeting of Shareholders of the Company are incorporated by reference into Part III hereof.

### INDEX TO FORM 10-KSB/A FISCAL YEAR 2003

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#### Explanatory Note

This Amendment No. 1 on Form 10-KSB/A amends Item 1 of Part I and Items 6, and 7 of Part II of our Annual Report on Form 10-KSB previously filed for the fiscal year ended April 30, 2003. This Form 10-KSB/A is filed in connection with our restated financial statements for the fiscal years ended April 30, 2003 and 2002 to correct the accounting of our limited partnership investment in the Callery Judge Grove, L.P. For further discussion of this restatement, see Note 17, Prior Period Adjustment, to our consolidated financial statements.

Financial statement information and related disclosures included in this Form 10-KSB/A reflect, where appropriate, changes as a result of the restated financial statements. Certifications from our Chief Executive Officer and Chief Financial Officer required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 are attached to this Form 10-KSB/A. All other information contained in this Form 10-KSB/A is as of the date of the original filing and does not reflect any subsequent information or events other than the aforementioned changes.

We are filing an Amendment No. 1 to our quarterly reports on Form 10-QSB for each of the first and second quarters of Fiscal 2004 concurrently with the filing of this Form 10-KSB/A. We have not amended and do not intend to amend our

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previously filed annual reports on Form 10-KSB or our quarterly reports on Form 10-QSB for the periods affected by the restated financial statements for periods ending on or prior to April 30, 2003. For this reason, the consolidated financial statements, auditors' reports and related financial information contained in such reports for the affected periods should no longer be relied upon.

### PART I

#### Item 1 Description of Business

##### (a) Business Development

Incorporated in New York in 1946, Gyrodyne Company of America, Inc. (the "Company") was, from its inception and for the next 25 years, engaged in design, testing, development, and production of coaxial helicopters primarily for the US Navy. Following a sharp reduction in the Company's helicopter manufacturing business and its elimination by 1975, the Company began converting its vacant manufacturing facilities and established its rental property operation.

The Company concentrates its efforts on the development of its real estate holdings in St. James and Stony Brook, New York. The converted buildings consist of approximately 184,000 rentable square feet housing 66 tenants in space suitable for office, engineering, manufacturing, and warehouse use. This rental property operation is the principal business of the Company and currently represents its sole source of revenue. The property, which is known as Flowerfield, consists of 314 acres. Approximately 30 acres are utilized for the rental property and the balance of 284 remain undeveloped. Flowerfield is currently the subject of a development plan to construct an upscale residential golf course community consisting of 336 home sites.

Neither the Company nor any of its subsidiaries have ever been in any bankruptcy, receivership or similar proceeding.

References to the Company contained herein include its wholly owned subsidiaries, except where the context otherwise requires.

##### (b) Business of Issuer

The Company manages its real estate operation and is a passive investor as a limited partner in the Callery Judge Grove, L.P. which owns a large citrus grove in Palm Beach County, Florida. The Company currently has a total of 10 full time employees involved in support of the real estate operation and development plans.

#### Real Estate

Gyrodyne owns a 314 acre site, primarily zoned for light industry, and is located approximately 50 miles east of New York City on the north shore of Long Island. Flowerfield's location also places it in hydrological zone VIII, one of the most liberal with respect to effluent discharge rates.

The Flowerfield property is bisected by the town lines of Smithtown and Brookhaven Townships. The existing buildings and approximately 132 acres are located in the hamlet of St. James, Township of Smithtown, and the contiguous balance of approximately 182 acres is located in the hamlet of Stony Brook, Township of Brookhaven. The vacant property in St. James and Stony Brook is one of the largest undeveloped industrially zoned parcels on Long Island. During the

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latter part of fiscal 2002, the Company entered into a contract of sale in the amount of \$5,370,000 for 12 acres and buildings related to an existing tenants catering facility. That transaction was completed in August, 2002 and the total acres referred to above reflect that sale.

There are five main building groups with rental unit sizes ranging from 300 to 25,000 square feet. Given the location and size of rental units, the Flowerfield Industrial Park attracts many smaller companies that are not dependent on extensive material or product handling. The Port Jefferson Branch of the Long Island Railroad runs through the property.

Environmental studies have been updated and numerous other studies including archeological, ecological, and traffic have been conducted in connection with development plans -- all with no significant adverse findings. The Company believes that it does not incur material costs in connection with compliance with environmental laws. During fiscal year 2003, the Company had no expenses related to environmental issues.

During the past two years, several evaluations of highest and best use for the property have resulted in the adoption of the plan to develop an upscale residential golf course community at Flowerfield.

In that regard, Gyrodyne executed agreements with Landmark National to design and develop an 18 hole championship golf course community at Flowerfield. The contractual arrangements with Landmark were included as exhibits to the Company's 2002 10-KSB annual report. Having completed the design phase for both the golf course and the residential components of the development plan, the Company filed its applications for a change of zone to achieve the appropriate entitlements. Those applications were filed in the Towns of Brookhaven and Smithtown in October, 2002 and June 2003, respectively.

Limited Partnership Investment in Callery-Judge Grove, L.P. (the "Grove")

The Company's initial participation through its wholly owned subsidiary, Flowerfield Properties, Inc., represented a 20% limited partner's interest in the Grove. Based on three subsequent capital infusions in which the Company did not participate, our share is now approximately 10.93%. Although Management has determined that development of the real estate owned by the Grove is in the best interests of the Grove and its partners, the requirement to invest in achieving shareholder value from the Flowerfield property has outweighed this alternative investment opportunity.

The original limited partner investment of \$1.1 million, which was made in 1965, has over the years yielded distributions of approximately \$5.5 million. Due to recurring losses of the Grove, the investment is carried on the books of the Company at \$0 as a result of recording the Company's pro-rata share of losses under the equity method of accounting. In fiscal 2000, when the Company's share of losses equaled the carrying value of the investment, the equity method of accounting was suspended, and no additional losses have been charged to operations.

### Item 2 Description of Property

#### (c) Description of Real Estate and Operating Data

The Company owns a 314 acre tract of land located on the north shore of Suffolk County, Long Island, New York. The Company currently has approximately 184,000 square feet of rental space and has 66 tenants.

The land is carried on the Company's balance sheet at cost in the amount of \$796,451 while the buildings and improvements are carried at a depreciated cost of \$726,742. At the current time, the property and buildings, except for

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Building #7 and the surrounding 6 1/2 acres, which, at statement date, were encumbered by a 10 year collateral mortgage in the amount of \$1,050,000, are entirely without financial encumbrances. The principal balance of the mortgage as of April 30, 2003 was \$628,450. Subsequent to the close of business on April 30, 2003, the Company restructured its debt by securing a revolving line of credit in the amount of \$ 1,750,000. The existing mortgage, as described above, was satisfied and the outstanding balance of \$622,868 was incorporated into the newly established credit facility. Collateral for the credit line consists of the same 6 1/2 acres and building #7.

The average age of all the buildings is approximately 43 years and the facilities continually undergo maintenance repair cycles for roofs, paved areas, and building exteriors. The general condition of internal infrastructure, HVAC, electrical, and plumbing is considered above average for facilities of this age. The grounds feature extensive landscaping, are neatly groomed, and well maintained.

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The Company currently maintains a \$10 million dollar liability umbrella policy and has insured certain buildings and rent receipts predicated on an analysis of risk, exposure, and loss history. It is Management's opinion that the premises are adequately insured.

The following table sets forth certain information as of April 30, 2003 for the total Company property.

Property	Rentable Square Feet	Percent Leased	Annual Base Rent	Annual Base Rent Per Leased SQ. FT.	Number Of Tenants
-----	----	-----	----	-----	-----
St. James, N.Y.	184,000	83%	\$2,111,479	\$11.48	66

Item 3 Legal Proceedings

In the normal course of business, the Company is a party to various legal proceedings. After reviewing all actions and proceedings pending against or involving the Company, Management considers that the aggregate loss, if any, will not be material.

Item 4 Submission of Matters to a Vote of Security Holders

No matters were submitted to the vote of security holders during the fourth quarter of Fiscal Year 2003.

PART II

Item 5 Market for Common Equity and Related Stockholder Matters

(a) Market information

The Company's Common Stock, \$1 Par Value (symbol: "GYRO") is traded in the NASDAQ Small-Cap Market. Since June 10, 1948, the NASDAQ Small-Cap Market has been the principal market in which the Company's stock is publicly traded. Set forth below are the high and low sales prices for the Company's stock for each full quarter within the two most recent fiscal years:

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Quarter Ended -----	Sales Price Low	Sales Price High
----- Fiscal 2002 -----		
July 31, 2001	\$14.89	\$19.50
October 31, 2001	\$14.88	\$19.00
January 31, 2002	\$13.91	\$18.40
April 30, 2002	\$15.91	\$19.00
----- Fiscal 2003 -----		
July 31, 2002	\$14.95	\$18.25
October 31, 2002	\$13.95	\$16.99
January 31, 2003	\$12.56	\$17.37
April 30, 2003	\$15.26	\$17.55

(b) Approximate Number of Equity Security Holders, including shares held in Street name by brokers.

Title of Class -----	Number of Holders as of June 12, 2003 -----
Common Stock, \$1.00 Par Value	1,076

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(c) A 10% stock dividend was declared on April 15, 2002 to shareholders of record on May 1, 2002 which was distributed on May 15, 2002. The new shares issued totaled 100,646 and there were 495.220 fractional shares paid in cash. There were no stock dividends declared in the fiscal year ended April 30, 2003.

(d) Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-average exercise price of outstanding options warrants and rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities Reflected in Column (a)) (c)
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Equity  
Compensation

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Plans approved			
By security			
holders	170,615	\$18.30	154,354
-----			
Equity			
Compensation			
Plans not			
Approved by			
Security holders	--	--	--
-----			
Total	170,615	\$18.30	154,354
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See footnote 6 to the financial statements for a description of the Company's stock option plans.

Item 6 Management's Discussion and Analysis of Financial Condition and Results of Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

The statements made in this Form 10-KSB/A 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-KSB/A.

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

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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 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 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".



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### 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.

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### RESULTS OF OPERATIONS FOR THE YEAR ENDED APRIL 30, 2003 AS COMPARED TO THE YEAR ENDED APRIL 30, 2002

The Company is reporting net income of \$1,769,668 for fiscal year ending April 30, 2003 compared to the prior year results of \$21,645. Diluted per share earnings amounted to \$1.58 and \$0.02 for the two periods, respectively. The increase in net income of \$1,748,023 is due primarily from the sale of 12 acres and certain buildings to an existing tenant at Flowerfield for \$5.4 million. Proceeds from that transaction improved this year's earnings by \$1,742,614 after tax. Pursuant to the contract of sale, the Company is holding a five percent interest only mortgage in the amount of \$1.8 million, which matures in August 2005.

Revenue from rental property amounted to \$2,344,396 for the current year representing a decrease of \$263,609 from the prior year total of \$2,608,005. This 10% decline is directly attributable to the loss of rental income brought about by the aforementioned sale, which accounted for \$242,240 of the decrease. Since the sale of this property only impacted earnings for the final nine months of fiscal 2003, future rental revenues will decline by approximately \$334,000 on an annualized basis.

Rental property expenses for the period amounted to \$905,264 and reflect a 24% reduction of \$285,693 to the prior year total of \$1,190,957. Several factors account for this decline. Due to the fact that we formally filed for a change of zone to accommodate a residential golf course community, \$143,244 in real estate taxes on the undeveloped portion of Flowerfield were capitalized pursuant to generally accepted accounting practice. As a result, the operating expense for real estate taxes amounted to \$295,198 and \$428,031 during 2003 and 2002, respectively. Since capitalization of these taxes occurred for only the last six months of fiscal 2003, and based on the current level of taxes, the future impact on annualized operating expenses will be a reduction of approximately \$277,000. A reduction in staffing levels contributed to a decrease in salaries and benefits totaling \$81,234, representing a 25 % savings in that category of expense; salaries and benefits amounted to \$250,141 and \$331,375 for fiscal year 2003 and 2002, respectively. We anticipate being able to maintain the current staffing level for the future. As reported in our July 31, 2002 quarterly filing, the remaining major factor to the reduction in rental property expense was a negotiated, non-recurring utility refund totaling \$64,968.

As a result of the foregoing, income from rental property kept pace with the prior year, amounting to \$1,439,132 compared to the 2002 result of \$1,417,048, a \$22,084 increase. As outlined above, the loss of future rental revenue brought about by the sale of certain properties should be more than offset by the capitalization of real estate taxes attributable to land under development and the reduced staffing levels accomplished this past year.

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General and administrative expenses reflect a nominal 4% increase over the prior year amounting to \$1,477,748 compared to \$1,424,520 in 2002. Despite the fact that the increase amounted to \$53,228, there were several significant variances during the year. Salaries and benefits increased by \$90,307 and totaled \$656,514 as compared to \$566,207 for the prior year. For the most part, increases in salaries of \$27,508 and \$54,331 in stock compensation were the contributing factors. Fees for outside services, including legal and consulting were reduced by \$193,800 from \$296,391 to \$102,591 for 2002 and 2003, respectively. During the prior year, Gyrodyne experienced considerable expense relating to the K Capital attempt to force the sale of the Company and other legal expenses incurred during our search for the highest and best use of the Flowerfield property. These two issues amounted to \$115,904 and \$101,620, respectively, in fiscal 2002 and account for the major portion of the comparative decrease in 2003. Corporate governance expenses also decreased by \$78,053 from \$325,034 during the prior year compared to \$246,981 for fiscal 2003. Again, costs involved with the K Capital issue were a major factor in conducting the Company's annual meeting and related proxy issues. By comparison, 2002 annual meeting expenses exceeded those of 2003 by \$104,198. The balance of the corporate governance variance between the two periods was the result of reduced expenses of \$17,005 for Directors fees, which amounted to \$88,318, and \$105,323 for 2003 and 2002, respectively. The final and most significant variance was an increase of \$224,972 in the 2003 pension expense which totaled \$259,880 compared to \$34,908 during the prior year. This expense is the result of the formula required by FASB 87, which governs the accounting treatment for defined benefit pension plans. Additionally, during fiscal 2003, the Company made a cash contribution of \$254,000 to bolster the pension plan's liquidity. We anticipate that pension expense and cash contributions will remain at similar levels in future years. A number of immaterial variances in several other expense categories accounted for approximately \$10,000 in additional increased expenses.

Net of general and administrative expenses, the Company experienced a loss from operations of \$38,616 and \$7,472 for 2003 and 2002, respectively.

Interest income totaled \$87,121 during fiscal 2003 which is \$38,150 above the 2002 total of \$48,971. The major contributing factor was \$65,500 in interest earned on the \$1.8 million mortgage resulting from the sale of property mentioned earlier in this report. This was partially offset by a reduction of \$27,350 in income from our interest bearing deposits and is the direct result of a 1.2% weighted average decrease in interest rates between the two periods.

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For 2003, the recorded gain on the sale of the 12-acre parcel and buildings related to a former tenant's catering facility amounted to \$3,124,307. The balance of the deferred gain of \$1.6 million on the \$5.4 million sale will be recognized upon the receipt of the proceeds of the three-year mortgage. The land and buildings subject to this sale had a carrying value of \$558,763 on the Company's balance sheet.

As a result, income before tax amounted to \$3,172,812 for fiscal 2003 compared to a \$20,180 result for the prior year. Absent the income derived from the cited sale, earnings for both periods would have been comparable.

### LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities was \$1,339,266 in fiscal 2003 and \$244,666 in fiscal 2002. 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.

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Net cash provided by investing activities was \$2,477,109 and \$908,219 in fiscal 2003 and 2002, respectively. The cash proceeds in both periods were primarily a result of the sale of the 12-acre parcel for \$5.4 million, which was completed, in fiscal 2003. In fiscal 2002, we received a \$1,000,000 deposit toward the sale. In fiscal 2003, we received additional cash proceeds of approximately \$2.5 million. The remaining sales price was satisfied with a three year, \$1.8 million, 5% mortgage. The entire principal balance from the mortgage receivable matures in August 2005.

Net cash used in financing activities was \$12,316 and \$2,246,601 in fiscal 2003 and 2002, respectively. The net use of cash in fiscal 2003 was a result of the repayment of long-term debt of \$30,574, net of proceeds from the exercise of stock options of \$18,258. The net cash used in fiscal 2002 was primarily a result of the repurchase of 111,000 shares of the Company's common stock from K Capital.

As of April 30, 2003, the Company had cash and cash equivalents of \$2,231,317 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 \$2,444,654. As of April 30, 2003, the portion of those expenses attributable to the residential golf course community amount to \$1,015,094. Working capital, which is the total of current assets less current liabilities as shown in the accompanying chart, amounted to \$1,990,507 at April 30, 2003.

	April 30,	
	2003	2002
	-----	-----
Current assets:		
Cash and cash equivalents	\$2,231,317	\$ 1,105,790
Rent receivable, net	71,437	30,079
Net prepaid expenses and other assets	193,369	70,225
	-----	-----
Total current assets	2,496,123	1,206,094
	-----	-----
Current liabilities:		
Accounts payable and accrued expenses	249,624	409,356
Deposit on contract of sale	--	1,000,000
Tenant security deposits payable	238,204	253,878
Current portion of loans payable	17,788	63,820
	-----	-----
Total current liabilities	505,616	1,727,054
	-----	-----
Working capital	\$1,990,507	\$ (520,960)
	=====	=====

Subsequent to the close of business on April 30, 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 '03, 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.

The following table presents the Company's expected cash requirements for contractual obligations outstanding as of April 30, 2003.

Contractual Obligation	Total	Payments Due By Period			More than 5 Years
		Less than 1 Year	1-3 Years	3-5 Years	
Long-term Debt	\$669,610	17,788	17,221	634,601	--
Operating Lease	52,500	52,500	--	--	--
Other Contractual Obligations	255,000	180,000	75,000	--	--
Total Contractual Obligations	\$977,110	250,288	92,221	634,601	--

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 estimated fair value of this investment based upon a third party appraisal report is \$6,442,000.

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.

Following the Company's April 12, 2002 purchase and redemption of 111,000 shares of Gyrodyne stock from K Capital, the Board of Directors announced a 10% stock dividend to shareholders of record as of May 1, 2002. A distribution of 100,646 shares to the record date shareholders was affected on May 15, 2002.

Last year's annual report included a description of our contractual agreements with Landmark National to design and develop an 18 hole championship golf course community with 336 home sites on the Company's 314 acre Flowerfield property located in Stony Brook/St. James, New York. Those contractual agreements were exhibited in our April 30, 2002 10-KSB filing. The Company is party to two separate development contracts with Landmark National, one for the design of the golf course itself and the other for land planning and design of the residential community. The golf course agreement calls for monthly payments of \$5,000 with a maximum total of \$150,000 and a one-time fee of \$100,000 for a grading report on the course layout, which was completed during fiscal 2003. The residential land planning and design contract includes monthly payments of \$10,000 with a maximum payment totaling \$ 300,000. Landmark is also entitled to a construction management fee of 4.5% of construction costs. Through April 30, 2003, the Company has paid \$180,000 to Landmark under these contractual obligations. The balance of Landmark's compensation is incentive driven and based on a 10% participation in future profits from the residential golf course development. Additionally, in a separate agreement for the future, Landmark is under contract to manage the completed golf and clubhouse facilities under a long-term management agreement. The annual fee for such service is \$ 100,000. The contracts also provide for termination and builders fees, which are more clearly defined in Note 11 to the financial statements. The design stage and various required exhibits including an archaeological report along with economic and traffic impact studies have been completed and applications have been filed with

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the Towns of Brookhaven and Smithtown seeking the appropriate change of zone to accommodate the development plan.

In December 2002, the Stony Brook University approached the Company with an interest in discussing the purchase of all 314 acres that comprise the Flowerfield property. Those discussions were eventually discontinued when we recognized that their valuations of the property did not coincide with both our own and those of our independent outside consultants. In April, 2003, having failed in their attempts to purchase the Flowerfield property at what was clearly viewed as a below market price, the University announced that the Board of Trustees of the State University of New York had adopted a resolution which empowered the Stony Brook University to commence eminent domain proceedings to acquire the Gyrodyne property. At this writing, there has been no other action announced. We have attempted to create an awareness of the property's true value by offering to share certain outside evaluations with the University but they have indicated no interest in such an exercise. We believe that armed with the knowledge of the property's value, Stony Brook University and/or the State of New York will either abandon their interest in our property or come to the realization that their appetite for Flowerfield must be accompanied by the appropriate funding required to purchase or condemn it at its highest and best use, which is an established procedural guideline in eminent domain findings. Based on the past several years, the valuations of independent outside consultants, and expressions of interest from qualified builders to purchase home sites at Flowerfield, we remain confident that our plan for a residential golf course community represents that highest and best use.

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### Item 7 Financial Statements and Supplementary Data

See Financial Statements and Financial Statement Contents commencing on the Contents page followed by Page F-1.

Financial Statements include:

- (1) Independent Auditors' Reports
- (2) Consolidated Balance Sheets as of April 30, 2003 and April 30, 2002
- (3) Consolidated Statements of Income for the years ended April 30, 2003 and April 30, 2002
- (4) Consolidated Statement of Stockholders' Equity for the years ended April 30, 2003 and April 30, 2002
- (5) Consolidated Statements of Cash Flows for the years ended April 30, 2003 and April 30, 2002
- (6) Notes to Consolidated Financial Statements
- (7) Schedules
  - (a) The information required by the following schedules has been included in the financial statements, is not applicable, or not required.

Schedule I, II, III, IV, V, VI, VII, VIII, IX, X, XI, XII and XIII.

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### Item 8 Changes in and Disagreements on Accounting and Financial Data

In connection with the audits for the three most recent years, there have been no disagreements with Holtz Rubenstein & Co., LLP, on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

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### PART III

### Item 9 Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act.

(a) The following table lists the names, ages and positions of all executive officers and directors and all persons nominated or chosen to become such. Each director has been elected to the term indicated. Directors whose term of office ends in 2003 shall serve until the next Annual Meeting of Stockholders or until their successors are elected and qualified.

Name & Principal Occupation or Employment	Age	First Dir
-----		
Stephen V. Maroney President, CEO, Treasurer, and Director of the Company	61	1
Peter Pitsiokos Executive Vice President, Secretary & General Counsel of the Company	43	-
Frank D'Alessandro Controller of the Company	57	-
Paul L. Lamb Partner of Lamb & Barnosky, LLP Chairman of the Board of Directors of the Company	57	1
Robert H. Beyer Consultant Director of the Company	70	1
Philip F. Palmedo Chairman of International Resources Group Director of the Company	69	1
Robert F. Friemann CPA and a Retired Partner of Albrecht, Viggiano, Zureck & Company, P.C. Director of the Company	56	1
Richard B. Smith Senior Vice President for Private Banking at Suffolk County National Bank Director of the Company	48	2
Ronald J. Macklin Managing Counsel for KeySpan Corporation Director of the Company	41	2

(b) Business Experience

Stephen V. Maroney, age 61, was initially engaged by the Company as an outside consultant in June 1996 and elected to the Board of Directors in July of that same year. Mr. Maroney is the former President of Extebank, a Long Island based commercial bank with a presence in Nassau and Suffolk Counties and New York City. Prior to that appointment, he served as Extebank's Chief Financial Officer. Mr. Maroney was appointed to the position of President, CEO and Treasurer by the Gyrodyne Board of Directors on March 14, 1999. His career on Long Island spans a period of over 40 years and includes involvement in numerous civic, charitable and professional organizations.

Peter Pitsiokos, age 43, joined the Company in November 1992, is the Executive Vice President, and serves as the Company's Secretary and General Counsel. Mr. Pitsiokos was formerly the Executive Assistant District Attorney in Suffolk County, New York. He also served as the Assistant Director of Economic Development and the Director of Water Resources in the Town of Brookhaven. He holds a Law degree from Villanova University and a BA degree from the State University of New York at Stony Brook.

Frank D'Alessandro, age 57, joined the Company in March 1997 as its Controller. Prior to joining the Company, he was Controller of Cornucopia Pet Foods Inc., a distributor of all natural pet foods. Previous to that he spent many years in various financial positions. Mr. D'Alessandro holds an MBA degree in Finance as well as a BBA in Accounting, both from Hofstra University.

Paul L. Lamb, age 57, has been a Director since 1997 and became Chairman of the Board on March 14, 1999. He is a founding partner in the law firm of Lamb & Barnosky, LLP; a past President of the Suffolk County Bar Association; and a Dean of the Suffolk Academy of Law. He holds a B.A. from Tulane University, a J.D. from the University of Kentucky and an LL.M. from the University of London, England.

Robert Beyer, age 70, has been a Director of the company since November 1977. He is also a Director of the Company's subsidiaries. He retired from the United States Naval Reserve in 1993 with the rank of Captain. He retired from his position as Senior Inertial Systems Engineer with the Naval Air Systems Command in 1998. He has an electrical engineering degree from New York University and a graduate degree in International Business from Sophia University in Tokyo, Japan. Mr. Beyer was employed by Gyrodyne from 1962-1973. He was stationed in Japan as a Technical Representative for the Company's remotely piloted helicopters from 1963 to 1970.

Philip F. Palmedo, age 69, was appointed to the Board of Directors in July 1996. Mr. Palmedo is Chairman of International Resources Group and former President of the Long Island Research Institute. He has shepherded numerous fledgling businesses into the financial and technological markets completing several financing and joint venture technology agreements. He has M.S. and Ph.D. degrees from M.I.T.

Robert F. Friemann, age 56, was appointed to the Board of Directors in October 1998. He is currently a CPA and a retired partner of Albrecht, Viggiano, Zureck & Company, P.C. Mr. Friemann is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants. He has been an instructor for the New York State Society of Certified Public Accountants and is the author of numerous articles on issues including taxation, accounting and auditing.

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Richard B. Smith, age 48, was appointed to the Board of Directors in November 2002. He currently serves as Senior Vice President for Private Banking at Suffolk County National Bank. Previously, he worked for 10 years at Key Bank (Dime Savings Bank) and for 3 years at L.I. Trust/Apple Bank. He received an MBA in Finance from SUNY Albany in 1983. Mr. Smith serves as the Mayor of the Incorporated Village of Nissequoque and as a Trustee of the Smithtown Historical Society.

Ronald J. Macklin, age 41, was appointed to the Board of Directors in June 2003. Mr. Macklin currently serves as Managing Counsel for KeySpan where he has held various positions within the Office of General Counsel since 1991. Previously, he was associated with the law firms of Roseman & Colin and Cullen & Dykman. He received a B.A. degree from Stony Brook University and his Juris Doctorate from Union University's Albany Law School.

### (c) Compliance with Section 16(a) of the Exchange Act

A review of all Forms 3 & 4 filed with the Registrant indicates that there were no late filings of any required Forms 3 or Forms 4 with the Securities and Exchange Commission for fiscal year 2003. A review of current year filings indicates that no 10% holder of Gyrodyne Common Stock \$1 Par Value failed to file timely reports.

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## Item 10 Compensation of Executive Officers and Directors

### (a) Executive Compensation

During the fiscal years ended April 30, 2003, April 30, 2002, and April 30, 2001, two Directors or Officers received remuneration in excess of \$100,000 in such capacity.

### SUMMARY COMPENSATION TABLE Annual Compensation

Name and Principal Position	Year	Annual Compensation			Long term Compens	
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards	Secur Under Option (
				Restricted Stock Award (\$)		
Stephen V. Maroney President & CEO	2003	209,500	0	22,422 (A)	0	20,
	2002	190,750	0	0	0	13,
	2001	181,058	0	0	0	10,
Peter Pitsiokos Exec.V.P. and Secretary	2003	148,990	0	17,797 (B)	0	13,
	2002	123,128	0	0	0	14,
	2001	127,242	0	20,647 (B)	0	8,



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(A) In FY 03, Mr. Maroney received 1,430 shares from stock awards granted with a value of \$22,422. The Registrant has concluded that aggregate amounts of personal benefits to any of the current executives does not exceed the lesser of \$50,000 or 10% of compensation and bonuses reported above for the named executive officers, and that the information set forth in tabular form above is not rendered materially misleading by virtue of the omission of such personal benefits.

(B) In FY 03, Mr. Pitsiokos received 1,135 shares from stock awards granted with a value of \$17,797. For the year ended 2000, Mr. Pitsiokos received 4,093 shares from the exercise of stock appreciation rights granted in FY 95, 25% of which was amortized in FY 01 with a value of \$20,647.

Option/SAR Grants in Last Fiscal Year

Name	Number of Securities Underlying Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Sh)	Expiration Date
Stephen V. Maroney	3,300	7.9%	\$15.938	8/12/07
Stephen V. Maroney	17,055	40.8%	\$15.680	10/29/07
Peter Pitsiokos	13,945	33.4%	\$15.680	10/29/07

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AGGREGATED OPTION/LSAR EXERCISED IN LAST FISCAL YEAR AND FY-END OPTION/LSAR VALUES

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options/LSAR's at April 30, 2003	Exercisable/Unexercisable
Stephen V. Maroney President and CEO	--	--	60,780/0	
Peter Pitsiokos Exec. V.P. and Secretary	--	--	40,895/0	

(b) Compensation of Directors

Each Director is entitled to receive a fee of \$12,000 a year, \$1,000 per Board meeting attended and \$500 for each Committee meeting attended and are reimbursed for travel and Company business related expenses. The Company continued its policy which states that Directors who are also employees of the Company do not receive any additional compensation for their services as Directors.

(c) Employment Contracts

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Effective January 23, 2003, the Company entered into an amended and restated employment agreement with Stephen V. Maroney as President, Chief Executive Officer, and Treasurer and Peter Pitsiokos as Executive Vice President, Secretary, and General Counsel. Their annual salaries are currently at \$209,500 and \$152,500, respectively. The terms of the agreements were extended from one to three years and provide for a severance payment equivalent to three years salary in the event of a change in control. Both agreements were attached as Exhibit 10, Material Contracts, in the 10-QSB dated January 31, 2003.

### Item 11 Security Ownership of Certain Beneficial Owners and Management

(a) The following table sets forth as of June 12, 2003 those persons or entities known by the Company to be Beneficial Owners of more than 5% of the Company's Common Stock \$1 Par Value, its only equity security.

Name and Address -----	Type of Ownership -----	Number of shares Owned -----	Percent of Class -----
Private Capital Management, Inc. 8889 Pelican Bay Blvd., Suite 500 Naples, Florida 34108	Beneficial	193,957	17.36
Gerard Scollan 80 Browns River Road Sayville, NY 11782 (A)	Beneficial	113,796	10.19
Gyrodyne Company of America, Inc. St. James, NY 11780 (B)	Beneficial	82,580	7.39

(A) Includes 102,241 shares of Company stock held by Lovin Oven Catering of Suffolk, Inc., of which Mr. Scollan is the majority shareholder.

(B) As Gyrodyne has the authority to direct HSBC Holdings, the Trustee of the Gyrodyne Pension Plan, to vote the securities of the Company held by the Pension Fund, Gyrodyne Company of America, Inc. has been listed above as the beneficial owner of the 82,580 shares held by HSBC Holdings as Trustee for the Gyrodyne Pension Fund.

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(b) In addition, the following table as of June 12, 2003 includes the outstanding voting securities beneficially owned by the executive officers and directors, and the number of shares owned by directors and executive officers as a group.

Name & Principal Occupation or Employment -----	Shares of stock Beneficially Owned
Stephen V. Maroney President, CEO, Treasurer and Director of the Company	16,293
Peter Pitsiokos Executive Vice President, Secretary & General Counsel of the Company	9,091
Paul L. Lamb	15,989

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Partner of Lamb & Barnosky, LLP Chairman of the Board of Directors of the Company	
Robert H. Beyer Consultant Director of the Company	9,263
Philip F. Palmedo Chairman of International Resources Group Director of the Company	9,999
Robert F. Friemann CPA and a Retired Partner of Albrecht, Viggiano, Zureck & Company, P.C. Director of the Company	3,291
Richard B. Smith Senior Vice President for Private Banking at Suffolk County National Bank Director of the Company	1,000
Ronald J. Macklin Managing Counsel for KeySpan Corporation Director of the Company	0
All Directors and Executive Officers as a Group (8 persons)	64,926

- (A) Less than 1%.
- (B) Does not include his wife's and minor children's ownership of 989 shares in which he denies any beneficial interest.
- (C) Includes 13,747 shares held by Lamb & Barnosky, LLP Profit Sharing Trust. Mr. Lamb is a trustee of the Profit Sharing Trust.
- (D) Does not include his wife's ownership of 1,801 shares in which he denies any beneficial interest.

### Item 12 Certain Relationships and Related Transactions

#### (a) Transactions with Management and Others

On August 8, 2002, the Company closed on a Contract of Sale with Sco Properties, Inc., a New York corporation wholly-owned by Gerard Scollan, to sell to Sco Properties, Inc. certain real estate owned by the Company for \$5,370,000.00.

Other than the transaction above, there were no transactions with any officer, director, or beneficial owner of more than 5% of the Company's common stock, or any relative or spouse of the foregoing persons, that had a direct or indirect interest in any transaction involving the Company or its subsidiaries which exceeded \$60,000 in the prior year.

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#### (b) Certain Relationships and Transactions

The Company has engaged the firm of Lamb & Barnosky, LLP as outside legal counsel for a number of years. Director Lamb is a partner in the firm to which Gyrodyne incurred legal fees of \$119,201 and \$309,191 in FY 2003 and FY 2002, respectively.

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(c) Indebtedness of Management

No loans were made to any officer, director, or any member of their immediate families during the fiscal year just ended, nor were any amounts due and owing the Company or its subsidiaries from those parties at fiscal year end.

Item 13 Exhibits and Reports on Form 8-K

(a) Exhibits Required: Exhibit 31.1 CEO/CFO Certification required under section 302 of the Sarbanes-Oxley Act of 2002. Exhibit 32.1 CEO/CFO Certification Pursuant to 18 USC, Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K - None were filed by the Company for the fourth quarter of FY 2003. On May 29, 2003, the Company filed a Form 8-K attaching a press release concerning the announced plans by the State University of New York to acquire the Company's real estate for use by the University's Stony Brook campus. On June 10, 2003, the Company filed another Form 8-K attaching a press release announcing the appointment of Ronald J. Macklin to its Board of Directors.

Item 14. Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures within 90 days prior to the filing of this Annual Report on Form 10-KSB/A, and based on their evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

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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.

GYRODYNE COMPANY OF AMERICA, INC.

/S/ Stephen V. Maroney

-----  
Stephen V. Maroney, President, Treasurer,  
Director and Principal Executive Officer  
Date: March 19, 2004

/S/ Frank D'Alessandro

-----  
Frank D'Alessandro, Controller  
Date: March 19, 2004

\*\*\*\*\*

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following on behalf of the Registrant and in the capacities and on the dates indicated.

/S/ Philip F. Palmedo  
-----

Philip F. Palmedo, Director,  
Date: March 19, 2004

/S/ Stephen V. Maroney  
-----

Stephen V. Maroney, Director  
Date: March 19, 2004

/S/ Robert F. Friemann  
-----

Robert F. Friemann, Director  
Date: March 19, 2004

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GYRODYNE COMPANY OF AMERICA, INC. AND SUBSIDIARIES  
REPORT ON AUDITS OF CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED APRIL 30, 2003 AND 2002

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Independent Auditors' Report

Board of Directors and Stockholders  
Gyrodyne Company of America, Inc.  
St. James, New York

We have audited the accompanying consolidated balance sheets of Gyrodyne Company of America, Inc. and Subsidiaries as of April 30, 2003 and 2002 and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on

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these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gyrodyne Company of America, Inc. and Subsidiaries as of April 30, 2003 and 2002 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully discussed in Note 17, the accompanying financial statements have been restated to correct the accounting of a limited partnership investment interest from the cost method to the equity method. The financial statements have been restated to account for this investment in accordance with EITF Topic D-46 "Accounting for Limited Partnership Investments" and the guidance in paragraph 8 of SOP 78-9 "Accounting for Investments in Real estate Ventures," which requires the use of the equity method for investments in limited partnerships, unless the investor's interest is so minor that the limited partner has virtually no influence over partnership operating and financial policies. EITF Topic D-46 noted that practice generally has viewed limited partnership investments greater than 3% to 5% to be more than minor. In our original report we expressed an unqualified opinion on the April 30, 2003 and 2002 financial statements, and our opinion on the revised statements, as expressed herein, remains unqualified.

HOLTZ RUBENSTEIN & CO., LLP

Melville, New York  
June 20, 2003 (except for notes 3, 4 and 17  
for which the date is February 19, 2004)

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## GYRODYNE COMPANY OF AMERICA, INC. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

ASSETS	April 30,	
	2003	2002
	-----	
	(As restated, See Note 17)	
REAL ESTATE:		
Rental property:		
Land	\$ 4,250	\$ 4,746
Building and improvements	3,915,361	4,668,358

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Machinery and equipment	156,292	116,851
	-----	-----
	4,075,903	4,789,955
Less accumulated depreciation	3,269,147	3,396,834
	-----	-----
	806,756	1,393,121
	-----	-----
Land held for development:		
Land	792,201	803,592
Land development costs	2,444,654	1,499,930
	-----	-----
	3,236,855	2,303,522
	-----	-----
Total real estate, net	4,043,611	3,696,643
CASH AND CASH EQUIVALENTS	2,231,317	1,105,790
RENT RECEIVABLE, net of allowance for doubtful accounts of \$41,000 and \$62,000, respectively	71,437	30,079
MORTGAGE RECEIVABLE	1,800,000	--
PREPAID EXPENSES AND OTHER ASSETS	244,598	122,527
PREPAID PENSION COSTS	1,662,505	1,668,252
	-----	-----
	\$ 10,053,468	\$ 6,623,291
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 249,624	\$ 409,356
Deposit on contract for sale of real estate	--	1,000,000
Deferred gain of sale of real estate	1,573,900	--
Tenant security deposits payable	238,204	253,878
Loans payable	669,610	700,184
Deferred income taxes	1,861,000	641,000
	-----	-----
Total liabilities	4,592,338	3,004,418
	-----	-----
COMMITMENTS		
STOCKHOLDERS' EQUITY:		
Common stock, \$1 par value; authorized 4,000,000 shares; 1,531,086 shares issued	1,531,086	1,531,086
Additional paid-in capital	7,278,191	7,235,301
Deficit	(816,758)	(2,586,426)
	-----	-----
	7,992,519	6,179,961
Less cost of shares of common stock held in treasury	(2,531,389)	(2,561,088)
	-----	-----
Total stockholders' equity	5,461,130	3,618,873
	-----	-----
	\$ 10,053,468	\$ 6,623,291
	=====	=====

See notes to consolidated financial statements

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GYRODYNE COMPANY OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended April 30,	
	2003	2002
REVENUE FROM RENTAL PROPERTY	\$ 2,344,396	\$ 2,608,005
RENTAL PROPERTY EXPENSE:		
Real estate taxes	295,198	428,031
Operating and maintenance	467,946	594,012
Interest expense	56,611	61,520
Depreciation	85,509	107,394
	905,264	1,190,957
INCOME FROM RENTAL PROPERTY	1,439,132	1,417,048
GENERAL AND ADMINISTRATIVE	1,477,748	1,424,520
LOSS FROM OPERATIONS	(38,616)	(7,472)
OTHER INCOME (EXPENSE):		
Gain on sale of real estate	3,124,307	--
Lease termination expense, net	--	(28,443)
Gain on sale of equipment	--	7,124
Interest income	87,121	48,971
	3,211,428	27,652
INCOME BEFORE PROVISION FOR INCOME TAXES	3,172,812	20,180
PROVISION (BENEFIT) FOR INCOME TAXES	1,403,144	(1,465)
NET INCOME	\$ 1,769,668	\$ 21,645
NET INCOME PER COMMON SHARE:		
Basic	\$ 1.59	\$ 0.02
Diluted	\$ 1.58	\$ 0.02
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic	1,114,422	1,218,076
Diluted	1,121,465	1,225,452



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See notes to consolidated financial statements

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GYRODYNE COMPANY OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	\$1 Par Value Common Stock		Additional Paid in Capital	Retained Earnings (Deficit)	Tre
	Shares	Par Value			Share
Balance at May 1, 2001, as previously reported	1,531,086	\$1,531,086	\$ 7,539,475	\$ 123,856	412,7
Prior period adjustment	--	--	--	(1,030,104)	
Balance at May 1, 2001, as restated	1,531,086	1,531,086	7,539,475	(906,248)	412,7
Purchase of treasury stock	--	--	--	--	111,0
10% stock dividend	--	--	(344,656)	(1,701,823)	
Exercise of stock options	--	--	36,754	--	(3,6
Issuance of stock for services	--	--	3,728	--	(2
Net income	--	--	--	21,645	
Balance at April 30, 2002	1,531,086	1,531,086	7,235,301	(2,586,426)	519,8
Issuance of treasury stock for payment of 10% stock dividend	--	--	--	--	(100,6
Exercise of stock options	--	--	8,483	--	(1,7
Issuance of stock for services	--	--	34,407	--	(3,4
Net income	--	--	--	1,769,668	
Balance at April 30, 2003	1,531,086	\$1,531,086	\$ 7,278,191	\$ (816,758)	414,0

See notes to consolidated financial statements

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GYRODYNE COMPANY OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended  
April 30,

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	2003	2002
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,769,668	\$ 21,645
	-----	-----
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	102,721	120,330
Bad debt expense	3,045	13,550
Deferred income tax provision (benefit)	1,220,000	(38,000)
Non-cash compensation	54,331	5,396
Pension expense	259,880	34,903
Gain on sale of equipment	--	(5,599)
Gain on sale of property	(3,124,307)	--
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Land development costs	(1,011,379)	(284,384)
Accounts receivable	(44,403)	(22,699)
Prepaid expenses and other assets	(139,283)	25,023
Prepaid pension costs	(254,133)	--
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(159,732)	(122,193)
Tenant security deposits	(15,674)	7,362
	-----	-----
Total adjustments	(3,108,934)	(266,311)
	-----	-----
Net cash used in operating activities	(1,339,266)	(244,666)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(46,516)	(98,581)
Proceeds from sale of equipment	--	6,800
Proceeds from sale of real estate	2,523,625	--
Deposit on contract for sale of real estate	--	1,000,000
	-----	-----
Net cash provided by investing activities	2,477,109	908,219
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of loans payable	(30,574)	(56,592)
Proceeds from exercise of stock options	18,258	57,741
Purchase of treasury stock	--	(2,247,750)
	-----	-----
Net cash used in financing activities	(12,316)	(2,246,601)
	-----	-----
Net increase (decrease) in cash and cash equivalents	1,125,527	(1,583,048)
Cash and cash equivalents at beginning of year	1,105,790	2,688,838
	-----	-----
Cash and cash equivalents at end of year	\$ 2,231,317	\$ 1,105,790
	=====	=====

See notes to consolidated financial statements

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GYRODYNE COMPANY OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2003 AND 2002

1. Summary of Significant Accounting Policies:

a. Organization and nature of operations

Gyrodyne Company of America, Inc. and Subsidiaries (the "Company") is primarily a lessor of industrial and commercial real estate to unrelated diversified entities located in Long Island, New York.

In April 2002, the Company announced redevelopment plans of a significant portion of real estate holdings, for the construction of an 18-hole championship golf course and 336 luxury residential units. In connection with this redevelopment plan, the Company executed agreements with Landmark National to design and develop the golf course community.

b. Principles of consolidation

The accompanying consolidated financial statements include the accounts of Gyrodyne Company of America, Inc. ("GCA") and all majority owned subsidiaries. Investments in affiliates in which the Company has the ability to exercise significant influence, but not control, would be accounted for under the equity method. Investment interests in excess of 5% in limited partnerships are accounted for under the equity method.

All consolidated subsidiaries are wholly owned, and all significant inter-company transactions have been eliminated.

c. Rental real estate

Rental real estate assets are stated at cost, and reported net of accumulated depreciation and amortization. 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.

d. Real estate held for development

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.

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1. Summary of Significant Accounting Policies: (Cont'd)

e. Long-lived assets

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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".

### f. Depreciation and amortization

Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and improvements	10 to 30 years
Machinery and equipment	3 to 20 years

Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations are capitalized.

### g. Revenue recognition

Minimum revenues from rental property are recognized on a straight-line basis over the terms of the related leases.

### h. Allowance for doubtful accounts

Management must make estimates of the uncollectability of accounts receivable. Management specifically analyzed accounts receivable and analyzes historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

### i. Investments

The Company has a 10.93% limited partnership interest in Callery-Judge Grove, L.P. (the "Grove") that owns a 3500-acre citrus grove in Palm Beach County, Florida. The Company is accounting for this investment under the equity method in accordance with EITF Topic D-46 "Accounting for Limited Partnership Investments" and the guidance in paragraph 8 of SOP 78-9 "Accounting for Investments in Real Estate Ventures."

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## 1. Summary of Significant Accounting Policies: (Cont'd)

### i. Investments Cont'd)

In fiscal 2000, when the Company's share of losses equaled the

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carrying value of the investment, the equity method of accounting was suspended, and no additional losses have been charged to operations.

See Note 3 for summarized financial information and certain information about the appraised value of the Grove.

j. Cash equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

k. Net income per common share and per common equivalent share

The reconciliations for the years ended April 30, 2003 and April 30, 2002 are as follows:

	Year Ended April 30, 2003		
	Income	Shares	Per Share
	-----	-----	-----
Basic EPS	\$1,769,668	1,114,422	\$ 1.59
Effect of dilutive securities - common stock options	--	7,043	(.01)
	-----	-----	-----
Diluted EPS	\$1,769,668	1,121,465	\$ 1.58
	=====	=====	=====

	Year Ended April 30, 2002		
	Income	Shares	Per Share
	-----	-----	-----
Basic EPS	\$ 21,645	1,218,076	\$ .02
Effect of dilutive securities - common stock options	--	7,376	--
	-----	-----	-----
Diluted EPS	\$ 21,645	1,225,452	\$ .02
	=====	=====	=====

l. 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.

m. Stock-based compensation

The Company applies APB Opinion No. 25 and related interpretations in accounting for stock-based compensation to employees. Stock compensation to non-employees is accounted for at fair value in accordance with Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation."

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### 1. Summary of Significant Accounting Policies: (Cont'd)

#### n. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant assumptions and estimates relate to depreciable lives and the valuation of real estate.

#### o. New accounting pronouncements

In August 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" which was effective for fiscal periods beginning after December 15, 2001. Statement No. 144 establishes an accounting model for impairment or disposal of long-lived assets including discontinued operations.

In April 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". This Statement rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt", and an amendment of that Statement, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements". This Statement also rescinds FASB Statement No. 44, "Accounting for Intangible Assets of Motor Carriers". This Statement amends FASB Statement No. 13, "Accounting for Leases", to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. The provisions of this Statement related to the rescission of Statement No. 4 shall be applied in fiscal years beginning after May 15, 2002. All other provisions of this Statement shall be effective for financial statements issued on or after May 15, 2002.

In August 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which establishes new standards of accounting and reporting for costs associated with exit or disposal activities. This standard requires that a liability is recorded as of the date an obligation is incurred. This Statement also requires that an exit or disposal liability be initially measured at fair value. SFAS No. 146 does not apply to disposal activities qualifying as a discontinued operation. This Statement was effective for exit or disposal activities initiated after December 31, 2002.

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation--Transition and Disclosure--an amendment of FASB Statement No. 123". This Statement amends SFAS No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amended the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This Statement was effective for fiscal years ending after December 15, 2002.

The adoption of SFAS Nos. 144, 145, 146 and 148 did not have a material effect on the financial statements of the Company.

1. Summary of Significant Accounting Policies: (Cont'd)

o. New accounting pronouncements (Cont'd)

In April 2003, the FASB issued SFAS No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities". This Statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," which improves the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new Statement requires that those instruments be classified as liabilities in statements of financial position. SFAS No. 150 also requires disclosures about alternative ways of settling the instruments and the capital structure of entities, all of whose shares are mandatorily redeemable. Most of the guidance in Statement 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003.

The Company is currently evaluating the impact of Statement Nos. 149 and 150. The Company does not believe that these pronouncements will have a material effect on the financial statements.

2. Mortgage Receivable:

Mortgage receivable in the principal amount \$1,800,000 due from a former tenant in connection with sale of real estate (Note 7). The mortgage bears interest at 5% per annum with interest only payments due quarterly, commencing in November 2002. The principal and any unpaid interest are due and payable in August 2005. The mortgage is secured by the related real estate along with a third party guarantee of approximately \$1,430,000.

3. Investment in the Grove Partnership:

The Company has a 10.93% limited partnership interest in the Callery-Judge Grove, L.P. (the "Grove"). As of April 30, 2003 and 2002, the carrying value of the Company's investment was \$0.

The Grove has reported to its limited partners that in June 2002 it received an independent appraisal report of the citrus grove property, which is now the subject of development applications. Based upon that appraisal, at April 30, 2003, strictly on a pro-rata basis, the estimated fair value of the Company's interest in the Grove would be approximately \$6,442,000. The Company cannot predict what, if any, value it will ultimately realize from this investment.

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3. Investment in the Grove Partnership: (Cont'd)

The fiscal year end of the Grove is June 30. Summarized financial information of the Grove as of June 30, 2002 and 2001 is as follows:

	Years Ended June 30,	
	2002	2001
	(in thousands)	(in thousands)
Total current assets	\$ 2,826	\$ 4,365
Total assets	22,625	25,947
Total current liabilities	17,011	2,764
Total liabilities	18,002	18,223
Total partners' capital	4,623	7,724
Total revenues	13,771	13,535
Net loss	(3,101)	(4,176)

4. Income Taxes:

The Company files a consolidated U.S. federal income tax return that includes all 100% owned subsidiaries. State tax returns are filed on a consolidated or separate basis, depending on the applicable laws.

The provision (benefit) for income taxes is comprised of the following:

	Years Ended April 30,	
	2003	2002
Current:		
Federal	\$ --	\$ --
State	183,144	36,535
	183,144	36,535
Deferred:		
Federal	985,000	12,000
State	235,000	(50,000)
	1,220,000	(38,000)
	\$ 1,403,144	\$ (1,465)

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4. Income Taxes: (Cont'd)

The components of the net deferred tax liabilities are as follows:

April 30,



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	2003	2002
Deferred tax assets:		
Stock compensation	\$ 53,000	\$ 38,000
Accrued sick and vacation	13,000	11,000
Provision for bad debt	17,000	26,000
Tax loss carryforwards	10,000	555,000
Contribution carryover	--	4,000
Total deferred tax assets	93,000	634,000
Deferred tax liabilities:		
Prepaid pension costs	(697,000)	(699,000)
Tax losses realized in excess of carrying value on investment in limited partnership	(658,000)	(576,000)
Land development costs	(599,000)	--
Total deferred tax liabilities	(1,954,000)	(1,275,000)
Net deferred income taxes	\$ (1,861,000)	\$ (641,000)

The Company has federal net operating loss carryforwards of approximately \$30,000, which can be used to reduce future taxable income through 2022. There was no current federal tax provision for the years ended April 30, 2003 and 2002, as the Company was able to apply net operating loss carry forwards to its federal taxable income.

A reconciliation of the federal statutory rate to the Company's effective tax rate is as follows:

	Years Ended April 30,	
	2003	2002
U.S. Federal statutory income rate	34.0%	34.0%
State income tax, net of federal tax benefits	7.5	7.5
Permanent differences	--	7.9
Change in valuation allowance	--	(94.2)
Other differences, net	2.7	37.5
	44.2%	(7.3)%

5. Retirement Plans:

The Company has a noncontributory defined benefit pension plan covering substantially all of its employees. The benefits are based on annual average earnings for the highest sixty (60) months (whether or not continuous) immediately preceding the Participant's termination date. Annual contributions to the plan are at least equal to the minimum amount, if any, required by the Employee Retirement Income Security Act of 1974 but no greater than the maximum amount that can be deducted for federal income tax purposes. Contributions are intended to provide not only for benefits attributed to service to date but also those expected to be earned in the future. Employer contributions to the plan

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approximated \$254,000 and \$0 for the years ended April 30, 2003 and 2002, respectively.

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5. Retirement Plans: (Cont'd)

Net periodic pension expense consists of the following components:

	Years Ended April 30,	
	2003	2002
Service cost	\$ 97,139	\$ 81,564
Interest costs	122,120	104,899
Expected return on assets	(115,487)	(138,902)
Net amortization	156,108	(12,658)
Pension expense	\$ 259,880	\$ 34,903

The Plan's funded status is as follows:

	April 30,	
	2003	2002
Change in projected benefit obligation:		
Projected benefit obligation, beginning of year	\$ 1,412,369	\$ 1,210,194
Service cost	97,139	81,564
Interest cost	122,120	104,899
Actuarial loss	315,180	201,898
Benefits paid	(183,295)	(186,186)
Projected benefit obligation, end of year	\$ 1,763,513	\$ 1,412,369
Change in plan assets:		
Fair value of plan assets, beginning of year	\$ 1,496,256	\$ 1,837,125
Actual return on plan assets	67,081	(138,143)
Employer contribution	254,133	--
Actual benefits paid	(245,106)	(202,726)
Fair value of plan assets, end of year	\$ 1,572,364	\$ 1,496,256
Reconciliation of funded status:		
Funded status	\$ (191,149)	\$ 83,887

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Unrecognized net actuarial loss	1,595,210	1,253,183
Unrecognized prior service cost	258,444	331,182
	-----	-----
Prepaid pension cost	\$ 1,662,505	\$ 1,668,252
	=====	=====

Assumptions used in accounting for the Company's defined benefit pension plan are as follows:

	Years Ended April 30,	
	2003	2002
	-----	-----
Discount rate	7.5%	8.0%
Rate of increase in compensation	4.0%	5.0%
Expected long-term rate of return on plan assets	8.0%	8.0%

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5. Retirement Plans: (Cont'd)

Securities of the Company included in plan assets are as follows:

	April 30,	
	2003	2002
	-----	-----
Number of shares	82,580	78,346
Market value	\$1,391,473	\$1,327,965

6. Stock Options Plans:

Incentive Stock Option Plan

The Company has a stock option plan (the "Plan") under which participants may be granted either Incentive Stock Options ("ISOs"), Non-Qualified Stock Options ("NQSOs") or Stock Grants. The purpose of the Plan is to promote the overall financial objectives of the Company and its shareholders by motivating those persons selected to participate in the Plan to achieve long-term growth in shareholder equity in the Company and by retaining the association of those individuals who are instrumental in achieving this growth. Such options or grants become exercisable at various intervals based upon vesting schedules as determined by the Compensation Committee. The options expire between October 2003 and October 2007.

During the year ended April 30, 2003, the Company granted 3,465 shares of common stock to employees with a value of approximately \$54,000.

The ISOs may be granted to employees and consultants of the Company at a price not less than the fair market value on the date of grant. All such options are authorized and approved by the Board of Directors, based on recommendations

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of the Compensation Committee.

ISOs may be granted along with Stock Appreciation Rights, which permit the holder to tender the option to the Company in exchange for stock, at no cost to the optionee, that represents the difference between the option price and the fair market value on date of exercise. NQSOs may be issued with Limited Stock Appreciation Rights, which are exercisable, for cash, in the event of a change of control. In addition, an incentive kicker may be provided for Stock Grants, ISOs and NQSOs, which increases the number of grants or options based on the market price of the shares at exercise versus the option price. A reload feature may also be attached which permits the optionee to tender previously purchased stock, in lieu of cash, for the purchase of the options and receive additional options equal to the number of shares tendered.

### Non-Employee Director Stock Option Plan:

The Company adopted a non-qualified stock option plan for all non-employee Directors of the Company in October 1996. Each non-employee Director was granted an initial 2,500 options on the date of adoption of the plan. These options are exercisable in three equal annual installments commencing on the first anniversary date subsequent to the grant. Additionally, each non-employee Director was granted 1,250 options on each January 1, 1997 through 2000, respectively. These additional options are exercisable in full on the first anniversary date subsequent to the date of grant.

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### 6. Stock Option Plans: (Cont'd)

A summary of the Company's various fixed stock option plans as of April 30, 2003 and 2002, and changes during the years then ended is presented below:

	Years Ended April 30,			
	2003		2002	
Fixed Stock Options	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	142,340	\$ 15.13	120,975	\$ 14.90
Granted	41,800	15.70	35,090	15.94
Exercised	(1,700)	10.74	(5,500)	14.08
Canceled	(11,825)	13.97	(8,225)	16.02
	-----		-----	
Outstanding, end of year	170,615	15.39	142,340	15.13
	=====		=====	
Options exercisable at year end	170,615	15.39	142,340	15.13
	=====		=====	
Weighted average fair value of options granted during the year		\$ 5.56		\$ 5.35
		=====		=====

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The following table summarizes information about stock options outstanding at April 30, 2003:

Range of Exercise Price	Options Outstanding			Options Exercised
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Outstanding
\$10.73 - \$13.46	31,850	1.40	\$11.71	31,850
\$14.23 - \$16.16	100,265	3.66	\$15.44	100,265
\$18.16 - \$19.10	38,500	1.97	\$18.30	38,500

Shares reserved for future issuance at April 30, 2003 are comprised of the following:

Shares issuable upon exercise of stock options under the Company's Non-Employee Director Stock Option Plan	72,000
Shares issuable under the Company's Non-Employee Director Stock Compensation Plan	22,792
Shares issuable upon exercise of stock options under the Company's stock incentive plan	230,177
	-----
	324,969
	-----

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6. Incentive Stock Option Plan (Cont'd)

In accordance with APB Opinion No. 25, no compensation expense has been recognized for the employee stock option plans. Had the Company recorded compensation expense for the employee stock options based on the fair value at the grant date for awards in the years ended April 30, 2003 and 2002 consistent with the provisions of SFAS No. 123, the Company's net income and net income per share would have been adjusted to the following pro forma amounts:

	2003	2002
	-----	-----
Net income, as reported	\$ 1,769,668	\$ 21,645
Net income (loss), pro forma	1,636,095	(134,935)
Basic income per share, as reported	1.59	.02
Basic income (loss) per share, pro forma	1.47	(.11)
Diluted income per share, as reported	1.58	.02
Diluted income (loss) per share, pro forma	1.46	(.11)

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For the purposes of the pro forma presentation, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The following range of weighted-average assumptions were used for grants during the fiscal years ended April 30, 2003 and 2002.

	Years Ended April 30,	
	2003	2002
Dividend yield	0.0%	0.0%
Volatility	47.0%	41.0%
Risk-Free interest rate	2.0%	4.0%
Expected life	5 Years	5 Years

### Incentive Compensation Plan:

The Company has an incentive compensation plan for all full-time employees and members of the Board in order to promote shareholder value. The benefits of the incentive compensation plan are realized only upon a change in control of the Company. Change in control is defined as the accumulation by any person, entity or group of 30% or more of the combined voting power of the Company's voting stock or the occurrence of certain other specified events. In the event of a change in control, the Company's plan provides for a cash payment equal to the difference between the plan's "establishment date" price of \$15.39 per share and the per share price of the Company's common stock on the closing date, equivalent to 100,000 shares of company common stock. The payment amount would be distributed to eligible participants based upon their respective weighted percentages (ranging from .5% to 18%).

### 7. Loans Payable:

	April 30,	
	2003	2002
Term loan, bank (a)	\$ 628,450	\$ 688,197
Installment loans, other	41,160	11,987
	\$ 669,610	\$ 700,184

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### 7. Loans Payable: (Cont'd)

(a) The loan required monthly installment payments of \$9,643, including interest at 8.45% per annum, until March 1, 2003 when the monthly installment payments were adjusted to \$8,704, including interest at 5.96%. The remaining unpaid principal of approximately \$470,000 is due in September 2005. The loan provides for an adjustment to the fixed interest rate on every fifth anniversary based upon the U.S. Treasury note rate. The loan is secured by the assignment of rents and a first collateral mortgage on certain real estate. The Bank requires compensating balances totaling 20% of the ending monthly balance of the loan to be held in interest bearing and non-interest bearing deposit accounts.

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On May 29, 2003, the Company entered into a revolving line of credit agreement with a new lending institution. The line of credit has a maximum borrowing limit of \$1,750,000, and bears interest at 1% above the prime-lending rate (4.25% at April 30, 2003). The line is secured by certain real estate and expires on June 1, 2006. Subsequent to year-end, proceeds from the line were used to pay-off the balance of the outstanding bank term loan. As a result, the term loan is not included in the following schedule of annual maturities of loans payable.

Annual maturities of loans payable is as follows:

Years Ending April 30, -----	Amount -----
2004	\$ 17,788
2005	9,810
2006	7,411
2007	630,279
2008	4,322
	-----
	\$ 669,610
	-----

### 8. Sale of Real Estate:

On August 8, 2002, the Company sold approximately twelve acres of property and certain buildings with a carrying value of approximately \$559,000 to an existing tenant. The contract of sale amounted to \$5,370,000 under which the Company received a cash payment of approximately \$3,600,000 and a three-year mortgage for \$1,800,000 with interest at 5%. The profit on the sale of the land and buildings was \$4,700,000 net of transaction costs of approximately \$113,000. Pursuant to Statement of Financial Accounting Standards No. 66, approximately \$1,570,000 of the gain on this sale has been deferred as of April 30, 2003. The deferred gain will be recognized upon collection of the related mortgage receivable.

### 9. Stockholders' Equity:

#### a. Repurchase of common stock

On April 12, 2002, the Company repurchased 111,000 shares of common stock from one of its stockholders at a price of \$20.25 per share. The par value method of accounting is used for common stock repurchases. The excess of the cost of shares acquired over their par value is allocated to paid-in capital with the excess over market value charged to retained earnings.

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### 9. Stockholders' Equity: (Cont'd)

#### b. Stock dividend

On April 15, 2002, the Company's Board of Directors declared a 10% stock dividend payable on May 15, 2002 for shareholders of record as of May 1, 2002. A total of 100,646 shares of common stock were issued out of treasury in connection with this dividend. The financial statements at April 30, 2002 give effect to the dividend and reflect a reduction of treasury stock equal to the

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fair value of the stock dividend of \$2,038,082. All references in the accompanying financial statements to the number of common shares and per share amounts have been restated to reflect the stock dividend.

In connection with the 10% stock dividend, a cash dividend of \$8,397 was paid to stockholders for fractional shares.

No dividends were declared during year-end April 30, 2003.

10. Concentration of Credit Risk:

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents and long-term investments. The Company places its temporary cash investments with high credit quality financial institutions and, by policy, limits the amount of credit exposure in any one financial institution. The Company is affected by the economics of the Citrus industry due to its investments therein. Management does not believe significant credit risk exists at April 30, 2003.

11. Supplemental Disclosures of Cash Flow Information:

	Years Ended April 30,	
	2003	2002
Cash paid during the year for:		
Interest	\$ 60,049	\$ 61,520
	=====	=====
Income taxes	\$ 270,000	\$ 88,359
	=====	=====

12. Commitments:

a. Lease commitments

The future minimum revenues from rental property under the terms of all noncancellable tenant leases, assuming no new or renegotiated leases are executed for such premises, for future years are approximately as follows:

Years Ending April 30,	
-----	
2004	\$ 1,371,000
2005	534,000
2006	398,000
2007	104,000

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12. Commitments: (Cont'd)

b. Employment agreements

Effective January 23, 2003, the Company amended the existing employment contracts with two officers, which provide for annual salaries aggregating \$362,000. The terms of the agreements were extended from one to



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three years and provide for a severance payment equivalent to three years salary in the event of a change in control.

c. Royalty agreement

The Company is entitled to a 3% royalty on any revenues generated by Aviodyne, Inc. as a result of the assets purchased from the Company. For the years ended April 30, 2003 and 2002 no royalty payments had been earned.

d. Land development contract

The Company has entered into a Golf Operating and Asset Management Agreement (the "Agreement") with Landmark National ("Landmark") for the design and development of an 18-hole championship golf course community. The Agreement provides for Landmark to design, construct and manage the golf course and related facilities, and to design and plan the proposed residential community. Fees for Landmarks services is as follows:

Golf course design and operations:

- o \$5,000 per month, not to exceed \$150,000, for the design of the golf course and related facilities.

- o A \$100,000 golf course grading plan fee after completion of the grading plan.

- o If Landmark designs the golf course as a "Signature Landmark Course," a one time licensing fee not to exceed \$250,000 is due.

- o A monthly builders fee, upon commencement of construction of the golf course, equal to 4.5% of the total cost of the golf course and related facilities.

- o Upon commencement of the operations of the golf course, a \$100,000 annual management fee.

Residential Community Planning and Design:

- o \$10,000 per month, not to exceed \$300,000, for the design and planning of the residential community.

- o \$75,000 annual fee commencing upon the beginning of the operations, sales and marketing phase of the residential community, and terminating upon the sale of all building lots.

Total Project:

- o A monthly builders fee, upon commencement of construction of the golf course and the residential community, equal to 4.5% of the total construction costs, as defined.

- o An incentive fee equal to 10% of the pre-tax income of the Project, as defined.

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12. Commitments: (Cont'd)

d. Land development contract (Cont'd)

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### Termination:

Should the Company terminate the Agreement prior to completion without cause, a termination fee is payable to Landmark as follows:

a. \$500,000 prior to the completion of the design and master plan phase of the golf course and related facilities;

b. \$1,000,000 after the completion of the design and master plan phase of the golf course and related facilities and prior to the opening of the golf course to third parties;

c. If termination occurs after the golf course and related facilities are open for use by third parties a sum equal to 50% of the entire amount of unearned fees that would have been earned by Landmark through the expiration date of the agreement.

The Agreement expires on April 9, 2017.

### 13. Fair Value of Financial Instruments:

The methods and assumptions used to estimate the fair value of the following classes of financial instruments were:

The carrying amount of cash, receivables and payables and certain other short-term financial instruments approximate their fair value.

The estimated fair value of the Company's investment in the Grove Partnership at April 30, 2003, based upon an independent third party appraisal report, is approximately \$6,442,000 based on the Company's ownership percentage.

The book value of the Company's loans payable approximates its fair value.

### 14. Related Party Transactions:

A law firm related to a director provided legal services to the Company for which it was compensated approximately \$119,000 and \$309,000 for the years ended April 30, 2003 and 2002, respectively.

### 15. Major Customers:

For the year ended April 30, 2003 rental income from three tenants represented 17%, 13% and 11% of total rental income.

For the year ended April 30, 2002 rental income from three tenants represented 16%, 12% and 11% of total rental income.

During the year, one of the Company's major tenants purchased land, buildings, and improvements from the Company (see Note 7), therefore terminating its lease agreement with the Company. Rental income from this tenant for the years ended April 30, 2003 and 2002 was approximately \$90,000 and \$304,000, respectively.

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### 16. Contingencies:

In December 2002, the State University of New York at Stony Brook ("SUNY

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Stony Brook") approached the Company with an interest in discussing the purchase of all 314 acres that comprise the Company's real estate holding in New York. Those discussions were eventually discontinued, as management did not believe that the purchase price offered by SUNY Stony Brook was reflective of the current value of the property.

In April 2003, SUNY Stony Brook announced that the Board of Trustees of the State University of New York had adopted a resolution, which empowered SUNY Stony Brook to commence eminent domain proceedings to acquire the property. As of June 20, 2003, SUNY Stony Brook has not announced any further actions.

Management believes that the valuations of the property by SUNY Stony Brook does not coincide with both our own and those of our independent outside consultants, and condemnation at the property's highest and best use will reflect the outside valuations that have been obtained. Management is confident that the plan for a residential golf course community represents that highest and best use.

### 17. Prior Period Adjustment

The accompanying financial statements have been restated to account for the Company's limited partnership investment in Callery-Judge Grove, L.P. (the "Grove") in accordance with EITF Topic D-46 "Accounting for Limited Partnership Investments" and the guidance in paragraph 8 of SOP 78-9 "Accounting for Investments in Real Estate Ventures," which requires the use of the equity method for investments in limited partnerships, unless the investor's interest is so minor that the limited partner has virtually no influence over partnership operating and financial policies. In particular, EITF Topic D-46 notes that practice generally has viewed investments of more than 3% to 5% to be more than minor.

The Company originally purchased its limited partnership interest in 1965 and received a 20% interest. Through April 30, 1995, the Company accounted for this investment under the equity method. In Fiscal 1996, the Company changed its accounting for this investment to the cost method. Management believed that the cost method of accounting was more appropriate because the partnership agreement had been amended to further limit the rights of the limited partners, the Company's ownership interest had been diluted through capital calls that it did not participate in and the Company had no influence over the partnership operating and financial policies. The Company's ownership interest, as a result of additional capital calls of the partnership, in which the Company did not participate, has subsequently been diluted to 10.93%.

The financial statements have been restated to conform with the guidance of EITF Topic D-46 and paragraph 8 of SOP 78-9 as it pertains to investments in limited partnerships, and specifically the practice of accounting for limited partnership investments of more than 3% to 5% under the equity method of accounting.

Retained earnings at the beginning of fiscal 2001 have been reduced by \$1,030,104, net of income tax benefit of \$555,000, to apply the use of the equity method and write down the carrying value of the investment as a result of cumulative losses of the Grove. The adjustment had no affect on the net income for the years ended April 30, 2003 and 2002.

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### 17. Prior Period Adjustment (Cont'd)

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The effects of the restatement were as follows:

	2003		2002	
	As Previously Reported	As Restated	As Previously Reported	As Restated
At April, 30:				
Investment in the Grove Partnership	\$ 1,585,104	\$ --	\$ 1,585,104	\$ --
Deferred Income Taxes	2,416,000	1,861,000	1,196,000	641,000
Retained Earnings	213,346	(816,758)	(1,556,322)	(2,586,400)

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