GYRODYNE CO OF AMERICA INC
Form 10-Q
May 17, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2010

OR

[ ] TRANSITION REPORT PURSUANT TO 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.
(Exact name of registrant as specified in its charter)

New York	11-1688021
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Flowerfield, Suite 24, St. James, NY 11780
(Address and Zip Code of principal executive offices)

(631) 584-5400
(Registrant’s telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes___ No___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (CHECK ONE):

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	x
(Do not check if a smaller reporting company)			

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes __ No X

On May 10, 2010, 1,290,039 shares of the Registrant’s common stock, par value $1.00 per share, were outstanding.

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INDEX TO QUARTERLY REPORT OF GYRODYNE COMPANY OF AMERICA, INC.
QUARTER ENDED MARCH 31, 2010

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

GYRODYNE COMPANY OF AMERICA, INC.
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 2010 (Unaudited)	December 31, 2009
REAL ESTATE		
Rental property:		
Land	$5,079,017	$5,079,017
Building and improvements	30,731,179	30,612,143
Machinery and equipment	280,636	277,072
	36,090,832	35,968,232
Less accumulated depreciation	3,898,050	3,701,200
	32,192,782	32,267,032
Land held for development:		
Land	558,466	558,466
Land development costs	1,391,477	1,366,963
	1,949,943	1,925,429
Total real estate, net	34,142,725	34,192,461
Cash and Cash Equivalents	715,441	868,786
Investments	-	203,000
Rent Receivable, net of allowance for doubtful accounts of $97,000 and $92,000, respectively	73,729	83,918
Deferred Rent Receivable	58,359	59,922
Prepaid Expenses and Other Assets	826,986	696,918
Total Assets	$35,817,240	$36,105,005
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable	$821,464	$995,665
Accrued liabilities	376,716	298,120
Deferred rent liability	139,111	53,348
Tenant security deposits payable	484,851	474,210
Mortgages payable	18,049,752	18,164,266
Deferred income taxes	1,206,000	1,206,000
Pension liability	337,113	279,655
Other liabilities	194,481	-
Total Liabilities	21,609,488	21,471,264
Commitments and Contingencies		
STOCKHOLDERS' EQUITY:		

Common stock, $1 par value; authorized 4,000,000 shares; 1,531,247		
shares issued; 1,290,039 shares outstanding, respectively	1,531,247	1,531,247
Additional paid-in capital	7,978,234	7,978,234
Accumulated other comprehensive loss	(1,501,162)	(1,306,681)
Balance of undistributed income other than gain or loss on sales of properties	7,737,130	7,968,638
	15,745,449	16,171,438
Less cost of shares of common stock held in treasury; 241,208	(1,537,697)	(1,537,697)
Total Stockholders' Equity	14,207,752	14,633,741
Total Liabilities and Stockholders' Equity	$35,817,240	$36,105,005

See notes to consolidated financial statements

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Revenues		
Rental income	$1,186,816	$820,241
Rental income – tenant reimbursements	160,503	129,302
Total	1,347,319	949,543
Expenses		
Rental expenses	586,681	426,699
General and administrative expenses	534,433	628,413
Condemnation expense	-	222,909
Depreciation	196,850	113,900
Total	1,317,964	1,391,921
Other Income (Expense):		
Interest income	1,211	94,893
Realized gain on marketable securities	-	123,442
Interest expense	(262,074)	(161,369)
Total	(260,863)	56,966
Loss Before Benefit for Income Taxes	(231,508)	(385,412)
Benefit for Income Taxes	-	(4,127,000)
Net (Loss) Income	$(231,508)	$3,741,588
Net (Loss) Income Per Common Share:		
Basic and Diluted	$(0.18)	$2.90
Weighted Average Number Of Common Shares Outstanding:		
Basic and Diluted	1,290,039	1,290,039

See notes to consolidated financial statements

GYRODYNE COMPANY OF AMERICA, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Net (loss) income	$(231,508)	$3,741,588
Other Comprehensive loss:		
Changes in Unrealized loss on interest rate swap	(194,481)	-
Other Comprehensive loss	(194,481)	-
Net (loss) income	$(425,989)	$3,741,588

See notes to consolidated financial statements

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

	Three Months Ended March 31, 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$(231,508)	$3,741,588
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	203,694	120,848
Bad debt expense	6,000	6,000
Net periodic pension benefit cost	57,458	71,546
Realized gain on marketable securities	-	(123,442)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Rent receivable	4,189	(1,952)
Deferred rent receivable	1,563	-
Interest receivable	-	29,324
Prepaid expenses and other assets	(135,431)	(32,598)
(Decrease) increase in liabilities:		
Accounts payable	(174,201)	156,259
Accrued liabilities	78,596	47,510
Deferred rent liability	85,763	-
Deferred income taxes	-	(4,127,000)
Pension liability	-	(100,000)
Tenant security deposits	10,641	67,262
Total adjustments	138,272	(3,886,243)
Net cash used in operating activities	(93,236)	(144,655)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of medical office buildings	-	(13,022,966)
Costs associated with property, plant and equipment	(124,081)	(621,980)
Proceeds from sale of marketable securities	-	6,805,800
Land development costs	(24,514)	(54,109)
Proceeds (investment) in interest bearing time deposits	203,000	(200,000)
Principal repayments on investment in marketable securities	-	29,748
Net cash provided by (used in) investment activities	54,405	(7,063,507)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage	-	8,000,000
Principal payments on mortgages	(114,514)	(75,076)
Loan origination fees paid	-	(129,124)
Net cash (used in) provided by financing activities	(114,514)	7,795,800

Net (decrease) increase in cash and cash equivalents	(153,345)	587,638
Cash and cash equivalents at beginning of period	868,786	1,205,893
Cash and cash equivalents at end of period	$715,441	$1,793,531
Supplemental cash flow information:		
Interest paid	$262,074	$161,369

See notes to consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The Company:

Gyrodyne Company of America, Inc. ("Gyrodyne" or the "Company") is a self-managed and self-administered real estate investment trust ("REIT") formed under the laws of the State of New York. The Company operates primarily in one segment. The Company's primary business is the investment in and the acquisition, ownership and management of a geographically diverse portfolio of medical office, industrial and development of industrial and residential properties. Substantially all of the Company's properties are subject to net leases in which the tenant must reimburse Gyrodyne for a portion of or all or substantially all of the costs and/ or cost increases for utilities, insurance, repairs and maintenance, and real estate taxes.

As of March 31, 2010 the Company had 100% ownership in three medical office parks comprising approximately 130,000 rentable square feet and a multitenant industrial park comprising 127,062 rentable square feet. In addition, the Company has 68 acres of property located in St James, New York, 10 of which are utilized by the industrial park and the balance remains undeveloped. Furthermore, the Company has a 9.99% limited partnership interest in an undeveloped Florida property "the Grove".

The Company has qualified, and expects to continue to qualify as a REIT under Section 856(c)(1) of the Internal Revenue Code of 1986 as amended (the "Code"). Accordingly, the Company generally will not be subject to federal and state income tax, provided that distributions to its shareholders equal at least 90% of its REIT taxable income as defined under the Code. The Company is permitted to participate in certain activities from which it was previously precluded in order to maintain its qualifications as a REIT; however these activities must be conducted in an entity which elected to be treated as a taxable REIT subsidiary ("TRS") under the Code. The Company owns a 9.99% limited partnership interest in Callery Judge Grove, L. P. (the "Grove") which owns a 3,700+ acre citrus grove in Palm Beach County, Florida.

2. Basis of Quarterly Presentations:

The accompanying quarterly financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP"). The financial statements of the Company included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in the opinion of management, reflect all adjustments which are necessary to present fairly the results for the three-month periods ended March 31, 2010 and 2009.

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

This report should be read in conjunction with the audited financial statements and footnotes therein included in the Annual Report on Form 10-K for the year ended December 31, 2009.

The results of operations for the three month period ended March 31, 2010 are not necessarily indicative of the results to be expected for the full year.

3. Principle of Consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

4. Investment in Marketable Securities:

The Company’s marketable securities consisted of debt securities classified as available-for-sale and are reported at fair value, with the unrealized gains and losses excluded from operating results and reported as a separate component of stockholders' equity net of the related tax effect. These debt securities consist of hybrid mortgage-backed securities fully guaranteed by agencies of the U.S. Government and are managed by and held in an account with a major financial institution. During the quarter ended March 31, 2010, the Company did not hold any marketable securities.

5. Earnings per Share:

Basic earnings per common share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Dilutive earnings per share give effect to stock options and warrants which are considered to be dilutive common stock equivalents. Basic income (loss) per common share was computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding. Treasury shares have been excluded from the weighted average number of shares. As of March 20, 2007, all outstanding stock options were either exercised or expired.

6. 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.

7. Mortgages Payable:

Mortgages payable is comprised of the following:

	March 31, 2010 (Unaudited)	December 31, 2009
Mortgage payable - Port Jefferson Professional Park (a)	$ 5,299,296	$ 5,323,205
Mortgage payable - Cortlandt Medical Center (b)	4,882,500	4,935,000
Mortgage payable – Fairfax Medical Center (c)	7,867,956	7,906,061
Total	$ 18,049,752	$ 18,164,266

(a) In June 2007, in connection with the purchase of ten office buildings in the Port Jefferson Professional Park (the “Port Jefferson Buildings”) in Port Jefferson Station, New York, the Company assumed a $5,551,191 mortgage payable to a bank (the “Mortgage”). The Mortgage bears interest at 5.75% through February 1, 2012 and adjusts to the higher of 5.75% or 275 basis points in excess of the Federal Home Loan Bank’s five year Fixed Rate Advance thereafter. The Mortgage is collateralized by the Port Jefferson Buildings and matures on February 1, 2022.

(b) In June 2008, in connection with the purchase of the Cortlandt Medical Center, the Company borrowed $5,250,000 from a bank (the “Cortlandt Mortgage”). The Cortlandt Mortgage originally bore interest at a per annum rate of 225 basis points above the one month LIBOR rate through maturity on July 1, 2018, subject to monthly adjustment. The Cortlandt Mortgage is collateralized by the Cortlandt Medical Center. As part of the terms and conditions of the Cortlandt Mortgage, the Company exercised an option to enter into an interest rate swap agreement in November 2008 thereby fixing the interest rate at 5.66% through November 1, 2011. As of March 31, 2010, the fair value of the Interest Rate Swap is a liability of $194,481, and is presented in Other Liabilities on the balance sheet.. The estimated effect on the future operating results is reported in Other Comprehensive Income. Based on the valuation as of March 31, 2010, approximately $123,000 of the Interest rate swap will be recognized as interest expense within the next twelve months.

(c) In March 2009, in connection with the purchase of the Fairfax Medical Center in Fairfax, Virginia, by Virginia Healthcare Center, LLC (“VHC”), a wholly-owned subsidiary of the Company, VHC borrowed $8,000,000 from a bank (the “Fairfax Mortgage”). The Fairfax Mortgage bears interest at 5.875% through April 10, 2014 and thereafter adjusts to the higher of 5.50% or 300 basis points over the weekly average yield on five-year United States Treasury securities. The Fairfax Mortgage is collateralized by a Deed of Trust and Security Agreement establishing a first trust lien upon the land, buildings and improvements as well as a Collateral Assignment of Leases and Rents and matures on April 10, 2019. The payment of the indebtedness evidenced by the Fairfax Mortgage and the performance by VHC of its obligations thereunder has been guaranteed by the Company.

8. Retirement Plans:

The Company records net periodic pension benefit cost pro rata throughout the year. The following table provides the components of net periodic pension benefit cost for the plan for the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31, 2010	2009
Pension Benefits		
Service Cost	$ 42,093	$ 34,284
Interest Cost	40,208	37,218
Expected Return on Plan Assets	(47,569)	(29,304)
Amortization of Actuarial Loss	22,726	29,348
Net Periodic Benefit Cost After Curtailments and Settlements	$ 57,458	$ 71,546

During the three months ended March 31, 2010, the Company did not make any contributions to the plan. The Company does not have a minimum required contribution for the December 31, 2010 plan year, and is not expecting to make a contribution for the related plan year.

9. Commitments and Contingencies:

Lease revenue commitments - The approximate 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, are as follows:

Twelve Months Ending March 31,	Amount
2011	$ 4,097,000
2012	2,553,000
2013	1,870,000
2014	1,585,000
2015	952,000
Thereafter	2,191,000
	$ 13,248,000

Employment agreements – The Company has employment agreements with two officers that provide for annual salaries aggregating approximately $397,000 and other benefits in the event of a change in control, termination by the Company without cause or termination by the officer for good reason (the "Employment Agreements"). On June 12, 2009, the Company and its two officers mutually agreed to terminate the automatic extension provisions of the Employment Agreements. As a result, the term of the Employment Agreements ends on June 12, 2012.

The Compensation arrangements between the Company and Gary Fitlin, the Company's Chief Financial Officer, are set forth in an Offer Letter and a Deferred Bonus Agreement, each executed on October 22, 2009 (collectively, the "Agreement") aggregating $233,000, annually.

10. Revolving Credit Note:

The Company's line of credit has a borrowing limit of $1,750,000, bears interest at the lending institution's prime-lending rate (3.25% at March 31, 2010) plus 1%, and is subject to certain financial covenants. The line is secured by certain real estate and expires on June 1, 2011. On April 30, 2010, the Company negotiated the assignment of the note to a new lender and simultaneously reached an agreement with the new lender on modifying or eliminating certain covenants and modifying the interest rate to prime +3.25% with a floor of 6.5%. As of March 31, 2010 and December 31, 2009, $1,750,000 was available under this agreement and the Company was in compliance with the financial covenants.

11. Acquisition of Properties:

Property Purchase – During January, 2010, the Company entered into a non-binding Purchase and Sale Agreement (the "Agreement") with Mark Hittman and Elizabeth Hittman (the "Seller") to acquire the land and building, located at 1989 Crompond Road, Cortlandt Manor, New York (the "Property"). The Property consists of approximately 2,500 square feet of rentable space on 1.6 acres and has a current occupancy rate of 100%. Other than with respect to the Agreement itself, there is no material relationship between the Company and the Seller.

The purchase price for the Property is approximately $720,000, $72,000 of which was paid and is a non-refundable deposit as of March 31, 2010, and the remainder is required to be paid at closing. The closing is expected to take place in the second quarter of 2010 and will result in the Company owning approximately three acres directly in front of the Cortlandt Medical Center. The Company expects to finance up to 90% of the purchase price.

12. Recent Accounting Pronouncements:

In April 2009, the FASB issued ASC 825-10 and ASC 270-10-05-05-1(formerly Staff Position No. 107-1 and APB 28-1), Interim Disclosures about Fair Value of Financial Instruments, or FSP FAS 107-1 and APB 28-1. ASC 825-10 and ASC 270-10-05-05-1 amends FAS 107, Disclosures about Fair Value of Financial Instruments ("FAS No. 107"), to require an entity to provide disclosures about fair value of financial instruments in interim financial information and amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. Under ASC 825-10 (formerly FAS 107-1 and APB 28-1), a publicly-traded company shall include disclosures about the fair value of its financial instruments whenever it issues summarized financial information for interim reporting periods. In addition, entities must disclose, in the body or in the accompanying notes of its summarized financial information for interim reporting periods and in its financial statements for annual reporting periods, the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position, as required by ASC 825-10 and ASC 270-05-05-1 (formerly FAS No. 107, FSP FAS 107-1 and APB 28-1) are effective for interim and annual reporting periods ending after June 15, 2009. The Company adopted this pronouncement on July 1, 2009. The adoption did not have a material effect on the Company's financial position or results of operations.

In April 2009, the FASB issued ASC 320-10-65-1 (formerly Staff Position No. 115-2 and FAS 124-2), Recognition and Presentation of Other-Than- Temporary Impairments, or FSP FAS 115-2 and FAS 124-2. ASC 320-10-65-1 (i) changes existing guidance for determining whether an impairment is other than temporary to debt securities and (ii) replaces the existing requirement that the entity's management assert it has both the intent and ability to hold an impaired security until recovery with a requirement that management assert: (a) it does not have the intent to sell the security; and (b) it is more likely than not it will not have to sell the security before recovery of its cost basis. Under ASC 320-10-65-1, declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. ASC 320-10-65-1 is effective for interim and annual reporting periods ending after June 15, 2009. The Company adopted this pronouncement on July 1, 2009. The adoption did not have a material effect on the Company's financial position or results of operations.

In April 2009, the FASB issued ASC 820-10-65-4 (formerly Staff Position No. FAS 157-4), Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. ASC 820-10-65-4 affirms that the objective of fair value when the market for an asset is not active is the price that would be received to sell the asset in an orderly transaction, and clarifies and includes additional factors for determining whether there has been a significant decrease in market activity for an asset when the market for that asset is not active. ASC 820-10-65-4 requires an entity to base its conclusion about whether a transaction was not orderly on the weight of the evidence. ASC 820-10-65-4 also amended ASC 820-10 (formerly FAS No. 157) to expand certain disclosure requirements. ASC 820-10-65-4 is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. The Company adopted this pronouncement on July 1, 2009. The adoption did not have a material effect on the Company's financial position or results of operations.

In April 2009, the FASB issued ASC 805-10, 805-20 and 805-30 (formerly FASB Staff Position No. 141(R)-1), Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies, to amend and clarify ASC 805 (formerly FAS No. 141(R). FSP 141(R)-1). ASC 805-10, 805-20 and 805-30 requires an acquirer to recognize at fair value, at the acquisition date, an asset acquired or a liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If the fair value cannot be determined during the measurement period, an asset or a liability shall be recognized at the acquisition date if the asset or liability can be reasonably estimated and if information available before the end of the measurement period indicates that it is probable that an asset existed or that a liability had been incurred at the acquisition date. ASC 805-10, 805-20 and 805-30 amends the disclosure requirements of ASC 805 to include business combinations that occur either during the current reporting period or after the reporting period but before the financial statements are issued. ASC 805-10, 805-20 and 805-30 are effective for fiscal years beginning after December 15, 2008 and interim periods within those years. The Company adopted this pronouncement on January 1, 2009. The adoption did not have a material effect on the Company's financial position or results of operations

In May 2009, the FASB issued ASC 855-10 (formerly Statement No. 165, "Subsequent Events" ("FAS 165")), which establishes general standards of accounting for, and requires disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company adopted the provisions of ASC 855-10 for the quarter ended June 30, 2009. The adoption did not have a material effect on the Company's financial position or results of operations.

In June 2009, the FASB issued ASC 105-10 (formerly Statement No. 168 ("FAS168")), "The FASB Accounting Standard Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162" ("FAS162"). ASC 105-10 replaces FAS 162 "The Hierarchy of Generally Accepted Accounting

Principles" and establishes the "FASB Accounting Standard Codification" (Codification) as a source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles in the United States. The codification does not change current GAAP, but changes the referencing of financial standards, and is intended to simplify user access to authoritative GAAP by providing all the authoritative literature related to a particular topic in one place. All guidance contained in the Codification carries an equal level of authority. On the effective date of ASC 105-10, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. ASC 105-10 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company adopted this pronouncement for the quarter ended September 30, 2009. The adoption did not have a material effect on the Company's financial position or results of operations.

In January 2010, the FASB issued an Accounting Standards Update ("ASU") 2010-06 – "Improving Disclosures about Fair Value Measurements" ("ASU 2010-06"). The provisions of ASU 2010-06 amended Topic 820-10, "Fair Value Measurement and Disclosure". The amendment requires a description of any transfers in and out of Level 1 and Level 2 of the fair-value hierarchy and the reasons for the transfers. The amendment provides for further disclosure on the valuation techniques and inputs relied upon to measure fair value for both recurring and non recurring fair value measurements as they relate to either Level 2 or Level 3 The updates included conforming amendments to the guidance on disclosures for postretirement benefit plans. The Company adopted the pronouncement for the quarter ended March 31, 2010. The adoption did not have a material effect on the Company's financial position or results of operations.

In January 2010, the FASB issued ASU 2010-01, a new accounting standard "Accounting for Distributions to Shareholders with Components of Stock and Cash." The guidance clarifies that the companies should consider the stock portion of a distribution as a stock issuance and not as a stock dividend, The new standard is effective for fiscal years and interim periods ending after December 15, 2009 and should be applied on a retrospective basis. The Company's adoption of the new standard did not have a material effect on the Company's financial position or results of operations.

In February 2010, the FASB issued ASU 2010-09, "Subsequent Events (ASC Topic 855) Amendments to Certain Recognition and Disclosure requirements". ASU 2010-09 requires SEC filers to evaluate subsequent events through the date the financial statements are issued and removes the requirement to disclose a date in both issued and revised financial statements through which subsequent events were evaluated. The Company adopted the pronouncement for the fiscal year and interim periods ending after September 30, 2009. The adoption did not have a material effect on the Company's financial position or results of operations

13. Fair Value of Financial Instruments:

Assets and Liabilities Measured at Fair-Value – The Company follows authoritative guidance on fair value measurements, which defines fair-value, establishes a framework for measuring fair-value, and expands disclosures about fair-value measurements. The guidance applies to reported balances that are required or permitted to be measured at fair-value under existing accounting pronouncements; accordingly, the standard does not require any new fair-value measurements of reported balances.

The Company follows authoritative guidance on the fair value option for financial assets, which permits companies to choose to measure certain financial instruments and other items at fair-value in order to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently. However, we have not elected to measure any additional financial instruments and other items at fair-value (other than those previously required under other GAAP rules or standards) under the provisions of this standard.

The guidance emphasizes that fair-value is a market-based measurement, not an entity-specific measurement. Therefore, a fair-value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair-value measurements, ASC Topic 820 establishes a fair-value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). In instances where the determination of the fair-value measurement is based on inputs from different levels of the fair-value hierarchy, the level in the fair-value hierarchy within which the entire fair-value measurement falls is based on the lowest level input that is significant to the fair-value measurement in its entirety. Our assessment of the significance of a particular input to the fair-value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The following table represents the carrying value and fair value of the Company's financial assets and liabilities as of March 31, 2010 and December 31, 2009, respectively.

Description	March 31, 2010 Carrying Value	Fair Value (Level 2)	December 31, 2009 Carrying Value	Fair Value (Level 2)
Assets				
Investments	$ -	$ -	$ 203,000	$ 203,000
Other Liabilities	$ 194,481	$ 194,481	$ -	$ -

The Company's investment was in an interest bearing time deposit which matured in March 2010. Following the maturity, the Company liquidated the investment to utilize for tenant improvements. Other Liabilities is comprised of an interest rate Swap agreement which the company entered into in November 2008 to fix the interest rate at 5.66% through November 1, 2011, for the underlying mortgage of the Cortlandt Medical Center.

The Company estimates that fair value approximates carrying value for cash equivalents, rents receivable, prepaid and other assets, and accounts payable due to the relatively short maturity of the instruments.

The Company determined the fair value of its long term debt approximates book value. The Company based its decision by looking at current rates available based on the Company's estimate for nonperformance and liquidity risk, the Company's loan to value ratio, the maturity of the debt and the underlying security of the debt.

Deferred rent receivables represent the excess of rents recognized over amounts actually due. Likewise, deferred rent payable represents the excess of rents received over amounts actually recognized in revenue. These assets and liabilities have a fair value that approximates book value as a willing buyer would likely adjust the purchase price of Gyrodyne by the balance of such assets and liabilities.

The estimated fair value of the Company's investment in the Callery Judge Grove property at December 31, 2009, based upon an independent third party appraisal report, is approximately $17,134,000 without adjustment for minority interest, lack of marketability discount, or the property related secured debt facility, based strictly on a pro rata basis of the Company's ownership percentage. The Grove is a distressed asset operating in a distressed environment where an orderly transaction is not available. The facts and circumstances of the Grove make it unreasonable to present a fair value utilizing a Level 3 methodology, the lowest methodology which allows for broad assumptions, therefore, in accordance with the exception rules for thinly traded/lack of marketability of distressed assets under Topic 820, the Company is not presenting a fair value.

14. Risk Management – Use of Derivative instruments:

The Company entered into the Interest Rate Swap agreement on the mortgage of the Cortlandt Medical Center in November 2008, fixing the interest rate at 5.66% through November 1, 2011. The fair value of the hedge was $194,481 as of March 31, 2010.

The interest rate swap agreement is considered a derivative instrument. The Company utilized the interest rate swap agreement to minimize the interest rate exposure. The principal objective of such arrangement is to limit the risks and/or costs associated with the Company's operating structure as well as to hedge the specific transaction. To date, the Company has only one interest rate swap agreement with the purpose of hedging against a rise in LIBOR on the mortgage for the Cortlandt Medical Center. The counter party to the arrangement is the bank which holds the mortgage for the Cortlandt Medical Center. The Company is potentially exposed to credit losses in the event of non-performance by the counterparty. However, the Company does not expect the counterparty to fail to meet its obligations due to the same party holding both the Mortgage and the interest rate Swap Agreement. The Company does not hedge credit or property value market risks through derivative financial instruments.

The Company formally assesses both at inception of the hedge, and on an ongoing basis, whether such derivatives are highly-effective in offsetting changes in cash flows of the hedged item. If management determines that a derivative is not highly-effective as a hedge, or if a derivative ceases to be a highly-effective hedge, the Company will discontinue hedge accounting prospectively. The related ineffectiveness would be charged to the Statement of Operations.

The valuation of these instruments is determined utilizing widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows for the derivative. This analysis includes the contractual terms of the derivative through the maturity date, and utilizes observable market based inputs including interest rate curves and implied volatilities. The fair value of the interest rate swap was based on market standard methodology of netting the discounted future inflows and outflows.

15. Related Party Transactions:

On April 30, 2010, the Company's then existing lender (the "Bank"), assigned the note and related mortgage associated with the $1,750,000 line of credit between the Bank and the Company, to Asia World Marketplace LLC ("AWM"). Paul Lamb, the Company's Chairman, serves as the Managing Director of AWM. AWM is a client of Lamb & Barnosky, LLP, which represented AWM in this transaction. Mr. Lamb is a partner in Lamb & Barnosky, LLP. Simultaneously with the note assignment, the Company executed and delivered to AWM an amended and restated note, the basic terms of which include a floating rate of interest equivalent to the prime rate plus 3.25% with a floor of 6.5% maturing on June 1, 2011. Collateral for the loan now consists of 35.1 acres of the Flowerfield Industrial Park and its related rents. The company received other competitive proposals for this funding and believes the loan with AWM reflects terms as favorable to the Company as could have been obtained with an independent third-party lender.

16. Reclassifications:

Certain amounts in the prior year have been reclassified to conform to the classification used in the current year.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

When we use the terms "Gyrodyne," "the Company," "we," "us," and "our," we mean Gyrodyne Company of America, Inc. an all entities owned by us, including non-consolidated entities, except where it is clear that the term means only the parent company. References herein to our Quarterly Report are to this Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

Forward Looking Statements. The statements made in this Form 10-Q 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 risks inherent in the real estate markets of Suffolk and Westchester Counties in New York, Palm Beach County in Florida and Fairfax County in Virginia, the ability to obtain additional capital in order to develop the existing real estate, uncertainties associated with the Company's litigation against the State of New York for just compensation for the Flowerfield property taken by eminent domain, and other risks detailed from time to time in the Company's SEC reports. These and other matters the Company discusses in this Quarterly Report, or in the documents it incorporates by reference into this Report, may cause actual results to differ from those the Company describes. The Company assumes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Overview:

General: We are a self-managed and self-administered real estate investment trust formed under the laws of the State of New York. We operate primarily in one segment. The Company's primary business is the investment in and the acquisition, ownership and management of a geographically diverse portfolio of medical office, industrial and development of industrial and residential properties. Substantially all of our properties are subject to net leases in which the tenant must reimburse Gyrodyne for a portion of or all or substantially all of the costs and /or cost increases for utilities, insurance, repairs and maintenance, and real estate taxes. However, certain leases provide that the Company is responsible for certain operating expenses.

As of March 31, 2010 we had 100% ownership in three medical office parks, comprising approximately 130,000 rentable square feet and a multitenant industrial park comprising approximately 127,000 rentable square feet. In addition, the Company has 68 acres of property located in St James, New York, 10 of which are utilized by the industrial park and the balance remains undeveloped. Furthermore, the Company has a 9.99% limited partnership interest in an undeveloped Florida property called "the Grove".

Our revenues and cash flows are generated predominantly from property rent receipts. As a result, growth in revenues and cash flows is directly correlated to our ability to (1) re-lease suites that are vacant or may become vacant at favorable rates, (2) successfully settle the condemnation litigation lawsuit, (3) expand our existing income producing assets through additional investment, and (4) acquire additional income-producing real estate assets.

Global Credit and Financial Crisis: The continued concerns about the impact of a widespread and long term global credit and financial crisis have contributed to market volatility and diminishing expectations for the real estate industry, including the potential depression in our common stock price. The continued progression of our condemnation lawsuit has also added volatility to our common stock price. As a result, our business continues to be impacted including (1) difficulty obtaining financing to renovate or expand our current real estate holdings, (2) difficulty in consummating property acquisitions, (3) increased challenges in re-leasing space, and (4) potential risks stemming from late rental receipts, tenant defaults, or bankruptcies.

Health Care Reform: The Health Care Reform will potentially affect medical office real estate due to the direct impact on its tenant base. While the impact is not immediate due to the multi-year phase in period, medical professionals are reviewing their real estate options which include remaining status quo, increasing tenant space to address a higher volume of patients as well as combining practices with other professionals. As a result, our business could be impacted by factors including (1) difficulty transitioning doctors to longer term leases, (2) difficulty raising rates, and (3) increased challenges in re-leasing space.

Business Strategy: We have focused our business strategy during the current financial crisis to strike a balance between preserving capital and improving the market value of our portfolio to meet our long term goal of executing on a liquidity event or series of liquidity events. Included within this strategy are the following objectives:

- actively managing our portfolio to improve our net operating income and operating cash flow from these assets while simultaneously increasing the market values of the underlying operating properties;
- actively pursuing the re-zoning effort of the Flowerfield property to maximize its value;
- employing cost-saving strategies to reduce our general and administrative expenses; and
- diligently managing the condemnation lawsuit.

We believe these objectives will strengthen our business and enhance the value of our underlying real estate portfolio.

First Quarter 2010 Transaction Summary

The following summarizes our significant transactions and other activity during the three months ended March 31, 2010.

Leasing – We entered into 17 new leases and lease extensions encompassing approximately 23,000 square feet and $467,698 in annual revenue. Furthermore, we had 3 terminations encompassing 2,401 square feet and $41,016 in annual revenue. The Company recognized $52,305 in tenant deferred revenue.

Our continued focus on re-tenanting vacant space, renewing tenants and transitioning tenants to longer term leases has resulted in total lease commitments as of March 31, 2010 and December 31, 2009 of $13,248,000 and $13,137,000, respectively, an increase of $111,000.

Related Party Transactions

On April 30, 2010, the Company's then existing lender (the "Bank"), assigned the note and related mortgage associated with the $1,750,000 line of credit between the Bank and the Company, to Asia World Marketplace LLC ("AWM"). Paul Lamb, the Company's Chairman, serves as the Managing Director of AWM. AWM is a client of Lamb & Barnosky, LLP, which represented AWM in this transaction. Mr. Lamb is a partner in Lamb & Barnosky, LLP. Simultaneously with the note assignment, the Company executed and delivered to AWM an amended and restated note, the basic terms of which include a floating rate of interest equivalent to the prime rate plus 3.25% with a floor of 6.5% maturing on June 1, 2011. Collateral for the loan now consists of 35.1 acres of the Flowerfield Industrial Park and its related rents. The company received other competitive proposals for this funding and believes the loan with AWM reflects terms as favorable to the Company as could have been obtained with an independent third-party lender.

Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. 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 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. On a regular basis, we evaluate our assumptions, judgments and estimates. However, application of the critical accounting policies below involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. In addition, other companies may utilize different estimates, which may impact comparability of the Company's results of operations to those of companies in similar businesses. We believe there have been no material changes to the items that we disclosed as our critical accounting policies under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report.

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, is included in deferred rents receivable on the Company's balance sheets. Alternatively, rents received in advance of rents recognized, if any, are included in deferred rent liability on the Company's balance sheet 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 life of ten to thirty-nine years for buildings and improvements and three to twenty years for machinery and equipment.

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

Real estate held for development is stated at the lower of cost or net realizable value. In addition to land, land development and construction costs, real estate held for development includes interest, real estate taxes and related development and construction overhead costs which are capitalized during the development and construction period. Net realizable value represents estimates, based on management's present plans and intentions, of sale price less development and disposition cost, assuming that disposition occurs in the normal course of business.

Long Lived Assets

On a periodic basis, management assesses whether there are any indicators that the value of the real estate properties may be impaired. A property's value is considered to be impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. Such future cash flow estimates 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 ASC 360-10 (formerly Financial Accounting Standards Board ("FASB") Statement No. 144), "Accounting for the Impairment or Disposal of Long Lived Assets."

Assets and Liabilities Measured at Fair-Value

On January 1, 2008, the Company adopted ASC 820-10 (formerly SFAS No. 157), Fair Value Measurements ("SFAS No. 157")), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair-value measurements. ASC 820-10 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

On January 1, 2008, the Company adopted ASC825-10 (formerly SFAS No. 159), The Fair Value Option for Financial Assets and Financial Liabilities, which permits companies to choose to measure certain financial instruments and other items at fair value in order to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently. However, the Company has not elected to measure any additional financial instruments and other items at fair value (other than those previously required under other GAAP rules or standards) under the provisions of this standard.

ASC 820-10 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair-value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair-value measurements, ASC 820-10 establishes a fair-value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair-value measurement is based on inputs from different levels of the fair-value hierarchy, the level in the fair-value hierarchy within which the entire fair-value measurement falls is based on the lowest level input that is significant to the fair-value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair-value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The Company had investments in hybrid mortgage-backed securities, with a AAA rating fully guaranteed by U.S. government agencies (the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation). The fair values of mortgage-backed securities originated by U.S. government agencies are based on a pricing model that incorporates prepayment speeds and spreads to determine appropriate average life of mortgage-backed securities. The spreads are sourced from broker/dealer's trade prices and the new issue market. As the significant inputs used to price the mortgage-backed securities are observable market inputs, the fair values of these securities are included in the Level 2 fair value hierarchy. During the year ended December 31, 2009, the Company liquidated its remaining investments in these hybrid mortgage backed securities.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2010 compared with the Three Months Ended March 31, 2009.

Rental revenues are comprised solely of rental income and amounted to $1,186,816 and $820,241 for the three months ended March 31, 2010 and 2009, respectively, an increase of $366,575 or 45%. The increase is primarily comprised of $300,083 attributable to the acquisition of the Fairfax Medical Center on March 31, 2009 and an increase in net new and renewed lease rates of approximately $66,493. Approximately $60,000 is from one tenant in Flowerfield who is occupying space that was vacant during the quarter ended March 31, 2009.

Tenant reimbursements represent expenses negotiated, managed and incurred directly by the Company on behalf of or for the benefit of the tenants. Tenant reimbursements were $160,503 and $129,302 for the three months ended March 31, 2010 and 2009, respectively, an increase of $31,201 or 24%. The increase is primarily comprised of $22,788 attributable to the acquisition of the Fairfax Medical Center on March 31, 2009. The remaining difference is due to higher billable expenses in 2010 and more aggressive approach to managing tenant reimbursements.

Rental expenses for the three months ended March 31, 2010 and 2009 were $586,681 and $426,699, respectively, an increase of $159,982 or 37%. The acquisition of the Fairfax Medical Center increased rental expenses by $124,706. The remaining increase was mainly attributable to the Cortlandt Manor and Flowerfield properties. The majority of the increase in expenses at Flowerfield and Cortlandt Manor was attributable to higher utility expenses and higher maintenance expenses resulting from an unusually high level of winter storm activity in 2010.

General and Administrative expenses for the three months ended March 31, 2010 and 2009 were $534,433 and $628,413, respectively, a decrease of $93,980 or 15%. The major contributing factors to the decrease in general and administrative expenses were a decrease in legal and consulting fees of approximately $78,000, a decrease in corporate governance and director fees of approximately $45,000, and a decrease in the pension expense of approximately $14,000 offset by an increase of approximately $45,000 for compensation and benefits.

Condemnation expenses for the three months ended March 31, 2009 were $222,909. There were no condemnation expenses in 2010. The condemnation expenses were incurred to support the trial heard in the Court of Claims in August 2009 and we do not forecast material condemnation expenses in 2010.

Depreciation for the three months ended March 31, 2010 and 2009 were $196,850 and $113,900, respectively, an increase of $82,950 or 73%. Approximately $70,346 of the increase is the result of the acquisition of the Fairfax Medical Center. The remaining increase of $12,604 is from renovations in the remaining developed property portfolio.

Interest income for the three months ended March 31, 2010 and 2009 was $1,211 and $94,893, respectively, a decrease of $93,683 or 99%. The decrease is primarily due to the 2009 liquidation of the Company's remaining investments in REIT-qualified securities and a redirection of those funds into real estate acquisitions.

Realized gain on marketable securities for the three months ended March 31, 2009 was $123,442. There were no realized gains or losses in marketable securities in the three months ended March 31, 2010, as a result of the Company liquidating its investment in hybrid mortgage backed securities during 2009.

Interest expense for the three months ended March 31, 2010 and 2009 was $262,074 and $161,369, respectively, an increase of $100,705 or 62%. The increase is due to the debt incurred to purchase the Fairfax Medical Center.

The benefit for income tax for the three-month period ended March 31, 2009 of $4,127,000 was due to the reinvestment of the condemnation proceeds through the acquisition of the Fairfax Medical Center under Section 1033 of the Internal Revenue Code. The Company no longer has any deferred tax liabilities related to the condemnation payment received and therefore does not expect a deferred tax benefit for 2010.

The Company is reporting a net (loss) income of $(231,508) and $3,741,588 for the three months ended March 31, 2010 and 2009, respectively, primarily due to the impact of the items discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows: We believe that a main focus of management is to effectively manage our balance sheet through cash flow management of our tenant leases, maintaining or improving occupancy, and pursuing and recycling of capital.

The Company originally received $26.3 million as an advance payment in connection with the condemnation of 245 acres of the Flowerfield property. The proceeds were invested in hybrid mortgage-backed securities pending the identification of REIT-qualified investment properties that would satisfy the Internal Revenue Code Section 1033 ("IRC 1033") deferral requirements. In June 2007, the Company acquired the Port Jefferson Professional Park for approximately $8.9 million. The purchase was a REIT qualified investment that also met the requirements for tax deferred treatment under IRC 1033. Furthermore, in mid-2008, the Company reinvested $7.0 million of condemnation proceeds in the purchase of the Cortlandt Medical Center in Cortlandt Manor, New York, resulting in a tax benefit of $2.8 million.

During the year ended December 31, 2009, we purchased the Fairfax Medical Center in Fairfax, Virginia, for $12.9 million. This purchase completed the reinvestment of the $26.3 million in condemnation proceeds. The reinvestment resulted in a tax benefit of approximately $4.1 million.

The Company believes there is opportunity to increase its cash flows from its existing property portfolio through renovations and expansions. The extent to which the Company expands its existing portfolio through renovations, expansions or acquisitions will be dependant on the economic recovery and the availability of additional financing at favorable terms.

We generally finance our operations through existing cash on hand and fund our acquisitions through a combination of cash on hand and debt. As of March 31, 2010, the Company had a $1,750,000 revolving credit line with a bank. The Company negotiated with a new lender to accept assignment of the credit line effective April 30, 2010 with a modification to the interest rate to prime +3.25% with a floor of 6.5%. The Company had no outstanding balance under the line of credit as of March 31, 2010. The Company considers the line of credit to be a temporary arrangement as it seeks a longer term financing vehicle more suited to its requirements as an owner/manager of various rental properties. Upon the closing of the assignment of the line of credit, the Company borrowed $1,000,000. As of May 17, 2010, the remaining $750,000 balance of the credit facility is available.

As of March 31, 2010, the Company had cash and cash equivalents totaling $715,441 and anticipates having the capacity to fund normal operating, general and administrative expenses, and its regular debt service requirements.

Net cash used in operating activities was $93,236 and $144,655 during the three months ended March 31, 2010 and 2009, respectively. The cash used in operating activities in the current period was primarily related to a reduction in accounts payable of $174,201 offset by an increase in deferred rent of $85,763. The cash used in operating activities in the prior period was primarily related to a pension plan contribution of $100,000, and prepaid expenses and other assets of $32,598.

Net cash provided by (used in) investing activities was $54,405 and $(7,063,507) during the three months ended March 31, 2010 and 2009, respectively. Cash provided by investing activities in the current period was primarily from the receipt of $203,000 resulting from the liquidation of a one year interest bearing time deposit offset by investments in property, plant and equipment of $124,081 and land development costs of $24,514. Cash used in investing activities in the prior period primarily consisted of the purchase of the Fairfax Medical Center ("FMC"), including deferred acquisition costs, of $13,022,966 and costs associated with property, plant and equipment of $621,980, partially offset by the sale of marketable securities of $6,805,800 and principal payments received on the investment in marketable securities of $29,748. Additionally during the three months ended March 31, 2009, $200,000 was invested in a one year interest bearing time deposit and $54,109 was incurred in land development costs.

Net cash (used in) provided by financing activities was $(114,514) and $7,795,800 during the three months ended March 31, 2010 and 2009, respectively. The Company does not have any interest only mortgages and as a result, during the three months ended March 31, 2010 and 2009, the Company repaid $114,514 and $75,076, respectively, of principal on its total mortgage obligations. The net cash provided by financing activities in the prior period was primarily the proceeds from the mortgage to purchase the Fairfax Medical Center.

Beginning in the second half of 2007, the residential mortgage and capital markets began showing signs of stress, primarily in the form of escalating default rates on sub-prime mortgages, declining residential home values and increasing inventory nationwide. This " credit crisis" spread to the broader commercial credit markets and has reduced the availability of financing and widened spreads. These factors, coupled with a slowing economy, have reduced the volume of real estate transactions and increased capitalization rates. Despite the fact that the Company has invested in medical office buildings, an asset class that has been less vulnerable, if these conditions continue, our portfolio may experience lower occupancy and effective rents, which would result in a corresponding decrease in net income, funds from operations, and cash flows.

Financings: On March 31, 2009, the Company, through its wholly owned subsidiary Virginia Healthcare Center, LLC, acquired the Fairfax Medical Center in Fairfax, Virginia (the “Property”) from Fairfax Medical Center, LLC (the “Seller”). The Property consists of two office buildings which are situated on 3.5 acres with approximately 58,000 square feet of rentable space and an occupancy rate of approximately 84% when acquired. The purchase price was $12,891,000 or approximately $222 per square foot. There is no material relationship between the Company and the Seller. Of the $12,891,000 purchase price for the Property, the Company paid $4,891,000 in cash and received financing in the amount of $8,000,000 from Virginia Commerce Bank. In addition, $131,966 of costs associated with the acquisition was capitalized.

LIMITED PARTNERSHIP INVESTMENT

The Company owns a 9.99% limited partnership interest in Callery Judge Grove, L. P. (the “Grove”) which owns a 3,700+ acre citrus grove in Palm Beach County, Florida. The Company is accounting for the investment under the equity method. As of March 31, 2010, the carrying value of the Company’s investment was $0. The Grove had reported to its limited partners that in October 2009 it received an independent appraisal report of the citrus grove property which reflects the recent approval to develop 2,996 residential units and 235,000 square feet of commercial and retail space. Based upon the appraised value of the citrus grove property, at March 31, 2010, strictly on a pro-rata basis, the estimated fair value of the Company's interest in the Grove property would be approximately $17,134,000 without adjustment for minority interest and lack of marketability discount. The Company cannot predict what, if any, value it will ultimately realize from this investment.

In February 2009, the Grove made an offering to its partners to invest additional funds in the partnership. The offering, or capital call, had a minimum and maximum aggregate offering amount of $4 million and $6 million, respectively, and was due to expire on March, 16, 2009. In March 2009, after careful deliberation, the Company informed the Grove that it would not participate in the offering. Subsequently, the Company was informed that the offering period remained open until July 15, 2009. The Company’s non-participation in the offering diluted its ownership interest to 9.99% from 10.93%.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting companies.

Item 4T. Controls and Procedures.

The Company’s management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), have evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of March 31, 2010. Based upon that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in the reports the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that information is accumulated and communicated to the Company’s management, including the CEO and CFO, to allow timely decisions regarding required disclosure. It should be noted that design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions regardless of how remote.

There have been no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rule 13a-15 that occurred during the Company's last fiscal quarter that has materially affected, or that is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Gyrodyne Company of America, Inc. v. The State University of New York at Stony Brook

On May 1, 2006 the Company commenced litigation in the Court of Claims of the State of New York seeking just compensation for the 245.5 acres in St. James and Stony Brook, New York (the "Property") that were appropriated by the State on November 2, 2005 under the power of eminent domain. On November 10, 2008, Gyrodyne and the State of New York filed with the Court of Claims their respective appraisals regarding the value of the Property. As of the November 2005 appropriation date, Gyrodyne's appraiser has valued the Property at $125,000,000, based in part upon a separate zoning analysis report that Gyrodyne also filed with the Court which concluded that there was a high probability the Property would have been rezoned from light industrial use to a Planned Development District. The State's appraiser appraised the Property using the current light industrial zoning at a fair market value of $22,450,000.

As the State's appraisal is $3,865,000 less than the $26,315,000 Advance Payment already made to Gyrodyne, if the Court of Claims were to adopt the State of New York's November 10, 2008 appraisal, the State could recoup the $3,865,000 difference between the Advance Payment and the State of New York's November 10, 2008 appraisal, including interest already paid on the Advance Payment.

The Company believes the State's appraisal is fundamentally flawed in that it misapplied the eminent domain law's requirement that just compensation be determined based upon the highest and best use and the probability that such use could have been achieved.

The trial in the Court of Claims commenced on August 13, 2009 and concluded on August 18, 2009. The Court set November 23, 2009 as the deadline for the parties to submit post-trial memoranda of law, and both parties filed the documents accordingly. The Company has not recorded any provision or liability related to this litigation at March 31, 2010 and December 31, 2009, with the exception of accounts payable related to professional fees incurred.

In addition, 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 the aggregate loss, if any, will not be material to the Company's financial statements.

Items 2 through 5 are not applicable to the three months ended March 31, 2010.

Item 6. Exhibits.

3.1 Restated Certificate of Incorporation of Gyrodyne Company of America, Inc. (1)

3.2 Amended and Restated Bylaws of Gyrodyne Company of America, Inc. (2)

4.1 Form of Stock Certificate of Gyrodyne Company of America, Inc. (4)

4.2 Rights Agreement, dated as of August 10, 2004, by and between Gyrodyne Company of America, Inc. and Registrar and Transfer Company, as Rights Agent, including as Exhibit B the forms of Rights Certificate and of Election to Purchase. (3)

10.1 Amended and Restated Incentive Compensation Plan dated as of February 2, 2010. (5)

31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer. (6)

31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer. (6)

32.1 CEO Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (6)

32.2 CFO Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (6)

(1) Incorporated herein by reference to the Annual Report on Form 10-KSB/A, filed with the Securities and Exchange Commission on September 5, 2001.

(2) Incorporated herein by reference to Form 8-K, filed with the Securities and Exchange Commission on June 18, 2008.

(3) Incorporated herein by reference to Form 8-K, filed with the Securities and Exchange Commission on August 13, 2004.

(4) Incorporated herein by reference to the Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on November 13, 2008.

(5) Incorporated herein by reference to Form 8-K, filed with the Securities and Exchange Commission on February 8, 2010.

(6) Filed as part of this report.

SIGNATURES

Pursuant to the requirements 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.
Date: May 14, 2010	/s/ Stephen V. Maroney By Stephen V. Maroney President and Chief Executive Officer
Date: May 14, 2010	/s/ Gary Fitlin By Gary Fitlin Chief Financial Officer and Treasurer

EXHIBIT INDEX

3.1 Restated Certificate of Incorporation of Gyrodyne Company of America, Inc. (1)

3.2 Amended and Restated Bylaws of Gyrodyne Company of America, Inc. (2)

4.1 Form of Stock Certificate of Gyrodyne Company of America, Inc. (4)

4.2 Rights Agreement, dated as of August 10, 2004, by and between Gyrodyne Company of America, Inc. and Registrar and Transfer Company, as Rights Agent, including as Exhibit B the forms of Rights Certificate and of Election to Purchase. (3)

10.1 Amended and Restated Incentive Compensation Plan dated as of February 2, 2010. (5)

31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer. (6)

31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer. (6)

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%" style="TEXT-ALIGN: left"> (139) (139)
Net loss applicable to common shareholders
 - - - (3,338) (3,338)
Balances at December 31, 2009
 129,441 $1,294 $85,072 $(66,813) $19,553

The accompanying notes are an integral part of these consolidated financial statements

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WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES
(FORMERLY KNOWN AS NEW CENTURY EQUITY HOLDINGS CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

(in thousands)

	2009	2008
Cash flows from operating activities:		
Net loss	$(3,338)	$(967)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Bad debt expense	323	-
Loss on disposal of fixed assets	39	-
Asset impairment charge	803	-
Amortization and depreciation	1,708	-
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(1,046)	-
(Increase) decrease in prepaid expenses and other current assets	288	(139)
Increase in due to models	1,236	-
Increase in accounts payable and accrued liabilities	1,425	162
Increase in other liabilities	515	-
Net cash provided by (used in) operating activities	1,953	(944)
Cash flows from investing activities:		
Acquisition of the Wilhelmina Companies, net of cash acquired	(14,763)	-
Purchase of property and equipment	(43)	-
Net cash used in investing activities	(14,806)	-
Cash flows from financing activities		
Proceeds from issuance of common stock	3,000	-
Proceeds from line of credit	500	-
Repayment of line of credit	(1,750)	-
Proceeds from Esch escrow	1,750	-
Payments of debt	(253)	-
Net cash provided by financing activities	3,247	-
	-	-
Net decrease in cash and cash equivalents	(9,606)	(944)
Cash and cash equivalents, beginning of period	11,735	12,679
Cash and cash equivalents, end of period	$2,129	$11,735
Supplemental disclosures of cash flow information		
Cash paid for interest	$56	$-
Cash paid for income taxes	$24	$-
Supplemental disclosures of non-cash investing and financing activities		
Equity issuance costs	$139	$-

Common stock issued in acquisition of the Wilhelmina Companies	$7,609	$-

The accompanying notes are an integral part of these consolidated financial statements

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WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES
(FORMERLY KNOWN AS NEW CENTURY EQUITY HOLDINGS CORP.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008

Note 1. Business Activity

Pre-Wilhelmina

Wilhelmina International, Inc. (the “Company”), formerly known as New Century Equity Holdings Corp. (“NCEH”) and Billing Concepts Corp., was incorporated in the state of Delaware in 1996.

During the prior three years, until the Company’s acquisition of the Wilhelmina Companies in February 2009, the Company was in a transition period during which it sought to redeploy its assets to enhance shareholder value by evaluating potential acquisition and merger candidates. During this transition period, the Company’s sole operating business was represented by an investment in ACP Investments, L.P. (d/b/a Ascendant Capital Partners) (“Ascendant”). Ascendant is a Berwyn, Pennsylvania based alternative asset management company whose funds have investments in long/short equity funds and which distributes its registered funds primarily through various financial intermediaries and related channels.

Wilhelmina Acquisition

On August 25, 2008, the Company and Wilhelmina Acquisition Corp., a New York corporation and wholly owned subsidiary of the Company (“Wilhelmina Acquisition”), entered into an agreement (the “Acquisition Agreement”) with Dieter Esch (“Esch”), Lorex Investments AG, a Swiss corporation (“Lorex”), Brad Krassner (“Krassner”), Krassner Family Investments Limited Partnership, a Nevada limited partnership(“Krassner L.P.” and together with Esch, Lorex and Krassner, the “Control Sellers”), Wilhelmina International, Ltd., a New York corporation (“Wilhelmina International”), Wilhelmina – Miami, Inc., a Florida corporation (“Wilhelmina Miami”), Wilhelmina Artist Management LLC, a New York limited liability company (“WAM”), Wilhelmina Licensing LLC, a Delaware limited liability company (“Wilhelmina Licensing”), and Wilhelmina Film & TV Productions LLC, a New York limited liability company (“Wilhelmina TV” and together with Wilhelmina International, Wilhelmina Miami, WAM and Wilhelmina Licensing, the “Wilhelmina Companies”), Sean Patterson, an executive with the Wilhelmina Companies (“Patterson”), and the shareholders of Wilhelmina Miami (the “Miami Holders” and together with the Control Sellers and Patterson, the “Sellers”). Pursuant to the Acquisition Agreement, which closed February 13, 2009, the Company acquired the Wilhelmina Companies subject to the terms and conditions thereof (the “Wilhelmina Transaction”). The Acquisition Agreement provided for (i) the merger of Wilhelmina Acquisition with and into Wilhelmina International in a stock-for-stock transaction, as a result of which Wilhelmina International became a wholly owned subsidiary of the Company and (ii) the Company purchased the outstanding equity interests of the other Wilhelmina Companies for cash.

At the Company’s 2008 Annual Meeting of Stockholders held on February 5, 2009 (the “2008 Annual Meeting”), the Company’s stockholders approved and adopted an amendment to the Company’s Amended and Restated Certificate of Incorporation (the “Certificate of Incorporation”) to change the Company’s name from “New Century Equity Holdings Corp.” to “Wilhelmina International, Inc.”

The Company provides traditional, full-service fashion model and talent management services, specializing in the representation and management of models, entertainers, artists, athletes and other talent to various customers and clients, including retailers, designers, advertising agencies and catalog companies.

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The Company’s primary business is fashion model management, which is headquartered in New York City. Wilhelmina’s full service fashion model agency operations are also located in Los Angeles and Miami. The Company’s predecessor was founded in 1967 by Wilhelmina Cooper, a renowned fashion model, and is one of the oldest and largest fashion model management companies in the world. The Company’s executive officers are based at the corporate headquarters in Dallas, Texas.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The financial statements include the consolidated accounts of (a) Wilhelmina International, Ltd. (“Wilhelmina International”) and its wholly owned subsidiaries, Wilhelmina West, Inc. (“Wilhelmina West”), Wilhelmina Models, Inc. (“Wilhelmina Models”), and LW1, Inc. (“LW1”) and (b) Wilhelmina – Miami, Inc. (“Wilhelmina Miami”), Wilhelmina Artist Management LLC (“WAM”), Wilhelmina Licensing LLC (“Wilhelmina Licensing”), and Wilhelmina Film & TV Productions LLC (“Wilhelmina TV”), which are each wholly owned subsidiaries of the Company. Wilhelmina International, Wilhelmina West, Wilhelmina Models, LW1, Wilhelmina Miami, WAM, Wilhelmina Licensing, and Wilhelmina TV are combined as a consolidated group of companies. All significant inter-company accounts and transactions have been eliminated in the combination.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

New Accounting Pronouncement

Financial Accounting Standards Board (“FASB”) “Accounting Standards Codification™” (the “Codification” or “ASC”)

The Codification is the single source of authoritative generally accepted accounting principles (“GAAP”) recognized by the FASB, to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission (“SEC”), under authority of federal securities laws, are also sources of authoritative GAAP for SEC registrants. The Codification became effective for interim and annual periods ending after September 15, 2009 and superseded all previously existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification is nonauthoritative. All of the Company’s references to GAAP now use the specific Codification Topic or Section rather than prior accounting and reporting standards. The Codification did not change existing GAAP and, therefore, did not affect the Company’s financial position or results of operations.

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Revenue Recognition

In compliance with GAAP, when reporting revenue gross as a principal versus net as an agent, the Company assesses whether the Company, the model or the talent is the primary obligor. The Company evaluates the terms of its model, talent and client agreements as part of this assessment. In addition, the Company gives appropriate consideration to other key indicators such as latitude in establishing price, discretion in model or talent selection and credit risk the Company undertakes. The Company operates broadly as a modeling agency and in those relationships with models and talents where the key indicators suggest the Company acts as a principal, the Company records the gross amount billed to the client as revenue, when the revenues are earned and collectability is reasonably assured, and the related costs incurred to the model or talent as model or talent cost. In other model and talent relationships, where the Company believes the key indicators suggest the Company acts as an agent on behalf of the model or talent, the Company records revenue, when the revenues are earned and collectability is reasonably assured, net of pass-through model or talent cost.

The Company also recognizes management fees as revenues for providing services to other modeling agencies as well as consulting income in connection with services provided to a television production network according to the terms of the contract. The Company recognizes royalty income when earned based on terms of the contractual agreement. Revenues received in advance are deferred and amortized using the straight-line method over periods pursuant to the related contract.

Wilhelmina and its subsidiaries also record fees from licensees when the revenues are earned and collectability is reasonably assured.

Advances to models for the cost of initial portfolio and other out-of-pocket costs are expensed to model costs as incurred. Any repayments of such costs are credited to model costs in the period received.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect the amounts reported in the consolidated financial statements and the accompanying notes. Accounting estimates and assumptions are those that management considers to be the most critical to an understanding of the consolidated financial statements because they inherently involve significant judgments and uncertainties. All of these estimates reflect management's judgment about current economic and market conditions and their effects based on information available as of the date of these consolidated financial statements. If such conditions persist longer or deteriorate further than expected, it is reasonably possible that the judgments and estimates could change, which may result in future impairments of assets among other effects.

Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are accounted for at fair value, do not bear interest and are short-term in nature. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on accounts receivable. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to the valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Company generally does not require collateral.

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Concentrations of Credit Risk

Certain balance sheet items that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents and accounts receivable. The Company maintains its cash balances in four different financial institutions in New York, Los Angeles and Miami. Balances are insured up to FDIC limits of $250,000 per institution. At December 31, 2009, the Company had cash balances in financial institutions of approximately $1,384,000 in excess of such insurance. Concentrations of credit risk with accounts receivable are mitigated by the Company's large number of clients and their dispersion across different industries and geographical areas. The Company performs ongoing credit evaluations of its clients and maintains an allowance for doubtful accounts based upon the expected collectability of all accounts receivable.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization, based upon the estimated useful lives (ranging from 2-7 years) of the assets or terms of the leases, are computed by use of the straight-line method. Leasehold improvements are amortized based upon the shorter of the terms of the leases or asset lives. When property and equipment are retired or sold, the cost and accumulated depreciation and amortization are eliminated from the related accounts and gains or losses, if any, are reflected in the consolidated statement of operations.

The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined that an impairment has occurred, the amount of the impairment is charged to operations.

Goodwill and Intangible Assets

Goodwill and intangible assets consist primarily of goodwill and buyer relationships resulting from the Wilhelmina Transaction and the revenue interest in Ascendant acquired in 2005. Goodwill and intangible assets with indefinite lives are no longer subject to amortization, but rather to an annual assessment of impairment by applying a fair-value based test. A significant amount of judgment is required in estimating fair value and performing goodwill impairment tests. Intangible assets with finite lives are amortized over useful lives ranging from 2 to 7 years.

The Company annually assesses whether the carrying value of its intangible assets exceeds its fair value, and records an impairment loss equal to any such excess.

Deferred Cost and Revenue

The Company has deferred model cost paid in advance in connection with talent related contracts. Deferred revenue consists of royalties, commissions and service charges received in advance of being earned, that are in connection with product licensing agreements and talent related contracts (see Note 7).

Advertising

The Company expenses all advertising costs as incurred. Advertising expense approximated $134,000 and $0 for the years ended December 31, 2009 and 2008, respectively.

Financial Instruments

The estimated fair value of the Company's financial instruments approximates their carrying value as reflected in the accompanying consolidated balance sheet due to (1) the short-term nature of financial instruments included in the current assets and liabilities or (2) for non-short term financial instruments, the recording of such financial instruments at fair value.

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Business Combinations

Effective January 1, 2009, the Company adopted the new provisions of ASC Topic 805, "Business Combinations," which address the recognition and measurement of (i) identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree, and (ii) goodwill acquired or gain from a bargain purchase. In addition, acquisition-related costs are accounted for as expenses in the period in which the costs are incurred and the services are received. These provisions were applied to the acquisition of Wilhelmina in the first quarter of 2009, which is discussed in Note 3.

In a business combination, contingent consideration or earn outs are recorded at fair value at the acquisition date. Except in bargain purchase situations, contingent consideration typically results in additional goodwill being recognized. Contingent consideration classified as an asset or liability will be adjusted to fair value at each reporting date through earnings until the contingency is resolved.

These estimates are subject to change upon the finalization of the valuation of certain assets and liabilities and may be adjusted.

At the date of the Wilhelmina Transaction, GAAP provided that acquisition transaction costs, such as certain investment banking fees, due diligence costs and attorney fees were to be recorded as a reduction of earnings in the period they are incurred. Prior to January 1, 2009, in accordance with GAAP existing at that time, the Company included acquisition transaction costs in the cost of the acquired business. On February 13, 2009, the Company closed the Wilhelmina Transaction and, therefore, recorded all previously capitalized acquisition transaction costs of approximately $849,000 as an expense for the year ended December 31, 2008. The Company incurred acquisition transaction costs of approximately $673,000 for the year ended December 31, 2009.

Management is required to address the initial recognition, measurement and subsequent accounting for assets and liabilities arising from contingencies in a business combination, and requires that such assets acquired or liabilities assumed be initially recognized at fair value at the acquisition date if fair value can be determined during the measurement period. If the acquisition date fair value cannot be determined, the asset acquired or liability assumed arising from a contingency is recognized only if certain criteria are met. A systematic and rational basis for subsequently measuring and accounting for the assets or liabilities is required to be developed depending on their nature.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company continually assesses the need for a tax valuation allowance based on all available information. As of December 31, 2009, and as a result of this assessment, the Company does not believe that its deferred tax assets are more likely than not to be realized. In addition, the Company continuously evaluates its tax contingencies.

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Accounting for uncertainty in income taxes recognized in an enterprise's financial statements requires a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Also, consideration should be given to de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. There was no change to the net amount of assets and liabilities recognized in the statement of financial condition as a result of the Company's tax positions.

Net Income (loss) Per Common Share

For the years ended December 31, 2009 and 2008, diluted EPS equals basic EPS, as potentially dilutive common stock equivalents were anti-dilutive.

Stock-Based Compensation

The Company records compensation expense for all awards granted. After assessing alternative valuation models and amortization assumptions, the Company will continue using both the Black-Scholes valuation model and straight-line amortization of compensation expense over the requisite service period for each separately vesting portion of the grant. The Company will reconsider use of this model if additional information becomes available in the future that indicates another model would be more appropriate, or if grants issued in future periods have characteristics that cannot be reasonably estimated using this model. The Company utilizes stock-based awards as a form of compensation for employees, officers and directors.

The fair value of the stock option grants included in the Company's statement of operations totaled $0 for the years ended December 31, 2009 and 2008.

Fair Value Measurements

Effective January 1, 2008, the Company adopted the provisions of Accounting Standards Codification Topic (ASC) 820, "Fair Value Measurements," for financial assets and financial liabilities. ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure about fair value measurements. ASC 820 applies to all financial instruments that are being measured and reported on a fair value basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs-Unadjusted quoted prices in active markets for identical assets or liabilities.

- Level 2 Inputs-Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 Inputs-Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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In February 2008, ASC 820, "Fair Value Measurements and Disclosures," was modified to delay the effective date for applying fair value measurement disclosures for nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 18, 2008. The implementation of this provision of ASC 820 for these assets and liabilities effective January 1, 2009 did not affect the Company's financial position or results of operations but did result in additional disclosures.

In August 2009, the FASB modified ASC 820 to address the measurement of liabilities at fair value in circumstances in which a quoted price in an active market for the identical liability is not available. In such circumstances, a reporting entity is required to measure fair value using one or more of the following techniques: (i) a valuation technique that uses the quoted price of the identical liability when traded as an asset, or the quoted prices for similar liabilities or similar liabilities when traded as assets; or (ii) another valuation technique that is consistent with ASC 820. The FASB also clarified that when estimating the fair value of the liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. This modification also clarified that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. This guidance is effective for the first reporting period (including interim periods) beginning after issuance, the adoption of which in the fourth quarter of 2009 did not affect the Company's financial position or results of operations.

Subsequent Events

In May 2009, ASC 855, "Subsequent Events," was issued, which established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, guidance was provided regarding (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and (iii) the disclosures that an entity should make about events or transactions that occur after the balance sheet date. The provisions of ASC 855 are to be applied prospectively and are effective for interim or annual financial periods ending after June 15, 2009. The adoption of the provisions of ASC 855 in the second quarter of 2009 did not affect the Company's financial position or results of operations but did result in additional disclosures.

The Company has evaluated subsequent events that occurred after December 31, 2009 through the filing of this Form 10-K. Any material subsequent events that occurred during this time have been properly recognized or disclosed in the Company's financial statements.

Note 3. Wilhelmina Acquisition

On August 25, 2008, in conjunction with the Company's strategy to redeploy its assets to enhance stockholder value, the Company entered into the Acquisition Agreement to acquire the Wilhelmina Companies. At the closing of the Wilhelmina Transaction, on February 13, 2009, the Company paid an aggregate purchase price of approximately $22,432,000 in connection therewith, of which approximately $16,432,000 was paid for the outstanding equity interests of the Wilhelmina Companies and $6,000,000 in cash repaid the outstanding balance of a note held by a Control Seller. The purchase price included approximately $7,609,000 (63,411,131 shares) of the Company's common stock, par value $0.01 per share ("Common Stock"), valued at $0.12 per share (representing the closing price of the Common Stock on February 13, 2009) that was issued in connection with the merger of Wilhelmina Acquisition with and into Wilhelmina International. Approximately $8,823,000 was paid to acquire the equity interests of the remaining Wilhelmina Companies.

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The purchase price is subject to certain post-closing adjustments, which may be effected against a total of 19,229,746 shares of Common Stock (valued at approximately $2,307,000 on February 13, 2009) (the “Restricted Shares”) that are being held in escrow pursuant to the Acquisition Agreement. The approximately $22,432,000 paid at closing, less the Restricted Shares held in escrow in respect of the purchase price adjustment pursuant to the terms of the Acquisition Agreement, provides for a floor purchase price of approximately $20,125,000 (which amount may be further reduced in connection with certain indemnification matters). The Restricted Shares held in escrow may under certain circumstances be repurchased by the Company for a nominal amount, subject to certain earn outs and offsets.

Upon the closing of the Wilhelmina Transaction, the Control Sellers and Patterson obtained certain demand and piggyback registration rights pursuant to a registration rights agreement with respect to the Common Stock issued to them under the Acquisition Agreement. The registration rights agreement contains certain indemnification provisions for the benefit of the Company and the registration rights holders, as well as certain other customary provisions.

The shares of Common Stock held in escrow support earn out offsets and indemnification obligations of the Sellers. The Control Sellers are required to leave in escrow, through 2011, any stock “earned” following resolution of “core” adjustment, up to a total value of $1,000,000. Losses at WAM and Wilhelmina Miami, respectively, can be offset against any positive earn out with respect to the other company. Losses in excess of earn out amounts could also result in the repurchase of the remaining shares of Common Stock held in escrow for a nominal amount. Working capital deficiencies may also reduce positive earn out amounts. The earn outs, which are payable in 2012, are calculated as follows: (i) the WAM earn out is based on the three year average of audited WAM EBITDA, as defined in the Acquisition Agreement, beginning January 1, 2009 multiplied by 5, payable in cash or stock (at the Control Seller’s election), provided that the total payment will not exceed $10,000,000; and (ii) the Wilhelmina Miami earn out is based on the three year average of audited Wilhelmina Miami EBITDA beginning January 1, 2009 multiplied by 7.5, payable in cash or stock (at the Control Seller’s election). As of February 13, 2009, management’s estimate of the combined fair value of the WAM and Wilhelmina Miami earn outs approximated $2,312,000.

The fair value of the earn outs was derived by using the Company’s estimates (Level 3 inputs) of a 60% and 75% probability for WAM and Wilhelmina Miami, respectively, achieving the average EBITDA. At December 31, 2009, the Company’s calculation of the fair value of the earn outs was materially unchanged from its acquisition date amounts.

On February 13, 2009, in order to facilitate the closing of the Acquisition Agreement, the Company entered into that certain letter agreement with Esch (the “Esch Letter Agreement”), pursuant to which Esch agreed that $1,750,000 of the cash proceeds to be paid to him at the closing of the Acquisition Agreement would instead be held in escrow. Under the terms of the Esch Letter Agreement, all or a portion of such amount held in escrow was required to be used to satisfy Wilhelmina International’s indebtedness to Signature Bank, in connection with its credit facility with Signature Bank, upon the occurrence of specified events including, but not limited to, written notification by Signature Bank to Wilhelmina International of the termination or acceleration of the credit facility. Any amount remaining was required to be released to Esch upon the replacement or extension of Wilhelmina International’s credit facility with Signature Bank, subject to certain requirements set forth in the Esch Letter Agreement. The Esch Letter Agreement also provided that in the event any portion of the proceeds is paid from escrow to Signature Bank, the Company will promptly issue to Esch, in replacement thereof, a promissory note in the principal amount of the amount paid to Signature Bank.

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The Company has notified the Control Sellers of a required $6,193,400 post-closing downward adjustment to the purchase price in connection with the Wilhelmina Transaction based on “core business” EBITDA calculations made by the Company in accordance with the applicable provisions of the Acquisition Agreement. The Company notified the Control Sellers that based on the amount of the purchase price adjustment, each of Esch and Krassner are required to pay (or cause Lorex and Krassner L.P. to pay) to the Company $2,250,000 in cash (or $4,500,000 in the aggregate) and if either Esch or Krassner fails to timely make (or cause Lorex or Krassner L.P. to timely make) the required cash payment, the Company has the right under the Acquisition Agreement to promptly repurchase for $.0001 per share 50% of such number of Restricted Shares determined based on a specified formula (or a total of 100% of such number of shares in the event both Esch and Krassner fail to timely make the cash payments). The Company believes based on its purchase price adjustment calculation, it will have the right to repurchase 18,811,687 Restricted Shares (all such shares held in escrow for purposes of the adjustment) in the event the Control Sellers fail to make the required cash payments. The Control Sellers responded that they did not believe the Company gave timely notice of its calculations of the purchase price adjustment in accordance with the provisions of the Acquisition Agreement and that they disagree with certain of the Company’s calculations. The Company believes its calculations of the purchase price adjustment are accurate and were timely submitted to the Control Sellers in accordance with the provisions of the Acquisition Agreement. After the parties failed to resolve their dispute regarding the calculation of the purchase price adjustment, the parties retained RSM McGladrey, Inc. (“McGladrey”) in accordance with the terms of the Acquisition Agreement to make a final determination as to the purchase price adjustment based on the calculations and supporting documentation submitted by the respective parties.

On December 22, 2009, the Company received the final determination of McGladrey with respect to the calculation of the purchase price adjustment. McGladrey determined that a price adjustment was required which would enable the Company to repurchase 18,811,687 Restricted Shares, unless the Control Sellers elect to make cash payments in accordance with the relevant provisions of the Acquisition Agreement.

On December 23, 2009, the Company was served with a lawsuit filed by the Control Sellers in the U.S. District Court, Southern District of New York, seeking a declaration that as a result of its alleged failure to comply with the notice deadline in the Acquisition Agreement, the Company is barred from seeking any such purchase price adjustment. The lawsuit also seeks to enjoin the Company from repurchasing the Restricted Shares and the escrow agent from effecting any such repurchase by the Company (see Note 9).

Concurrently with the execution of the Acquisition Agreement, the Company entered into a purchase agreement (the “Equity Financing Agreement”) with Newcastle Partners, L.P., a Texas limited partnership (“Newcastle”), which at that time owned 19,380,768 shares or approximately 36% of the outstanding Common Stock, for the purpose of obtaining financing to complete the transactions contemplated by the Acquisition Agreement. Pursuant to the Equity Financing Agreement, upon the closing of the Wilhelmina Transaction, the Company sold to Newcastle $3,000,000 (12,145,749 shares) of Common Stock at $0.247 per share, or approximately (but slightly higher than) the per share price applicable to the Common Stock issuable under the Acquisition Agreement. As a result, Newcastle now owns 31,526,517 shares of Common Stock, or approximately 24% of the Company’s outstanding Common Stock. In addition, under the Equity Financing Agreement, Newcastle committed to purchase, at the Company’s election at any time or times prior to nine months following the closing, up to an additional $2,000,000 (8,097,166 shares) of Common Stock on the same terms. The Company’s election right expired on August 13, 2009. Upon the closing of the Equity Financing Agreement, Newcastle obtained certain demand and piggyback registration rights with respect to the Common Stock it holds, including the Common Stock issued under the Equity Financing Agreement. The registration rights agreement contains certain indemnification provisions for the benefit of the Company and Newcastle, as well as certain other customary provisions.

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The Wilhelmina Acquisition was accounted for using the acquisition method required by ASC 805. The fair value methods used for identifiable intangible assets were based on Level 3 inputs making use of discounted cash flows using a weighted average cost of capital. The fair values of current assets and other assumed liabilities were based on the present value of contractual amounts. Contractual amounts of accounts receivable, estimated uncollectible amounts and fair value totaled $6,188,000, $487,000 and $5,701,000, respectively.

Goodwill has been measured as the excess of the total consideration over the fair values of identifiable assets acquired and liabilities assumed. In accordance with ASC 350, “Intangibles-Goodwill and Other”, the Company completed its annual impairment test and determined that the acquired identifiable intangible assets and goodwill were not impaired at December 31, 2009.

The intangible assets acquired include intangible assets with indefinite lives, such as the Wilhelmina brand/trademarks and intangible assets with finite lives, such as customer relationships, model contracts, talent contracts, noncompetition agreements and license agreements (see Note 16), and the remainder of any intangible assets not meeting the above criteria has been allocated to goodwill. Some of these assets, such as goodwill and the Wilhelmina brand/trademarks, are non-amortizable. Other assets, such as customer relationships, model contracts, talent contracts, noncompetition agreements and license agreements, are being amortized on a straight line basis over their estimated useful lives which range from 2-7 years. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed on February 13, 2009:

(in thousands)		As adjusted December 31, 2009
Current assets	$	6,034
Property, plant and equipment		364
Trademarks and intangibles with indefinite lives		8,467
Other intangible assets with finite lives		8,337
Goodwill		12,647
Other assets		289
Total assets acquired		36,138
Earn out-contingent liability		(2,312)
Deferred income tax liability		(1,800)
Other liabilities assumed		(9,594)
Total liabilities assumed		(13,706)
Net assets acquired	$	22,432

Approximately $8,971,000 of the purchase price results in tax deductible goodwill, which will be amortized on a straight-line basis over 15 years for income tax purposes.

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The results of operations for the Wilhelmina Companies are included in the Company's consolidated results from the effective date of the acquisition. The following table sets forth certain unaudited pro forma consolidated statement of operations data for the years ended December 31, 2009 and 2008, as if the acquisition had occurred at January 1, 2009 and 2008 and was consummated on the same terms. Amounts are in thousands, except earnings per share.

	December 31,	
	2009	2008
Total revenues	$ 36,868	$ 40,328
Net loss	$ (2,754)	$ (1,866)
Loss per common share	$ (0.02)	$ (0.01)

Note 4. Line of Credit, Note Payable and Esch Escrow

In January 2008, Wilhelmina International renewed a revolving line of credit (the "Credit Facility") with Signature Bank with an increase in borrowing capacity to $2,000,000, with availability subject to a borrowing base computation. Interest on the revolving credit note was payable monthly at an annual rate of prime plus one-half percent which equaled 3.75% at December 31, 2009. The revolving line of credit expired on January 31, 2009. On March 31, 2009, the Company entered into a modification and extension agreement with Signature Bank that extended the maturity date to April 30, 2009. On June 10, 2009, the Company entered into a modification and extension agreement with Signature Bank that extended the maturity date to July 15, 2009. On August 21, 2009, the Company entered into a modification and extension agreement with the bank that extended the maturity date to October 5, 2009.

On December 30, 2009, Signature Bank delivered a demand letter (the "Demand Letter") to the Company and Wilhelmina International, the Company's principal operating subsidiary, requesting the immediate payment of all outstanding principal and accrued interest in the aggregate amount of approximately $2,019,000 under the Credit Facility.

The delivery of the Demand Letter requesting mandatory repayment of principal under the Credit Facility triggered a "Bank Payoff Event" under the Esch Letter Agreement (see Note 3). Accordingly, in accordance with the terms of the Esch Letter Agreement, the aggregate amount of $1,750,000 that was held in escrow was released and paid to Signature Bank (the "Escrow Payoff"). As a result of the Escrow Payoff, as of December 30, 2009, a principal sum of $250,000 plus accrued interest of approximately $19,000 remained owing to the bank under the Credit Facility. During January 2010 the remaining principal and accrued interest of approximately $219,000 was repaid to the bank pursuant to the Demand Letter.

As of March 30, 2010, Signature Bank has not terminated the Credit Facility. The Company is continuing discussions with Signature Bank with respect to an extension and/or amendment of the Credit Facility. The Credit Facility is collateralized by all of the assets of Wilhelmina International and the Company's other subsidiaries (other than Wilhelmina Miami). In addition, the Company is currently exploring other financing alternatives.

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The Esch Letter Agreement provided that in the event of the payment of funds from escrow to Signature Bank, the Company was required to promptly issue to Esch, in replacement of the funds held in escrow, a promissory note in the principal amount of the amount paid to the bank. Accordingly, on December 31, 2009, the Company issued to Esch a promissory note in the principal amount of $1,750,000 (the “Esch Note”). Interest on the outstanding principal balance of the Esch Note accrues at the “Weighted Average Loan Document Rate” (as defined below) and is payable in arrears on a monthly basis. The “Weighted Average Loan Document Rate” is calculated using a weighted average formula based on the rates applicable to the principal amounts outstanding for each of the two components of the Credit Facility - revolver ($2,000,000 principal outstanding at December 30, 2009 at a rate of prime plus 0.5%) and term loan ($26,000 principal outstanding at December 30, 2009 at a rate of 6.65%) - prior to release of the escrow. Therefore, as of December 31, 2009, the effective interest rate of the Esch Note is prime plus approximately 0.58%, or approximately 3.83%. Principal under the Esch Note shall be repaid in quarterly installments of $250,000 until the Esch Note is paid. The outstanding principal balance of the Esch Note, together with all accrued, but unpaid interest thereon, is due and payable on December 31, 2010. In the event that the Company closes a new revolving bank or debt facility, which provides the Company with committed working capital financing, the Company is required to pay down the Esch Note in the amount of the funds that the Company is initially permitted to draw under such new facility. The Esch Note is unsecured and is pre-payable by the Company at any time without penalty or premium.

Note 5. Restricted Cash

At December 31, 2009, the Company had $180,000 of restricted cash that serves as collateral for an irrevocable standby letter of credit. The letter of credit serves as additional security under the lease extension relating to the Company’s office space in New York that expires in December 2010.

Note 6. Operating Leases

The Company is obligated under non-cancelable lease agreements for the rental of office space and various other lease agreements for the leasing of office equipment. These operating leases expire at various dates through 2012. In addition to the minimum base rent, the office space lease agreements provide that the Company shall pay its pro-rata share of real estate taxes and operating costs as defined in the lease agreement.

The Company also leases, pursuant to a services agreement (see Note 12), certain corporate office space.

Future minimum payments under the lease agreements are summarized as follows:

Years Ending December 31,	Amount (in thousands)	
2010	$	814
2011		224
2012		2
	$	1,040

Rent expense totaled approximately $910 and $30 for the years ended December 31, 2009 and 2008, respectively.

Note 7. Licensing Agreements and Deferred Revenue

The Company is a party to various contracts by virtue of its relationship with certain talent. The various contracts contain terms and conditions which require the revenue and the associated talent cost to be recognized on a straight-line basis over the contract period. The Company has also entered into product licensing agreements with talent it represents. Under the product licensing agreements, the Company will either earn a commission based on a certain percentage of the royalties earned by the talent or earn royalties from the licensee that is based on a certain percentage of net sales, as defined. The Company recognized revenue from product licensing agreements of approximately $324,000 and $0 for the years ended December 31, 2009 and 2008, respectively.

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Note 8. Revenue Interest

On October 5, 2005, the Company made an investment in Ascendant, a Berwyn, Pennsylvania based alternative asset management company whose funds have investments in long/short equity funds and which distributes its registered funds primarily through various financial intermediaries and related channels. Ascendant had assets under management of approximately $37,600,000 and $35,600,000 as of December 31, 2009 and December 31, 2008, respectively. Prior to closing the Wilhelmina Transaction, the Company's interest in Ascendant represented the Company's sole operating business.

The Company entered into an agreement (the "Ascendant Agreement") with Ascendant to acquire an interest in the revenues generated by Ascendant. Pursuant to the Ascendant Agreement, the Company is entitled to a 50% interest, subject to certain adjustments, in the revenues of Ascendant, which interest declines if the assets under management of Ascendant reach certain levels. The Company also agreed to provide various marketing services to Ascendant. The total potential purchase price of $1,550,000 under the terms of the Ascendant Agreement was payable in four installments. On April 5, 2006, the Company elected not to make the final two installment payments. The Company believed that it was not required to make the payments because Ascendant did not satisfy all of the conditions in the Ascendant Agreement.

Subject to the terms of the Ascendant Agreement, if the Company does not make an installment payment and Ascendant is not in breach of the Ascendant Agreement, Ascendant has the right to acquire the Company's revenue interest at a price that would yield a 10% annualized return to the Company. The Company has been notified by Ascendant that Ascendant is exercising this right as a result of the Company's election not to make the final two installment payments. The Company believes that Ascendant has not satisfied the requisite conditions to repurchase the Company's revenue interest.

The Company has not recorded any revenue or received any revenue sharing payments pursuant to the Ascendant Agreement since July 1, 2006.

Based on recent discussions with the management of Ascendant and an assessment of the future near-term expected cash flows from the revenue interest, the Company has determined that the present value of expected cash flows from the Ascendant revenue interest is nominal. Therefore, the Company has recognized an asset impairment charge of $803,000 for the quarter ended December 31, 2009.

Note 9. Commitments and Contingencies

The Company is engaged in various legal proceedings that are routine in nature and incidental to its business. None of these proceedings, either individually or in the aggregate, is believed, in the Company's opinion, to have a material adverse effect on either its consolidated financial position or its consolidated results of operations.

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On December 23, 2009, the Company was served with a lawsuit filed by the Control Sellers in the U.S. District Court, Southern District of New York, relating to a purchase price adjustment being sought by the Company in connection with the Wilhelmina Transaction (see Note 3). The Company has notified the Control Sellers of a required $6,193,400 post-closing downward adjustment to the purchase price in connection with the Wilhelmina Transaction. The Company notified the Control Sellers that based on the amount of the purchase price adjustment, each of Esch and Krassner are required to pay (or cause Lorex and Krassner L.P. to pay) to the Company $2,250,000 in cash (or $4,500,000 in the aggregate) and if either Esch or Krassner fails to timely make (or cause Lorex or Krassner L.P. to timely make) the required cash payment, the Company has the right under the Acquisition Agreement to promptly repurchase for $.0001 per share 50% of such number of Restricted Shares determined based on a specified formula (or a total of 100% of such number of shares in the event both Esch and Krassner fail to timely make the cash payments). The Company believes that, based on its purchase price adjustment calculation, it will have the right to repurchase 18,811,687 Restricted Shares in the event the Control Sellers fail to make the required cash payments. The Control Sellers responded that they did not believe the Company gave timely notice of its calculations of the purchase price adjustment in accordance with the provisions of the Acquisition Agreement and that they disagree with certain of the Company's calculations. The Company believes its calculations of the purchase price adjustment are accurate and were timely submitted to the Control Sellers in accordance with the provisions of the Acquisition Agreement. After the parties failed to resolve their dispute regarding the calculation of the purchase price adjustment, the parties retained McGladrey in accordance with the terms of the Acquisition Agreement to make a final determination as to the purchase price adjustment based on the calculations and supporting documentation submitted by the respective parties. McGladrey determined that a price adjustment was required which would enable the Company to repurchase 18,811,687 Restricted Shares, unless the Control Sellers elect to make cash payments in accordance with the relevant provisions of the Acquisition Agreement. The Control Sellers filed the lawsuit seeking a declaration that as a result of its alleged failure to comply with the notice deadline in the Acquisition Agreement, the Company is barred from seeking any such purchase price adjustment. The lawsuit also seeks to enjoin the Company from repurchasing the Restricted Shares and the escrow agent from effecting any such repurchase by the Company.

On February 12, 2010, the Company responded that its notice was timely. The Company also filed a counterclaim with the Court requesting a declaration that (a) the determination of McGladrey with respect to the purchase price adjustment is final and binding on the parties and (b) the Company is entitled to repurchase the Restricted Shares consistent with such determination and in accordance with the Acquisition Agreement. The Company is also seeking an order directing the escrow agent to release the Restricted Shares to the Company for repurchase.

On February 2, 2010, the Company asserted a claim against the Control Sellers in the amount of approximately $1,600,000 under the indemnification provisions of the Acquisition Agreement related to certain representations, warranties and covenants thereunder. The Control Sellers have requested certain information from the Company in order to respond to this claim and the Company has provided certain information in response to this request.

As of December 31, 2009, a number of the Company's employees were covered by employment agreements that vary in length from one to three years. As of December 31, 2009, total compensation payable under the remaining contractual term of these agreements was approximately $2,505,000. In general, the employment agreements contain non-compete provisions ranging from six months to one year following the term of the applicable agreement. Subject to certain exceptions, as of December 31, 2009, invoking the non-compete provisions would require the Company to compensate the covered employees during the non-compete period in the amount of approximately $1,567,000.

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Note 10. Share Capital

On July 10, 2006, as amended on August 25, 2008, July 20, 2009, February 9, 2010 and March 26, 2010, the Company entered into a shareholder's rights plan (the "Rights Plan") that replaced the Company's shareholder's rights plan dated July 10, 1996 (the "Old Rights Plan") that expired according to its terms on July 10, 2006. The Rights Plan provides for a dividend distribution of one preferred share purchase right (a "Right") for each outstanding share of Common Stock. The terms of the Rights and the Rights Plan are set forth in a Rights Agreement, dated as of July 10, 2006, by and between the Company and The Bank of New York Trust Company, N.A., now known as The Bank of New York Mellon Trust Company, N.A., as Rights Agent (the "Rights Agreement").

The Company's Board of Directors adopted the Rights Plan to protect shareholder value by protecting the Company's ability to realize the benefits of its net operating loss carryforwards ("NOLs") and capital loss carryforwards. In general terms, the Rights Plan imposes a significant penalty upon any person or group that acquires 5% or more of the outstanding Common Stock without the prior approval of the Company's Board of Directors. Shareholders that own 5% or more of the outstanding Common Stock as of the close of business on the Record Date (as defined in the Rights Agreement) may acquire up to an additional 1% of the outstanding Common Stock without penalty so long as they maintain their ownership above the 5% level (such increase subject to downward adjustment by the Company's Board of Directors if it determines that such increase will endanger the availability of the Company's NOLs and/or its capital loss carryforwards). In addition, the Company's Board of Directors has exempted Newcastle, the Company's largest shareholder, and may exempt any person or group that owns 5% or more if the Board of Directors determines that the person's or group's ownership will not endanger the availability of the Company's NOLs and/or its capital loss carryforwards. A person or group that acquires a percentage of Common Stock in excess of the applicable threshold is called an "Acquiring Person". Any Rights held by an Acquiring Person are void and may not be exercised. The Company's Board of Directors authorized the issuance of one Right per each share of Common Stock outstanding on the Record Date. If the Rights become exercisable, each Right would allow its holder to purchase from the Company one one-hundredth of a share of the Company's Series A Junior Participating Preferred Stock, par value $0.01 (the "Preferred Stock"), for a purchase price of $10.00. Each fractional share of Preferred Stock would give the shareholder approximately the same dividend, voting and liquidation rights as does one share of Common Stock. Prior to exercise, however, a Right does not give its holder any dividend, voting or liquidation rights.

On August 25, 2008, in connection with the Wilhelmina Transaction, the Company entered into an amendment to the Rights Agreement (the "Rights Agreement Amendment"). The Rights Agreement Amendment, among other things, (i) provides that the execution of the Acquisition Agreement, the acquisition of shares of Common Stock pursuant to the Acquisition Agreement, the consummation of the other transactions contemplated by the Acquisition Agreement and the issuance of stock options to the Sellers or the exercise thereof, will not be deemed to be events that cause the Rights to become exercisable, (ii) amends the definition of Acquiring Person to provide that the Sellers and their existing or future Affiliates and Associates (each as defined in the Rights Agreement) will not be deemed to be an Acquiring Person solely by virtue of the execution of the Acquisition Agreement, the acquisition of Common Stock pursuant to the Acquisition Agreement, the consummation of the other transactions contemplated by the Acquisition Agreement or the issuance of stock options to the Sellers or the exercise thereof and (iii) amends the Rights Agreement to provide that a Distribution Date (as defined below) shall not be deemed to have occurred solely by virtue of the execution of the Acquisition Agreement, the acquisition of Common Stock pursuant to the Acquisition Agreement, the consummation of the other transactions contemplated by the Acquisition Agreement or the issuance of stock options to the Sellers or the exercise thereof. The Rights Agreement Amendment also provides for certain other conforming amendments to the terms and provisions of the Rights Agreement. The date that the Rights become exercisable is known as the "Distribution Date."

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On July 20, 2009, the Company entered into a second amendment to the Rights Agreement (the “Second Rights Agreement Amendment”). The Second Rights Agreement Amendment, among other things, (i) provides that those certain purchases of shares of Common Stock by Krassner L.P. reported on Statements of Change in Beneficial Ownership on Form 4 filed with the SEC on June 3, 2009, June 12, 2009 and June 26, 2009 (the “Krassner Purchases”) will not be deemed to be events that cause the Rights to become exercisable, (ii) amends the definition of Acquiring Person to provide that neither Krassner L.P. nor any of its existing or future Affiliates or Associates (as defined in the Rights Agreement) will be deemed to be an Acquiring Person solely by virtue of the Krassner Purchases and (iii) amends the Rights Agreement to provide that the Distribution Date will not be deemed to have occurred solely by virtue of the Krassner Purchases. The Second Rights Agreement Amendment also provides for certain other conforming amendments to the terms and provisions of the Rights Agreement.

On February 9, 2010, the Company entered into a third amendment to the Rights Agreement (the “Third Rights Agreement Amendment”). The Third Rights Agreement Amendment amends the definition of Distribution Date (as defined in the Rights Agreement) to provide that the Distribution Date corresponding to the Share Acquisition Date (as defined in the Rights Agreement) that occurred on February 2, 2010 as a result of the Company’s public announcement on such date that Esch, Lorex, Krassner and Krassner L.P. are Acquiring Persons (as defined in the Rights Agreement) under the Rights Agreement (the “Esch-Krassner Acquiring Event”) shall be the close of business on April 3, 2010. The Third Rights Agreement Amendment also provides that the Company will be required to give written notice to the Rights Agent and stockholders of the Company of the occurrence of the Esch-Krassner Acquiring Event under the Rights Agreement as soon as practicable after any corresponding Distribution Date.

On March 26, 2010, the Company entered into a fourth amendment to the Rights Agreement (the “Fourth Rights Agreement Amendment”). The Fourth Rights Agreement Amendment further amends the definition of Distribution Date (as defined in the Rights Agreement) to provide that the Distribution Date corresponding to the Share Acquisition Date (as defined in the Rights Agreement) that occurred on February 2, 2010, as a result of the Company’s public announcement on such date of the Esch-Krassner Acquiring Event, shall be the close of business on May 3, 2010.

In connection with the Wilhelmina Transaction, the Company issued 12,145,749 shares of Common Stock to Newcastle and 63,411,131 shares to Patterson, the Control Sellers and their advisor.

At the 2008 Annual Meeting, the Company’s stockholders approved and adopted an amendment to the Certificate of Incorporation to increase the number of authorized shares of Common Stock from 75,000,000 to 250,000,000.

At the 2008 Annual Meeting, the Company’s stockholders also approved a proposal granting authority to the Company’s Board of Directors to effect at any time prior to December 31, 2009, a reverse stock split of the Common Stock at a ratio within the range from one-for-ten to one-for-thirty, with the exact ratio to be set at a whole number within this range to be determined by the Company’s Board of Directors in its discretion.

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Note 11. Income Taxes

The income tax expense is comprised of the following (in thousands):

	Year Ended December 31, 2009	Year Ended December 31, 2008
Current:		
Federal	$-	$-
State	14	-
Total	14	-
Deferred:		
Federal	-	-
State	-	-
Total	-	-
Total	$14	$-

The income tax expense differs from the amount computed by applying the statutory federal income tax rate of 35% to the net loss before income tax benefit. The reasons for these differences were as follows (in thousands):

	Year Ended December 31, 2009	Year Ended December 31, 2008
Computed income tax benefit at statutory rate	$(1,163)	(339)
(Decrease) increase in taxes resulting from:		
Permanent and other deductions, net	1,562	298
State income taxes, net of federal benefit	106	
Valuation allowance	(24,469)	(540)
Expiration of capital loss carryforward	23,978	581
Total income tax expense (benefit)	$14	$-

The tax effect of significant temporary differences, which comprise the deferred tax liability, is as follows (in thousands):

	2009	2008
Deferred tax asset:		
Net operating loss carryforward	$ 5,335	$ 4,696
Capital Loss carryforward	-	23,978
Accrued Expenses	358	-
Property and equipment principally due to differences in depreciation	54	-
Allowance for doubtful accounts	161	-
Other	326	105
Less: Valuation allowance	(4,310)	(28,779)
Net deferred income tax asset	$ 1,924	$ -
Deferred tax liability:		
Intangible assets	(3,724)	-
Net deferred tax liability	$ (1,800)	$ -

As of December 31, 2009, the Company had a federal income tax loss carryforward of approximately $15,000,000, which begins expiring in 2019. The Company reduced its deferred tax valuation allowance in 2009 by $24,469 due primarily to the expiration of the capital loss carryforward. Realization of the Company's carryforwards is dependent on future taxable income and capital gains. A valuation allowance has been recorded to reflect the tax effect of the net loss carryforwards not used to offset a portion of the deferred tax liability resulting from the Wilhelmina Acquisition. Ownership changes, as defined in the Internal Revenue Code, may have limited the amount of net operating loss carryforwards that can be utilized annually to offset future taxable income. Subsequent ownership changes could further affect the limitation in future years.

Note 12. Related Parties

Mark Schwarz, Chief Executive Officer and Chairman of Newcastle Capital Management, L.P. ("NCM"), John Murray, Chief Financial Officer of NCM, and Evan Stone, the former General Counsel of NCM, hold executive officer and board of director positions with the Company as follows: Chairman of the Board and Chief Executive Officer, Director and Chief Financial Officer, and Director and General Counsel and Secretary, respectively. NCM is the general partner of Newcastle, which owns 31,526,517 shares of Common Stock.

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The Company's corporate headquarters are located at 200 Crescent Court, Suite 1400, Dallas, Texas 75201, which are also the offices of NCM. The Company occupies a portion of NCM space on a month-to-month basis at $2,500 per month, pursuant to a services agreement entered into between the parties. Pursuant to the services agreement, the Company receives the use of NCM's facilities and equipment and accounting, legal and administrative services from employees of NCM. The Company incurred expenses pursuant to the services agreement totaling approximately $56,000 and $102,000 for the years ended December 31, 2009 and 2008, respectively.

The Company owed NCM approximately $98,000 and $24,000 as of December 31, 2009 and 2008, respectively.

On August 25, 2008, concurrently with the execution of the Acquisition Agreement, the Company entered into the Equity Financing Agreement with Newcastle for the purpose of obtaining financing to complete the transactions contemplated by the Acquisition Agreement (see Note 3).

Note 13. Treasury Stock

In 2000, the Company's Board of Directors approved the adoption of a common stock repurchase program. Under the terms of the program, the Company may purchase an aggregate of $25,000,000 of its Common Stock in the open market or in privately negotiated transactions. The Company records repurchased Common Stock at cost. The Company made no purchases of Common Stock during the years ended December 31, 2009 and 2008. Through December 31, 2009, the Company has purchased an aggregate of $20,100,000, or 8,300,000 shares of Common Stock under the program, which shares have been canceled and are available for issuance. The Company does not have any plans to make additional purchases of Common Stock under the program.

Note 14. Stock Options and Stock Purchase Warrants

The Company previously adopted the 1996 Employee Comprehensive Stock Plan ("Comprehensive Plan") and the 1996 Non-Employee Director Plan ("Director Plan") under which officers and employees, and non-employee directors, respectively, of the Company and its affiliates were eligible to receive stock option grants. Employees of the Company were also eligible to receive restricted stock grants under the Comprehensive Plan. The Company previously reserved 14,500,000 and 1,300,000 shares of its Common Stock for issuance pursuant to the Comprehensive Plan and the Director Plan, respectively. The Comprehensive Plan and the Director Plan expired on July 10, 2006. The expiration of the plans preclude the Company from granting new options under each plan but will not affect outstanding option grants which shall expire in accordance with their terms.

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Option activity for the years ended December 31, 2009 and 2008, is summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding, January 1, 2008	240,000	$0.27
Granted	-	-
Canceled	-	-
Outstanding, December 31, 2008	240,000	$0.27
Granted	-	-
Canceled	-	-
Outstanding, December 31, 2009	240,000	$0.27

At December 31, 2009 and 2008, stock options to purchase an aggregate of 240,000 shares were exercisable and had weighted average exercise prices of $0.27 per share.

Stock options outstanding and exercisable at December 31, 2009, were as follows:

		Options Outstanding		Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (years)	Remaining Average Exercise Price	Weighted Number Exercisable	Weighted Average Exercise Price
$0.24 - $0.28	240,000	3.5	$0.27	240,000	$0.27

There were no option grants during the years ended December 31, 2009 and 2008.

Note 15. Benefit Plans

The Company established a 401(k) Plan (the "Plan") for eligible employees of the Company. Generally, all employees of the Company who are at least twenty-one years of age and who have completed one-half year of service are eligible to participate in the Plan. The Plan is a defined contribution plan which provides that participants may make voluntary salary deferral contributions, on a pretax basis, between 1% and 15% of their compensation in the form of voluntary payroll deductions, up to a maximum amount as indexed for cost-of-living adjustments. The Company may make discretionary contributions. No discretionary contributions were made during the years ended December 31, 2009 and 2008.

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Note 16. Intangible Assets

As of December 31, 2009, intangible assets with finite lives consisted of the following (in thousands):

Intangible assets subject to amortization:	Gross Cost	Accumulated Amortization	Weighted-average amortization period (in years)
Customer lists	$ 3,143	$ (547)	5.1
Non-compete agreements	1,047	(141)	6.5
Talent and model contractual relationships	2,514	(651)	4.0
Employee contractual relationships	1,633	(285)	5.0
Total	$ 8,337	$ (1,624)	4.5

The estimated aggregate amortization expense for the years ending December 31, 2010 through December 31, 2014, is as follows (in thousands):

	Amortization Expense
2010	$ 1,853
2011	1,540
2012	1,436
2013	1,428
2014	332

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company's principal executive officer and principal financial officer evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on their evaluation of the Company's disclosure controls and procedures, the Company's principal executive officer and principal financial officer, with the participation of the Company's management, have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2009, to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (b) accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate to allow for timely decisions regarding required disclosure.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Given these and other inherent limitations of control systems, there is only reasonable assurance that the Company's controls will succeed in achieving their stated goals under all potential future conditions. The Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2009.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2009 based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the Company's management concluded that the Company's internal control over financial reporting was effective as of December 31, 2009.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

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Changes in Internal Control Over Financial Reporting

As of the end of the period covered by this report, there were no changes in the Company's internal controls over financial reporting, or in other factors that could significantly affect these controls, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 will be furnished on or prior to April 30, 2010 (and is hereby incorporated by reference) by an amendment hereto or pursuant to a definitive proxy statement in connection with the Company's Annual Meeting of Shareholders for the fiscal year ended December 31, 2009.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 will be furnished on or prior to April 30, 2010 (and is hereby incorporated by reference) by an amendment hereto or pursuant to a definitive proxy statement in connection with the Company's Annual Meeting of Shareholders for the fiscal year ended December 31, 2009.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 will be furnished on or prior to April 30, 2010 (and is hereby incorporated by reference) by an amendment hereto or pursuant to a definitive proxy statement in connection with the Company's Annual Meeting of Shareholders for the fiscal year ended December 31, 2009.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 will be furnished on or prior to April 30, 2010 (and is hereby incorporated by reference) by an amendment hereto or pursuant to a definitive proxy statement in connection with the Company's Annual Meeting of Shareholders for the fiscal year ended December 31, 2009.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 will be furnished on or prior to April 30, 2010 (and is hereby incorporated by reference) by an amendment hereto or pursuant to a definitive proxy statement in connection with the Company's Annual Meeting of Shareholders for the fiscal year ended December 31, 2009.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)Documents Filed as Part of Report

1.Financial Statements:

The Consolidated Financial Statements of the Company and the related report of the Company's independent public accountants thereon have been filed under Item 8 hereof.

2.Financial Statement Schedules:

The information required by this item is not applicable.

3.Exhibits:

The exhibits listed below are filed as part of or incorporated by reference in this report. Where such filing is made by incorporation by reference to a previously filed document, such document is identified in parentheses. See the Index of Exhibits included with the exhibits filed as a part of this report.

Exhibit Number	Description of Exhibits
2.1	Plan of Merger and Acquisition Agreement between Billing Concepts Corp., CRM Acquisition Corp., Computer Resources Management, Inc. and Michael A. Harrelson, dated June 1, 1997 (incorporated by reference from Exhibit 2.1 to Form 10-Q, dated June 30, 1997).
2.2	Stock Purchase Agreement between Billing Concepts Corp. and Princeton TeleCom Corporation, dated September 4, 1998 (incorporated by reference from Exhibit 2.2 to Form 10-K, dated September 30, 1998).
2.3	Stock Purchase Agreement between Billing Concepts Corp. and Princeton eCom Corporation, dated February 21, 2000 (incorporated by reference from Exhibit 2.1 to Form 8-K, dated March 16, 2000).
2.4	Agreement and Plan of Merger between Billing Concepts Corp., Billing Concepts, Inc., Enhanced Services Billing, Inc., BC Transaction Processing Services, Inc., Aptis, Inc., Operator Service Company, BC Holding I Corporation, BC Holding II Corporation, BC Holding III Corporation, BC Acquisition I Corporation, BC Acquisition II Corporation, BC Acquisition III Corporation and BC Acquisition IV Corporation, dated September 15, 2000 (incorporated by reference from Exhibit 2.1 to Form 8-K, dated September 15, 2000).
2.5	Stock Purchase Agreement by and among New Century Equity Holdings Corp., Mellon Ventures, L.P., Lazard Technology Partners II LP, Conning Capital Partners VI, L.P. and Princeton eCom Corporation, dated March 25, 2004 (incorporated by reference from Exhibit 10.1 to Form 8-K, dated March 29, 2004).

2.6 Series A Convertible 4% Preferred Stock Purchase Agreement by and between New Century Equity Holdings Corp. and Newcastle Partners, L.P., dated June 18, 2004 (incorporated by reference from Exhibit 2.1 to Form 8-K, dated June 30, 2004).

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2.7 Agreement by and among New Century Equity Holdings Corp., Wilhelmina Acquisition Corp., Wilhelmina International, Ltd., Wilhelmina – Miami, Inc., Wilhelmina Artist Management LLC, Wilhelmina Licensing LLC, Wilhelmina Film & TV Productions LLC, Dieter Esch, Lorex Investments AG, Brad Krassner, Krassner Family Investments, L.P., Sean Patterson and the shareholders of Wilhelmina – Miami, Inc., dated August 25, 2008 (incorporated by reference from Exhibit 10.1 to Form 8-K, dated August 26, 2008).

2.8 Purchase Agreement by and between New Century Equity Holdings Corp. and Newcastle Partners, L.P., dated August 25, 2008 (incorporated by reference from Exhibit 10.3 to Form 8-K, dated August 26, 2008).

2.9 Letter Agreement, dated February 13, 2009, by and among New Century Equity Holdings Corp., Wilhelmina Acquisition Corp., Wilhelmina International Ltd., Wilhelmina – Miami, Inc., Wilhelmina Artist Management LLC, Wilhelmina Licensing LLC, Wilhelmina Film & TV Productions LLC, Dieter Esch, Lorex Investments AG, Brad Krassner, Krassner Family Investments Limited Partnership, Sean Patterson and the shareholders of Wilhelmina – Miami, Inc. (incorporated by reference from Exhibit 10.1 to Form 8-K, dated February 18, 2009).

3.1 Restated Certificate of Incorporation of Wilhelmina International, Inc. (incorporated by reference from Exhibit 3.1 to Form 10-K/A, dated December 31, 2008).

3.2 Restated Bylaws of Wilhelmina International, Inc. (incorporated by reference from Exhibit 3.2 to Form 10-K, dated December 31, 2008).

3.3 Certificate of Designation of Series A Convertible Preferred Stock, filed with the Secretary of State of Delaware on July 10, 2006 (incorporated by reference from Exhibit 4.1 to Form 8-K, dated June 30, 2004).

3.4 Certificate of Elimination of Series A Junior Participating Preferred Stock, filed with the Secretary of State of Delaware on July 10, 2006 (incorporated by reference from Exhibit 3.1 to Form 8-K, dated July 10, 2006).

3.5 Certificate of Designation of Series A Junior Participating Preferred Stock, filed with the Secretary of State of Delaware on July 10, 2006 (incorporated by reference from Exhibit 3.2 to Form 8-K, dated July 10, 2006).

4.1 Form of Stock Certificate of Common Stock of Billing Concepts Corp. (incorporated by reference from Exhibit 4.1 to Form 10-Q, dated March 31, 1998).

4.2 Rights Agreement, dated as of July 10, 2006, by and between New Century Equity Holdings Corp. and The Bank of New York Trust Company, N.A. (incorporated by reference from Exhibit 4.2 to Form 8-K, dated July 10, 2006).

4.3 Amendment to Rights Agreement , dated August 25, 2008, by and between New Century Equity Holdings Corp. and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference from Exhibit 4.1 to Form 8-K, dated

August 26, 2008).

4.4 Form of Rights Certificate (incorporated by reference from Exhibit 4.1 to Form 8-K, dated July 10, 2006).

4.5 Registration Rights Agreement dated August 25, 2008 by and among New Century Equity Holdings Corp., Dieter Esch, Lorex Investments AG, Brad Krassner, Krassner Family Investments, L.P. and Sean Patterson (incorporated by reference from Exhibit 10.2 to Form 8-K, dated August 26, 2008).

4.6 Registration Rights Agreement, dated February 13, 2009, by and between New Century Equity Holdings Corp. and Newcastle Partners, L.P. (incorporated by reference from Exhibit 10.3 to Form 8-K, dated February 18, 2009).

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4.7	Second Amendment to Rights Agreement, dated July 20, 2009, by and between the Bank of New York Mellon Trust Company, N.A. (incorporated by reference from Exhibit 4.1 to Form 8-K, dated July 21, 2009).
4.8	Third Amendment to Rights Agreement, dated February 9, 2010, by and between Wilhelmina International, Inc. and the Bank of New York Mellon Trust Company, N.A. (incorporated by reference from Exhibit 4.1 to Form 8-K, dated February 10, 2010).
4.9	Fourth Amendment to Rights Agreement, dated March 26, 2010, by and between Wilhelmina International, Inc. and the Bank of New York Mellon Trust Company, N.A. (incorporated by reference from Exhibit 4.1 to Form 8-K, dated March 30, 2010).
*10.1	Billing Concepts Corp's 1996 Employee Comprehensive Stock Plan amended as of August 31, 1999 (incorporated by reference from Exhibit 10.8 to Form 10-K, dated September 30, 1999).
*10.2	Form of Option Agreement between Billing Concepts Corp. and its employees under the 1996 Employee Comprehensive Stock Plan (incorporated by reference from Exhibit 10.9 to Form 10-K, dated September 30, 1999).
*10.3	Amended and Restated 1996 Non-Employee Director Plan of Billing Concept Corp. amended as of August 31, 1999 (incorporated by reference from Exhibit 10.10 to Form 10-K, dated September 30, 1999).
*10.4	Form of Option Agreement between Billing Concepts Corp. and non-employee directors (incorporated by reference from Exhibit 10.11 to Form 10-K, dated September 30, 1998).
*10.5	Billing Concept Corp.'s 401(k) Retirement Plan (incorporated by reference from Exhibit 10.14 to Form 10-K, dated September 30, 2000).
10.6	Revenue Sharing Agreement, dated as of October 5, 2005, by and between New Century Equity Holdings Corp. and ACP Investments LP (incorporated by reference from Exhibit 10.1 to Form 10-Q, dated September 30, 2005).
10.7	Principals Agreement, dated as of October 5, 2005, by and between New Century Equity Holdings Corp. and ACP Investments LP (incorporated by reference from Exhibit 10.2 to Form 10-Q, dated September 30, 2005).
*10.8	Employment Agreement by and among New Century Equity Holdings Corp., Wilhelmina International, Ltd. and Sean Patterson, dated November 10, 2008 (incorporated by reference from Exhibit 10.1 to Form 10-Q, dated September 30, 2008).
10.9	Letter Agreement, dated February 13, 2009, by and between New Century Equity Holdings Corp. and Dieter Esch (incorporated by reference from Exhibit 10.2 to Form 8-K, dated February 18, 2009).

10.10	Promissory Note, dated December 31, 2009, issued by Wilhelmina International, Inc. to Dieter Esch (incorporated by reference from Exhibit 10.1 to Form 8-K, dated January 6, 2010).
14.1	Wilhelmina International, Inc. Code of Business Conduct and Ethics (incorporated by reference from Exhibit 14.1 to Form 8-K, dated April 21, 2009).
21.1	List of Subsidiaries (filed herewith).
23.1	Consent of Burton, McCumber & Cortez, L.L.P. (filed herewith).
31.1	Certification of Principal Executive Officer in Accordance with Section 302 of the Sarbanes-Oxley Act (filed herewith).

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31.2	Certification of Principal Financial Officer in Accordance with Section 302 of the Sarbanes-Oxley Act (filed herewith).
32.1	Certification of Principal Executive Officer in Accordance with Section 906 of the Sarbanes-Oxley Act (filed herewith).
32.2	Certification of Principal Financial Officer in Accordance with Section 906 of the Sarbanes-Oxley Act (filed herewith).

* Includes compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WILHELMINA INTERNATIONAL, INC.
(Registrant)

Date: March 31, 2010

By: /s/ Mark E. Schwarz
Name: Mark E. Schwarz
Title: Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 31st day of March 2010.

Signature	Title
/s/ Mark E. Schwarz Mark E. Schwarz	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
/s/ John P. Murray John P. Murray	Chief Financial Officer and Director (Principal Financial Officer and Principal Accounting Officer)
Brad Krassner	Director
Dieter Esch	Director
/s/ Evan Stone Evan Stone	Director