FORM 10-QSB

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2003

Commission file number 018958

GROEN BROTHERS AVIATION, INC.
(Exact name of registrant as specified in its charter)

Utah	87-0489865
State or other jurisdiction of Incorporation or organization	I.R.S. Employer Identification No.
2640 W. California Ave., Suite A Salt Lake City, Utah	84104
Address of principal executive offices	Zip Code

Registrant's telephone number, including area code (801) 973-0177

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at December 31, 2003
Common Stock, No Par Value	108,254,753

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GROEN BROTHERS AVIATION, INC.
Condensed Consolidated Balance Sheet (Unaudited)

	December 31, 2003
Assets	
Current assets:	
Cash	$ 594,000
Accounts receivable	5,000
Related party notes receivable	162,000
Prepaid expenses	8,000
Inventories	461,000
Current assets	1,230,000
Property and equipment, net	317,000
Total assets	$ 1,547,000
Liabilities and Stockholders' Deficit	
Current liabilities:	
Accounts payable	$ 645,000
Accrued expenses	5,894,000
Deferred revenue	674,000
Short-term notes payable	718,000
Related party notes payable	5,366,000
Total current liabilities	13,297,000
Long-term deferred revenue	25,000
Long-term debt	600,000
Deposits	2,655,000
Series B 15% cumulative redeemable non-voting preferred stock, no par value, 50,000,000 shares authorized; 28,164 shares issued and outstanding	27,273,000
Total liabilities	43,850,000
Commitments and contingencies	-
Stockholders' deficit:	
Common stock, no par value, 200,000,000 shares authorized; 108,254,753 shares issued and outstanding	15,766,000
Accumulated deficit	(58,069,000)
Total stockholders' deficit	(42,303,000)
Total liabilities and stockholders' deficit	$ 1,547,000

See accompanying notes to condensed consolidated financial statements.

GROEN BROTHERS AVIATION, INC.
Condensed Consolidated Statement of Operations (Unaudited)

	Three Months Ended December 31,	
	2003	2002
Revenues	$ 56,000	$ -
Costs and expenses:		
Cost of sales	30,000	-
Research and development	373,000	433,000
General and administrative expenses	326,000	401,000
Total costs and expenses	729,000	834,000
Loss from operations	(673,000)	(834,000)
Other income and (expense):		
Related party interest	3,000	3,000
Interest and other	11,000	59,000
Interest expense	(418,000)	(287,000)
Series B preferred stock interest expense	(2,121,000)	-
Net other expense	(2,525,000)	(225,000)
Net loss before income taxes	(3,198,000)	(1,059,000)
Benefit for income taxes	-	-
Net loss	$ (3,198,000)	$ (1,059,000)
Series B 15% cumulative redeemable non-voting preferred stock:		
Accretion	-	(2,071,000)
Dividends	-	(625,000)
Net loss applicable to common stockholders	$ (3,198,000)	$ (3,755,000)
Net loss per share - basic and diluted	$ (.03)	$ (.04)
Weighted average common and common equivalent shares - basic and diluted	104,553,000	94,729,000

See accompanying notes to condensed consolidated financial statements.

GROEN BROTHERS AVIATION, INC.
Condensed Consolidated Statement of Operations (Unaudited)

	Six Months Ended December 31,	
	2003	2002
Revenues	$ 87,000	$ -
Costs and expenses:		
Cost of sales	68,000	-
Research and development	822,000	899,000
General and administrative expenses	711,000	890,000
Total costs and expenses	1,601,000	1,789,000
Loss from operations	(1,514,000)	(1,789,000)
Other income and (expense):		
Related party interest	5,000	5,000
Interest and other	24,000	70,000
Interest expense	(904,000)	(590,000)
Series B preferred stock interest expense	(5,130,000)	-
Net other expense	(6,005,000)	(515,000)
Net loss before income taxes	(7,519,000)	(2,304,000)
Benefit for income taxes	-	-
Net loss	$ (7,519,000)	$ (2,304,000)
Series B 15% cumulative redeemable non-voting preferred stock:		
Accretion	-	(4,107,000)
Dividends	-	(1,226,000)
Net loss applicable to common stockholders	$ (7,519,000)	$ (7,637,000)
Net loss per share - basic and diluted	$ (.07)	$ (.08)
Weighted average common and common equivalent shares - basic and diluted	102,376,000	92,515,000

See accompanying notes to condensed consolidated financial statements.

GROEN BROTHERS AVIATION, INC.

Condensed Consolidated Statement of Cash Flows (Unaudited)
Six Months Ended December 31,

	2003	2002
Cash flows from operating activities:		
Net loss	$ (7,519,000)	$ (2,304,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	100,000	122,000
Common stock issued for interest	7,000	6,000
Stock options and warrants issued for interest	276,000	-
Interest accrued against Series B 15% cumulative redeemable non-voting preferred stock	5,130,000	-
Interest accrued against related party notes receivable	(5,000)	(5,000)
Interest accrued against long-term debt	20,000	-
(Gain) loss on disposal of assets	(4,000)	(20,000)
(Increase) decrease in:		
Accounts receivable	5,000	(4,000)
Prepaid expenses	4,000	25,000
Inventories	(369,000)	-
Increase (decrease) in:		
Accounts payable	(417,000)	28,000
Accrued expenses	176,000	791,000
Deferred revenue	440,000	-
Deposits	(44,000)	5,000
Net cash used in operating activities	(2,200,000)	(1,356,000)
Cash flows from investing activities:		
Purchase of property and equipment	(4,000)	(3,000)
Proceeds from sale of property and equipment	4,000	1,000
Issuance of related party notes receivable	(23,000)	(31,000)
Collections of related party notes receivable	-	2,000
Proceeds from sale of investment assets	-	100,000
Proceeds from sale of research and development equipment	-	41,000
Net cash provided by (used in) investing activities	(23,000)	110,000

Continued

GROEN BROTHERS AVIATION, INC.
Condensed Consolidated Statement of Cash Flows (Unaudited)
Continued
Six Months Ended December 31,

	2003	2002
Cash flows from financing activities:		
Proceeds from short-term notes payable	-	30,000
Reduction of short-term notes payable	(90,000)	(31,000)
Proceeds from long-term debt	380,000	-
Reduction of long-term debt	-	(13,000)
Proceeds from related party notes payable	72,000	445,000
Reduction of related party notes payable	(61,000)	(31,000)
Proceeds from issuance of common stock and stock options	523,000	850,000
Payment of commissions related to issuance of common stock	(11,000)	(18,000)
Proceeds from issuance of Series B preferred stock	2,000,000	-
Net cash provided by financing activities	2,813,000	1,232,000
Net change in cash	590,000	(14,000)
Cash, beginning of period	4,000	16,000
Cash, end of period	$ 594,000	$ 2,000

Notes to Condensed Consolidated Financial Statements

Six Months Ended December 31, 2003

(1) **Basis of Presentation:** The unaudited condensed consolidated financial statements include the accounts of Groen Brothers Aviation, Inc. and subsidiaries and include all adjustments (consisting of normal recurring items) which are, in the opinion of management, necessary to present fairly the financial position as of December 31, 2003, and the results of operations for the three months and six months ended December 31, 2003 and 2002, and cash flows for the six months ended December 31, 2003, and 2002. The results of operations for the three and six months ended December 31, 2003 are not necessarily indicative of the results to be expected for the full fiscal year ending June 30, 2004.

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Because of recurring operating losses, the excess of current liabilities over current assets, the stockholders' deficit, and negative cash flows from operations, there is substantial doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on attaining future profitable operations, restructuring its financial arrangements, and obtaining additional outside financing. Management anticipates that the Company will be able to obtain additional financing sufficient to fund operations during the next fiscal year; however, there can be no assurance they will be successful. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

(2) **Loss per Share:** The computation of basic net loss per common share is computed using the weighted average number of common shares outstanding during each period. The computation of diluted net loss per common share is based on the weighted average number of shares outstanding during the period plus common stock equivalents which would arise from the exercise of stock options and warrants outstanding using the treasury stock method and the average market price per share during the year, as well as common shares issuable upon the conversion of debt and preferred stock to common stock. Common stock equivalents were not included in the diluted loss per share calculation because the effect would have been antidilutive.

(3) **Reclassifications:** Certain amounts in the financial statements for the three months and six months ended December 31, 2002 have been reclassified to conform with the current period presentation.

(4) **Stock Based Compensation:** The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation. Accordingly, no compensation cost has been recognized in the financial statements for stock options granted to employees. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date consistent with the provisions of SFAS No. 123, the Company's net loss and loss per share would have been as indicated below:

	Three Months Ended December 31,	
	2003	**2002**
Reported net loss	$ (3,198,000)	$ (3,755,000)
Deduct: Total stock-based employee compensation determined under fair value based method, net of related tax effects	(1,000)	(8,000)
Pro forma net loss	$ (3,199,000)	$ (3,763,000)
Basic and diluted loss per share:		
As reported	$ (.03)	$ (.04)
Pro forma	$ (.03)	$ (.04)

	Six Months Ended December 31,	
	2003	**2002**
Reported net loss	$ (7,519,000)	$ (7,637,000)
Deduct: Total stock-based employee compensation determined under fair value based method, net of related tax effects	(1,813,000)	(1,915,000)
Pro forma net loss	$ (9,332,000)	$ (9,552,000)
Basic and diluted loss per share:		
As reported	$ (.07)	$ (.08)
Pro forma	$ (.09)	$ (.10)

(5) **Recently Issued Accounting Standards:** Statement of Financial Accounting Standards No. 150 (SFAS 150), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," was issued May 2003 and is effective for periods beginning after June 15, 2003. SFAS 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. SFAS 150 requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. Many of those instruments were previously classified as equity.

For the six months ended December 31, 2003, and for all periods beginning after June 15, 2003, the Company's Series B 15% Cumulative Redeemable Non-Voting Preferred Stock is classified as a liability because it embodies an obligation of the Company and falls within the scope of SFAS 150. Previously, the Company's Series B preferred stock was classified as equity. As a result, at December 31, 2003 the Company's Series B preferred stock is classified as a liability. Series B preferred stock accretion and dividends have been expensed during the three months and six months ended December 31, 2003 as an interest cost. Previously, Series B preferred stock accretion and dividends were not expensed as an interest cost, but were applied to the net loss applicable to common stockholders.

(6) **Series A Convertible Preferred Stock:** During the year ended June 30, 2001, the President of the Company acquired 10,000,000 shares of Series A Convertible Preferred Stock in exchange for a note receivable in the amount of $2,400,000. The note and related accrued interest receivable were recorded as a subscription receivable in the Stockholders' Deficit section of the Consolidated Balance Sheet. The note bore interest at 5% per annum, and matured in November 2003. The President of the Company returned the 10,000,000 preferred shares to the Company prior to maturity of the note in full payment of the subscription receivable, which totaled $2,760,000.

(7) **Series B Convertible Preferred Stock:** In November 2003, The Company issued 8,000 shares of Series B 15% Cumulative Non-Voting Preferred Stock for $2,000,000 cash.

(8) **Supplemental Statement of Cash Flows Information:**

During the six months ended December 31, 2003, the Company:

- Accrued $43,000 interest on subscription receivable.
- Received 10,000,000 shares of Series A preferred stock in payment of subscription receivable of $2,760,000.
- Converted $100,000 of related party notes receivable and $79,000 of accrued interest payable into 179 shares of Series B preferred stock.
- Paid $24,000 of accounts payable with 120,000 shares of common stock.
- Issued 500,000 shares of common stock as collateral on notes payable.
- Issued 6,125,000 additional shares of common stock upon exercise of stockholder put option.
- Paid commissions with 37,500 shares of common stock.
- Increased accrued liabilities by $9,000 related to payment of commissions.

During the six months ended December 31, 2002, the Company:

- Paid $115,000 related party notes payable and $24,000 related accrued interest with 696,019 shares of common stock.
- Paid dividends of $1,226,000 on Series B preferred stock through the issuance of 1,226 shares of Series B preferred stock which reduced common stock by $1,226,000.
- Paid $15,000 of accounts payable and $6,000 interest expense with 98,368 shares of common stock.
- Converted $25,000 accrued interest into a $12,000 short-term note payable and $13,000 in related party notes payable.
- Paid commissions with 8,000 shares of common stock.
- Issued 3,200,000 shares of common stock as collateral on notes payable.
- Accrued $61,000 interest on subscription receivable.
- Purchased $120,000 helicopter with a related party note payable.

- Paid $15,000 accrued expenses with a reduction in a related party note receivable.

- Redeemed options to purchase 200,000 shares of common stock with an accrued liability of $12,000.

Item 2. **<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>**

The following is management's discussion and analysis of certain significant factors which have affected the Company's financial position and operating results during the periods reported in the accompanying condensed consolidated financial statements. The "Company" refers to the Registrant, Groen Brothers Aviation, Inc. (GBA), and its wholly-owned subsidiaries, Groen Brothers Aviation USA, Inc. (GBA USA) and American Autogyro, Inc. (AAI). Unless otherwise stated, the financial activities described herein are those of GBA USA and AAI, which were the sole operating entities during the reporting period. As noted below, AAI was incorporated by GBA during the quarter ended December 2002.

During the quarter ended December 31, 2003, the Company's operating focus has been directed to the final development of the SparrowHawk gyroplane designed and manufactured by its AAI subsidiary. The initial market for this two-seat piston engine powered aircraft lies with builders of home-built aircraft from kits supplied by AAI. The AAI SparrowHawk, incorporating safety features based on aerospace standards, will offer performance, stability and comfort standards that AAI believes are superior to any competitive kit-built gyroplane in its class. Management also believes that there will be two large markets in the future for AAI gyroplanes as fully assembled aircraft produced by AAI.

GBA has identified a large and untapped market, both overseas and in the United States, for safe, inexpensive, reliable and effective surveillance aircraft that can operate "off airport" and are easy to maintain and fly. These qualities, all characteristics of the gyroplane being designed by AAI are expected to be very popular with law enforcement agencies around the world. GBA's discussions with Office of Domestic Preparedness (ODP) on gyroplane usage have emphasized the merits of the SparrowHawk as a readily available, ultra-low cost air surveillance vehicle, and the Company has been encouraged that Federal funding for this purpose is being made available to state agencies. Similarly approaches are being made to the Department of Defense (DOD) for the use of the SparrowHawk for mine and bomb detection to counter those threats in Iraq, describing the suitability of the SparrowHawk for the mission, emphasizing again its extraordinary low cost and early availability in relation to other solutions.

A second emerging market likely to arise within the United States as a result of the forthcoming Federal Aviation Administration (FAA) definition of a new category of aircraft is the Light Sports Aircraft (LSA) category. The FAA has not yet decided, but if gyroplanes are included in the LSA category, which the Company believes is possible, the Company believes that its product designs will be well suited to this market and be capable of conforming to the new regulations.

An intensive marketing program for AAI products is being developed. As of December 31, 2003, 33 initial orders for SparrowHawk gyroplane kits have been received, with first deliveries expected prior to the end of fiscal year 2004. In addition, 21 AAI dealerships have been established, 16 in the United States and 5 overseas.

GBA is continuing to offer its four-seat Hawk 4 Gyroplane powered by a Rolls-Royce Model 250 420shp turboprop engine which has been developed to become the Company's major production aircraft. GBA has flown the Hawk 4 in several hundred incident-free sorties, over hundreds of hours of flight time in its pre-certification flight test program. The Company's Business Plan is oriented in its immediate priorities toward offering the Hawk 4 Gyroplane in its already well tested form to the US government, and to governments of friendly countries. This would give GBA the opportunity to begin receiving revenues ahead of FAA certification and as a result to require a need for sharply reduced funding to permit the start of production of the Hawk 4. Consistent with this objective, GBA has been presenting the case for the Hawk 4's utility in this role to members of Congress, appropriate Federal Agencies, and to State and local agencies across the nation.

The attempted shooting down of an Israeli commercial aircraft approaching Mombasa airport in Kenya, by Al Qaeda terrorists using SAM shoulder-mounted missiles, has made the issue of protection of commercial aircraft from such missile attacks an extremely important issue. Several proposals have been made to fit military missile defense systems to commercial aircraft, but these approaches are hugely expensive and would take years to develop and install. GBA asserts that the most practical and effective deterrent to missile attacks remains intensive patrolling by safe, low cost Hawk 4 gyroplanes. GBA has therefore approached principal government agencies, including the Transportation Security Administration (TSA) of the Department of Homeland Security, the Office of Domestic Preparedness (ODP) of the Department of Justice, as well as representatives of airport authorities and airlines, to present the case for the Hawk 4 in this role.

During the first quarter of fiscal year 2003, the Company suspended its flight testing of the Hawk 4 at its Buckeye facility in Arizona, but is intending to recommence that program as soon as funding permits. The Company is continuing to market this aircraft for Public Use applications, particularly Homeland Defense, and is seeking orders within the Federal 2005 Budget . The Company is confident that the safety, reliability, maneuverability and low operating cost of the Hawk 4 will permit it to perform competitively with helicopters (and airplanes) for many missions requiring low, slow flight, but without the requirement for a runway for take-off or landing.

Management believes that it is in the national interest that GBA's unique gyroplane technology is developed. The terrorist actions of September 11, 2001 and later have triggered important new opportunities to use GBA's technology in new counter-terrorism applications. The new circumstance of our country, as well as other countries, is requiring sharply increased levels of vigilance by many branches of government to protect critical national assets against terrorist attack. Public Use regulations would permit the Hawk 4 to be utilized as a highly efficient, safe, and inexpensive means of providing needed surveillance by government agencies for such roles. These include border patrol as well as protection of pipelines, nuclear power plants and key transportation infrastructures for which the Hawk 4 is particularly well suited, performing such missions far more effectively, and often at far lower cost, than other air or ground vehicles.

The Company continues to seek other opportunities to present its unique gyroplane technology to potential purchasers and investors and to broaden public recognition that the modern gyroplane has an important place in aviation. Furthermore, GBA's technology is fully scalable and readily adaptable to the gyroplane's derivative form, the gyrodyne, a rotary wing aircraft that uses "tipjets" for short duration power permitting pure vertical takeoff and landing and the capability to hover. During the en route portion of the flight the tipjets are turned off and the gyrodyne flies as a gyroplane in autorotation. Such an aircraft is capable of both lifting a substantial payload in gyrodyne mode and covering substantial range as a gyroplane. The technical validity of this concept was demonstrated by the British Fairey Rotodyne in the 1960's. With the application of modern technology developed either by GBA or in the public domain, the concept is ready to be turned into a highly utilitarian aircraft.

In recognition of these capabilities, GBA has presented a proposal to the Defense Advanced Research Projects Agency (DARPA) to develop a large gyrodyne to meet a critical unsatisfied need by the Defense Department. For the past three years, DOD has been seeking a vertical takeoff aircraft with lift and range capabilities that no aerospace manufacturer has been able to offer. GBA's proposal, incorporating a rotary wing on an existing fixed-wing aircraft, has received wide-ranging coverage in the aerospace press and is seeking to receive government support for further development of its GyroLifter concept. The Company has also identified possible additional applications, for example as the key logistics element of a future DOD seabasing strategy and separately, as a modern and highly effective firefighting vehicle capable not only of combating forest fires, but also those in high-rise buildings.

The gyrodyne technology developed for the GyroLifter also has direct application to the design of short-range VTOL commercial airliners. Growth in the economy will produce heavy demand for aircraft that do not require runways and are not limited by air traffic control constraints and GBA anticipates an opportunity to develop such an aircraft. By using the airframe of an existing type-certificated production airplane and adding GBA's rotor system, gyrodyne airliners can be delivered for substantially less investment and in less time than would normally be required to bring a new airliner to market.

The Company's longer-range plans have identified opportunities for large (18-60 seat) gyrodynes to provide commercial passenger service in short- and medium-range markets. Two recent studies lend support to the Company's belief in this respect. A NASA study presented in May 2003, identified the critical need for "runway-independent aircraft." A subsequent study by a distinguished expert panel set up by the Aeronautics and Space Engineering Board (ASEB) of the National Research Council published its study entitled "Securing the Future of U.S. Transportation; A System in Peril." This demonstrated a coming crisis from a lack of adequate runway and air traffic control capacity. The Company has discussed with major aerospace companies the merits of its GyroLiner, pointing to the fact that approximately 30% of current commercial aircraft movements could be operated by runway- and ATC-independent GyroLiners, thereby freeing that capacity for additional longer-haul.

Patents

GBA presently owns U.S. and international patents which relate to collective pitch and flight controls. The important element of these patents is collective pitch control on a semi-rigid, teetering rotor head for gyroplanes. This is different from similar sounding claims for helicopters as this concept has never before been applied to gyroplanes. GBA's patent opportunity existed because of a fifty-year hiatus in development in gyroplane technology.

Properties

The Company leases its development/manufacturing facility located at 2640 W. California Avenue, Suite A, Salt Lake City, UT 84104-4593. This property of approximately 25,000 square feet, houses its Headquarters and its administrative offices and within this facility it has assembled the Hawk 4 prototypes and produced parts for the SparrowHawk. In addition, the Company leases a flight facility in Buckeye Airport, Arizona, of approximately 12,000 square feet. All flight testing of the Company's aircraft takes place at Buckeye as well as some parts manufacture and assembly of the AAI SparrowHawk products. AAI's headquarters are located at this facility.

In August 2001, the Company announced that it would move its corporate headquarters from Salt Lake City, Utah, to a new manufacturing facility in Glendale, Arizona. However, since the events of 9-11, and the effect that these have had on the Company, any decision to build and move into a new factory has been postponed. It is now the Company's intent to begin manufacturing of the Hawk 4 in its current facility in Salt Lake City, Utah.

Results of Operations

Revenues

Comparing the three months ended December 31, 2003 to the same period ended December 31, 2002, total revenues increased to $56,000 from $0. For the three months ended December 31, 2003, the revenues were comprised of $7,000 from sales of modification kits, $7,000 from flight training, and $42,000 from subcontract manufacturing. There were no revenues from these sources during the three months ended December 31, 2002. Comparing the six months ended December 31, 2003 to the same period ended December 31, 2002, total revenues increased to $87,000 from $0. For the six months ended December 31, 2003, the revenues were comprised of $36,000 from sales of modification kits, $9,000 from flight training, and $42,000 from subcontract manufacturing.

At December 31, 2003, advanced deposits of $674,000 included in deferred revenue from AAI customers and AAI Dealers for modification kits and SparrowHawk Gyroplane kits, have added significantly to overall cash flow. During fiscal year 2004, the Company will be progressively increasing its focus on satisfying a growing demand for SparrowHawk Gyroplane kits, and, to a lesser extent, for modification kits. The Company expects the first deliveries of complete SparrowHawk kits will occur prior to the end of fiscal year 2004. While less in dollar amount, flight training revenue will be an ongoing addition to Company cash flow. The Company does not consider subcontract manufacturing revenues as a significant future source of ongoing revenue to the Company.

Costs and Expenses

Comparing the three months ended December 31, 2003 to the same period ended December 31, 2002, cost of sales increased to $30,000 from $0. This was due to the costs associated with the sales of modification kits and the subcontract manufacturing. Comparing the six months ended December 31, 2003 to the same period ended December 31, 2002, cost of sales increased to $68,000 from $0. The Company has experienced a negative gross profit on the modification kits because of the nonrecurring and “learning curve” costs that are normally experienced in the introductory production of a new product. For the remainder of fiscal year 2004, the Company anticipates that lower production costs for modification kits will result from increased production efficiencies that come with experience and economies of scale, yielding a positive gross profit on this product. The condensed consolidated statements of operations for the three and six months ended December 31, 2003 reported a gross margin on sales. However, this margin was attributed primarily to the subcontract manufacturing revenue.

Comparing the three months ended December 31, 2003 to the same period ended

December 31, 2002, research and development expenses decreased to $373,000 from $433,000. Comparing the six months ended December 31, 2003 to the same period ended December 31, 2002, research and development expenses decreased to $822,000 from $899,000. These decreases were due primarily to a reduction in research and development payroll as the work emphasis shifted almost entirely from developing the Hawk 4 and RevCon 6 to work on AAI modification kits and the AAI SparrowHawk Gyroplane.

Comparing the three months ended December 31, 2003 to the same period ended December 31, 2002, general and administrative expenses decreased to $326,000 from $401,000. Comparing the six months ended December 31, 2003 to the same period ended December 31, 2002, general and administrative expenses decreased to $711,000 from $890,000. These decreases were due partially to a reduction in general and administrative payroll related expenses and a general reduction in general and administrative purchasing in an effort to conserve limited cash resources for planned production of SparrowHawk kits and related sales and marketing initiatives.

Other Income and Expenses

Comparing the three months ended December 31, 2003, to the same period ended December 31, 2002, related party interest income was unchanged, amounting to $3,000. Similarly, related party interest income for the six months ended December 31, 2003 compared to the same period ended December 31, 2002 was unchanged, amounting to $5,000.

Comparing the three months ended December 31, 2003 to the same period ended December 31, 2002, interest and other income decreased to $11,000 from $59,000. Comparing the six months ended December 31, 2003 to the six months ended December 31, 2002, interest and other income decreased to $24,000 from $70,000. These decreases primarily were due to incidental sales of certain materials and parts of $41,000 which occurred in the three months ended December 31, 2003.

Comparing the three months ended December 31, 2003 to the same period ended December 31, 2002, interest expense increased to $418,000 from $287,000. Similarly, interest expense for the six months ended December 31, 2003 compared to the same period ended December 31, 2002 increased to $904,000 from $590,000. This was due to an increase in accrued interest on notes payable, on accrued payroll and on vendor payables, as well as the expense incurred in the three months ended December 31, 2003 in the issuance of stock options and warrants to lenders in connection with new debt or debt extensions.

Comparing the three months ended December 31, 2003 to the same period ended December 31, 2002, Series B Preferred Stock interest expense increased to $2,121,000 from $0. Comparing the six months ended December 31, 2003 to the same period ended December 31, 2002, Series B Preferred Stock interest expense increased to $5,130,000 from $0. This increase was due to reclassification of this expense to other expense pursuant to the adoption of Statement of Financial Accounting Standards No. 150.

Statement of Financial Accounting Standards No. 150 (SFAS 150), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," was issued May 2003 and is effective for periods beginning after June 15, 2003. SFAS 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. SFAS 150 requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. Many of those instruments were previously classified as equity.

For the six months ended December 31, 2003, and for all periods beginning after June 15, 2003, the Company's Series B 15% Cumulative Redeemable Non-Voting Preferred Stock is to be classified as a liability because it embodies an obligation of the Company and falls within the scope of SFAS 150. Previously, the Company's Series B preferred stock was classified as equity. As a result, as of September 30, 2003 the Company's Series B preferred stock is to be classified as a liability. Series B preferred stock accretion and dividends have been expensed during the three months and six months ended December 31, 2003 as an interest cost. Previously, Series B preferred stock accretion and dividends were not expensed as an interest cost but were applied to the net loss applicable to common stockholders.

Net Earnings

During the three months and six months ended December 31, 2003, the Company continued to record losses as it continued the transition toward full marketing and manufacturing of the Hawk Gyroplane series, as it manufactured and sold AAI modification kits and continued design of the SparrowHawk Gyroplane in anticipation of delivering SparrowHawk kits in the third quarter of fiscal year 2004. For the three months ended December, 2003, the loss from operations was $673,000, the net loss and the net loss applicable to common stockholders was $3,198,000. Comparatively, for the three months ended December 31, 2002 the loss from operations was $834,000, the net loss was $1,059,000, and the net loss applicable to common stockholders was $3,755,000. For the six months ended December, 2003, the loss from operations was $1,514,000, the net loss and the net loss applicable to common stockholders was $7,519,000. Comparatively, for the six months ended December 31, 2002 the loss from operations was $1,789,000, the net loss was $2,304,000, and the net loss applicable to common stockholders was $7,637,000. In fiscal year 2003, the additional net loss applicable to common stockholders is due to accretion in the value of the Series B 15% Cumulative Redeemable Non-Voting Preferred Stock and dividends on that stock that totaled $2,696,000 for the three months ended December 31, 2002 and $5,333,000 for the six months ended December 31, 2002. The increase in the net loss in fiscal 2004 over fiscal 2003 is due primarily to the reclassification of the Series B 15% Cumulative Redeemable Non-Voting Preferred Stock as a long-term liability, which resulted in the classification of associated dividends and accretion as interest cost.

Liquidity and Capital Resources

The Company's subsidiary, AAI, organized in fiscal year 2003, has entered the market for both modification kits to improve the stability of small gyroplanes produced by other manufacturers, and the home built market with its own SparrowHawk two-seat gyroplane. These markets typically make substantial advance down payments on orders, which will accelerate AAI's ability to become cash flow positive. Furthermore, AAI is continuing the process of setting up an extensive dealer network for the sale and product support of these modification kits and of its own SparrowHawk Gyroplane kit. Fees from dealership sales and advance customer deposits for future deliveries of modification kits and SparrowHawk Gyroplane kits are contributing significantly to AAI's initial cash flow. At December 31, 2003, advance deposits from customers of AAI amounted to $674,000, which are included in the balance sheet as deferred revenue.

Meanwhile, as previously reported, following the economic downturn and its impact on the aerospace industry of 9/11, the Company's fund-raising activities in the venture capital market were seriously impaired, resulting in active development of its Hawk 4 Gyroplane for commercial certification being deferred. The Company, however, continues actively to seek sales and funding for Public Use applications of the Hawk 4 as well as the SparrowHawk.

In the face of continuing fund-raising difficulties, in fiscal years 2002 and 2003, the Company successfully approached many of its principal vendors requesting that they accept a stretching out of payments beyond their normal terms. As a result, the Company is servicing much of its pre-November 2001 obligations to vendors utilizing a combination of repayment plans which include monthly payments for smaller vendor liabilities and promissory notes for larger vendor liabilities. Certain of the promissory notes have expired and are thus technically in default. The Company continues ongoing negotiations with those vendors and is seeking to reach agreement with each vendor either to extend the existing note or to a payment plan satisfactory to the parties.

Net cash used in operating activities was $2,200,000 for the six months ended December 31, 2003 and $1,356,000 for the six months ended December 31, 2002. Contributing to the increase in cash used in operating activities during the six months ended December 31, 2003 was the increase in inventories of $369,000, primarily for the manufacture and assembly of SparrowHawk kits, and the reduction of accounts payable of $417,000. These uses of cash were partially offset by the increase in deferred revenue of $440,000.

The Company has funded losses from operations during the six months ended December 31, 2003 primarily from the issuance of debt and the sale of common stock. Net cash provided by financing activities for the first six months of fiscal year 2004 was $2,813,000 compared to $1,232,000 for the comparable period of fiscal year 2003.

In November 2003, the Company successfully completed the sale of 8,000 shares of Series B 15% Cumulative Redeemable Non-Voting Preferred Stock for $2,000,000 cash. In addition, during the six months ended December 31, 2003, the Company raised $512,000, net of commissions, from the sale of common stock, and $301,000 from the net increase in debt. During the comparable six month period last year, the Company raised $832,000, net of commissions, from the sale of common stock and $400,000 from the net increase in debt. This funding has allowed to Company to move forward with its business plan and continue to approach the time when it will begin to complete and deliver SparrowHawk kits and generate cash flows from operations. However, the Company experienced improvement in its working capital deficit (net of amounts owed to current and former officers) from $10.9 million at June 30, 2003, to $9.6 million at December 31, 2003.

The Company in the past has successfully approached many of its principal vendors, successfully negotiating a combination of repayment plans which include monthly payments for smaller vendor obligations and promissory notes for larger vendor obligations. With the working capital raised during the quarter ended December 31, 2003, the Company has managed to once again bring scheduled payments to its creditors to a current status. In addition, the Company has made significant payments on tax obligations to Federal and State governments.

The Company is seeking to raise sufficient funds, primarily through the issuance of its common stock and debt, during the remainder of fiscal year 2004 to meet its current obligations. The Company's business plan, however, relies heavily on immediate sales and cash flows from SparrowHawk gyroplane kits and, ultimately, sales of the Hawk 4 Gyroplane to Public Use government entities. Additional capital will be required to permit a return to the Company's planned certification program on a stable financial basis.

There can be no guarantee or assurance that the Company will be successful in its ability to generate revenue or to raise capital at favorable rates or at all.

Management does not anticipate that revenues or expenses will be materially affected by inflation during the next twelve months of operations.

<u>Forward Outlook and Risks</u>

The Company, from time to time, may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological development, new products, research and development activities and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in any of the Company's forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of the Company's business include, but are not limited to, the following: (a) the failure to obtain additional borrowed and/or equity capital on favorable terms for acquisitions and expansion; (b) adverse changes in federal and state laws, or other matters affecting the Company's business; (c) the demand for the Company's products and services; and (d) other risks detailed in the Company's Securities and Exchange Commission filings.

This Form 10-QSB contains and incorporates by reference certain "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act with respect to results of operations and businesses of the Company. All statements, other than statements of historical facts, included in this Form 10-QSB, including those regarding market trends, the Company's financial position, business strategy, projected costs, and plans and objectives of management for future operations, are forward-looking statements. In general, such statements are identified by the use of forward-looking words or phrases including, but not limited to, "intended, will, should, may, expect, anticipate, estimates, *projects" or the negative thereof or variations thereon or similar terminology.*

Forward-looking statements are based on the Company's current expectations. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Because forward-looking statements involve risk and uncertainty, the Company's actual results could differ materially. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed hereunder and elsewhere in this Form 10-QSB. These forward-looking statements represent the Company's judgement as of the date of this Form 10-QSB. All subsequent written and oral forward-looking statements attributable to the Company are expressly qualified in their entirety by the Cautionary Statements. The Company disclaims, however, any intent or obligation to update its forward-looking statements.

Item 3. Controls and Procedures

(A) Evaluation of disclosure controls and procedures

Based on their evaluations as of December 31, 2003, the principal executive officer and principal financial officer of the Company have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act) are effective to ensure that information required to be disclosed by the Company in reports that the Company files or submits under the Securities Exchange Act is accumulated and reported to the Company's management in a timely manner, and recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

(B) Changes in internal controls

There were no significant changes in the Company's internal controls or in other factors that occurred during the quarter ended December 31, 2003 that materially affected or are reasonably likely to affect, the Company's internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is plaintiff in connection with four million shares issued for the purposes of obtaining a foreign loan in Luxembourg in 1993. In that suit the Company obtained injunctions in Germany and Luxembourg preventing those shares from being sold or liquidated. The Company prevailed in the case at appellate levels. The Company continues in the process of obtaining a court order from Luxembourg to have the certificates returned to the Company.

The Company previously reported that it was a defendant in a suit in the State of New York in the matter of a public relations company that alleged non-payment for services allegedly provided to the Company pursuant to a certain letter agreement between the plaintiff and the Company. This action has been settled out of court on terms acceptable to both parties. During the quarter ended December 31, 2003. as a result of this settlement, the Company has reduced the liability due to the public relations company by approximately $75,000.

Item 2. Changes in Securities and Use of Proceeds

In October 2003, the Company filed an Amendment to Second Restated Articles of Incorporation to: (i) extend the maturity date of the Series B Preferred Stock from October 31, 2003 to October 31, 2005, (ii) increase the amount of indebtedness that the Company may incur without the consent of the holders of the Company's Series B Preferred Stock from $18,000,000 to $18,500,000 and (iii) require the Company to give notice to the holders of the Company's Series B Preferred Stock prior to making any capital expenditures in excess of $300,000, individually or in a series of related transactions.

In November 2003, the Company filed a Second Amendment to Second Restated Articles of Incorporation to: (i) define the maturity date of the Series B Preferred Stock as the first to occur of (A) October 31, 2005, (B) the occurrence of a "liquidation event" or (C) the date that is six (6) months following the receipt by the Corporation and/or affiliate(s) thereof of proceeds from one or more financing transactions in excess of $50,000,000, (ii) require pro rata redemptions of the Company's Series B Preferred Stock with the proceeds of certain financing transactions that exceed $20,000,000 in the aggregate and (iii) require all redemptions of Series B Preferred Stock to be made wholly in cash.

The documents underlying these changes are filed as exhibits to this Form 10-QSB.

Item 3. Defaults Upon Senior Securities. None.

Item 4. Submission of Matters to a Vote of Security Holders. None.

Item 5. Other Information. None.

Item 6. **Exhibits and Reports on Form 8-K.**

(a) Exhibits

Exhibit 3.1 Amendment to Second Restated Articles of Incorporation of Groen Brothers Aviation, Inc.

Exhibit 3.2 Second Amendment to Second Restated Articles of Incorporation of Groen Brothers Aviation, Inc.

Exhibit 31.1 Certification of principal executive officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2 Certification of principal financial officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32.1 Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 32.1 Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K. None.

SIGNATURES

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

GROEN BROTHERS AVIATION, INC.

Date: February 16, 2004

By: __/s/ David Groen____________
David Groen, President and Chief Executive Officer
(Principal Executive Officer)

Date: February 16, 2004

By: __/s/ Dennis P. Gauger____________
Dennis P. Gauger, Chief Financial Officer and Secretary
(Principal Financial and Accounting Officer)

Exhibit 3.1

AMENDMENT TO

SECOND RESTATED

ARTICLES OF INCORPORATION

OF

GROEN BROTHERS AVIATION, INC.

Pursuant to authority expressly granted to and vested in the Board of Directors of Groen Brothers Aviation, Inc. (the "Corporation") by the Amended and Restated Articles of Incorporation of the Corporation and pursuant to the Utah Revised Business Corporation Act (the "Act"), the Corporation hereby adopts the following Amendment to its Amended and Restated Articles of Incorporation:

A. The name of this corporation is Groen Brothers Aviation, Inc.

B The Second Restated Articles of Incorporation of this Corporation filed with the Utah Division of Corporations and Commercial Code (the "Division") on June 7, 2002 (the "Articles of Incorporation") are hereby amended to: (i) extend the "maturity date" of the Series B Preferred Stock from October 31, 2003 to October 31, 2005, (ii) increase the amount of indebtedness that the Corporation may incur without the consent of the holders of the Corporation's Series B Preferred Stock from $18,000,000 to $18,500,000 and (iii) require the Corporation to give notice to the holders of the Corporation's Series B Preferred Stock prior to making any capital expenditures in excess of $300,000, individually or in a series of related transactions.

C. This Amendment to the Second Restated Articles of Incorporation of the Corporation (this "Amendment") was adopted by (i) unanimous written consent of the Corporation's Board of Directors on October 6, 2003 and (ii) the holders of in excess of eighty percent (80%) of the issued and outstanding shares of the Corporation's Series B Preferred Stock pursuant to a written consent dated October 14, 2003. The vote cast by the holders of the Corporation's Series B Preferred Stock was sufficient to authorize this Amendment. Approval of the Common Shareholders was not required to authorize this amendment to the Second Restated Articles of Incorporation. In order to effectuate the foregoing, the Second Restated Articles of Incorporation are hereby amended as follows:

1. By deleting Section B(e)(1) of Article III and replacing such section with the following text:

(e) <u>Mandatory Redemption</u>.

(1) On October 31, 2005 (the "Maturity Date"), the Corporation shall be obligated to redeem all issued and outstanding shares of Series B Preferred Stock from the holders thereof. For each share of the Series B Preferred Stock, the Corporation shall be obligated to pay to the holder thereof (upon surrender by such holder at the Corporation's principal office of the certificate representing such share of Series B Preferred Stock) an

amount in cash equal to the Stated Value of such share (plus all accrued and unpaid dividends thereon) (the "Redemption Price").

2. By deleting Section B(h) of Article III and replacing such section with the following text:

(h) Consent of Series B Preferred Stockholders Required. So long as any shares of the Series B Preferred Stock remain outstanding, the Corporation shall not, without obtaining the prior written consent of the holders of at least eighty percent (80%) in number of the shares of the Series B Preferred Stock then issued and outstanding, voting separately as a class, (i) adopt any amendment or supplement to its Articles of Incorporation or take any other action which would alter or change the powers, preferences or special rights of the Series B Preferred Stock so as to adversely affect the holders thereof, (ii) issue any additional shares of Series B Preferred Stock, (iii) create, authorize or issue (or permit any subsidiary to create, authorize or issue) any other class or series of capital stock of the Corporation or any subsidiary ranking senior to or on parity with the Series B Preferred Stock with respect to dividend rights, redemption rights or rights upon dissolution, liquidation or winding up of the Corporation, (iv) except as provided below, incur or issue (or permit any subsidiary to incur or issue) any Debt (as hereinafter defined), (v) use the proceeds of any Debt for other than (1) general working capital purposes, (2) capital expenditures, (3) repayment of short-term Debt or (4) the refinance of existing Debt on terms more favorable to the Corporation, or (vi) make any capital expenditures that exceed $300,000, either singularly or in any series of related expenditures, without giving each holder of Series B Preferred Stock prior written notice of such capital expenditure (such notice to include a detailed description of the business purpose for making such expenditure). Notwithstanding subsection (h) (v) above, in no event shall the proceeds of any Debt be used to (i) pay any amounts associated with the Officers Deferred Salary Compensation Plan or (ii) repay Debt due to an officer, director or any "Affiliate" of either of such persons, other than repayment of Debt associated with either short term Debt that was used by the Corporation for its working capital requirements or accrued expenses or unpaid wages (excluding amounts associated with the Officers Deferred Salary Compensation Plan). "Debt" means (a) all indebtedness of the Corporation or any of its subsidiaries for borrowed money (but does not include those amounts associated with "advance deposits" on the sale of the Corporation's products or those amounts associated with the Corporation's Officers Deferred Salary Compensation Plan or accrued payroll and payroll related expenses or unpaid director's fees, whether or not represented by a note), (b) all obligations of the Corporation or any of its subsidiaries for the deferred purchase price of property or services, (c) all obligations of the Corporation or any of its subsidiaries evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness of the Corporation or any of its subsidiaries which, pursuant to any contract, agreement, warrant or option may be converted into equity securities of the Corporation, (e) all obligations of the Corporation or any of its subsidiaries created or arising under any conditional sale or other title retention agreement with respect to property acquired by the Corporation or any of its subsidiaries, (f) all obligations of the Corporation or any of its subsidiaries as lessee under leases that have been or should be, in accordance with GAAP, recorded as capital leases, (g) all obligations, contingent or otherwise, of the Corporation or any of its subsidiaries in respect of acceptances, letters of credit or similar extensions of credit, (h) all obligations of the Corporation or any of its subsidiaries in respect of any hedge agreements, (i) all Debt of others referred to in clauses (a) through (h) above or clause (j) below guaranteed directly or indirectly in any manner by the Corporation or any of its subsidiaries, or in effect guaranteed directly or indirectly by the Corporation or any of its subsidiaries through an agreement (1) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (2) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss, (3) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (4) otherwise to assure a creditor against loss, and (j) all Debt referred to in clauses (a) through (i) above secured by (or for which holder of such Debt has an existing right, contingent or otherwise, to be secured by) any lien on property (including, without limitation, accounts and contract rights) owned by the Corporation or any of its subsidiaries, even though the Corporation or any of its subsidiaries has not assumed or become liable for the payment of such Debt. Notwithstanding clause (iv) of this Section B(h) (but subject to clauses (v) and (vi) of this Section (B)(h)), the Corporation may incur up to $18,500,000 of Debt without the consent of the holders of the Series B Preferred Stock. "Affiliate" means a person, trust or entity, controlling, controlled by, or under common control with another person, trust or entity**.** Officers Deferred Salary Compensation Plan shall mean that plan titled "Officers Deferred Salary Compensation Plan" as adopted by the Corporation on October 2, 2003

IN WITNESS WHEREOF, this Second Amendment to the Amended and Restated Articles of Incorporation of GROEN BROTHERS AVIATION, INC. is hereby executed this 6th day of October 2003.

GROEN BROTHERS AVIATION, INC.

By: /s/ David Groen

Name: David Groen
Title: President & CEO

Exhibit 3.2

SECOND AMENDMENT

TO SECOND RESTATED

ARTICLES OF INCORPORATION

OF
GROEN BROTHERS AVIATION, INC.

Pursuant to authority expressly granted to and vested in the Board of Directors of Groen Brothers Aviation, Inc. (the "Corporation") by the Amended and Restated Articles of Incorporation of the Corporation and pursuant to the Utah Revised Business Corporation Act (the "Act"), the Corporation hereby adopts the following Second Amendment to its Second Restated Articles of Incorporation:

A. The name of this corporation is Groen Brothers Aviation, Inc.

B The Second Restated Articles of Incorporation of this Corporation filed with the Utah Division of Corporations and Commercial Code (the "Division") on June 7, 2002, as amended by the Amendment to Second Restated Articles of Incorporation of this Corporation filed with the Division on October 21, 2003 (the "Second Restated Articles of Incorporation") are hereby further amended to: (i) define the "maturity date" of the Series B Preferred Stock as the first to occur of (A) October 31, 2005, (B) the occurrence of a "liquidation event" or (C) the date that is six (6) months following the receipt by the Corporation and/or affiliate(s) thereof of proceeds from one or more financing transactions in excess of $50,000,000, (ii) require pro rata redemptions of the Corporation's Series B Preferred Stock with the proceeds of certain financing transactions that exceed $20,000,000 in the aggregate and (iii) require all redemptions of Series B Preferred Stock to be made wholly in cash.

C. This Amendment to the Second Restated Articles of Incorporation of the Corporation (this "Amendment") was adopted by (i) unanimous written consent of the Corporation's Board of Directors on November 18, 2003 and (ii) the holders of in excess of eighty percent (80%) of the issued and outstanding shares of the Corporation's Series B Preferred Stock pursuant to a written consent dated November 18, 2003. The vote cast by the holders of the Corporation's Series B Preferred Stock was sufficient to authorize this Amendment. Approval of the Common Shareholders was not required to authorize this amendment to the Second Restated Articles of Incorporation. In order to effectuate the foregoing, the Second Restated Articles of Incorporation are hereby further amended as follows:

1. By deleting Section B(e)(1) of Article III and replacing such section with the following text:

(1) On the first to occur of (i) October 31, 2005, (ii) a Liquidation Event, or (iii) the date that is six (6) months following the date on which the Corporation or any one or more of its Affiliate(s) receives aggregate cash proceeds from one or more Financing Transactions (as defined below) in excess of fifty million dollars ($50,000,000) (the "Maturity Date"), the Corporation shall be obligated to redeem all issued and outstanding

shares of Series B Preferred Stock from the holders thereof. For each share of Series B Preferred Stock, the Corporation shall be obligated to pay to the holder thereof (upon surrender by such holder at the Corporation's principal office of the certificate representing such share of Series B Preferred Stock) an amount in cash equal to the Stated Value of such share (plus all accrued and unpaid dividends thereon) (the "Redemption Price"). The Redemption Price must be paid, in cash, within three (3) business days following the Maturity Date. In addition, if the Corporation or an Affiliate engages in one or more Financing Transactions at any time after the effective date hereof in which the proceeds paid to the Corporation or any Affiliate(s) (taken together with the proceeds of any prior Financing Transaction that occurs after the effective date hereof) exceed twenty million dollars ($20,000,000) in the aggregate (such cumulative amount, the "Aggregate Proceeds"), then the Corporation will be required to redeem, on the date that is six (6) months following the closing date of such relevant Financing Transaction, a percentage of the then outstanding shares of Series B Preferred Stock (the "Base Number of Outstanding Shares") equal to the quotient determined by dividing the Aggregate Proceeds by $50,000,000. On the date that is six (6) months following each subsequent occasion on which the Corporation or any Affiliate(s) receives proceeds from a Financing Transaction (but in no event later than the Maturity Date), the Corporation shall be required to redeem a number of additional shares of Series B Preferred Stock equal to a percentage of the Base Number of Outstanding Shares, where such percentage shall equal the quotient determined by dividing the amount of such additional proceeds by $50,000,000. For example, (A) if the Aggregate Proceeds are $21,000,000 and the Base Number of Outstanding Shares is 20,000, then the Corporation will be required to redeem 8,400 shares of Series B Preferred Stock (42% of the Base Number of Outstanding Shares) and (B) if the Corporation or an Affiliate subsequently receives an additional $10,000,000 from a Financing Transaction, then the Corporation will be required to redeem an additional 4,000 shares of Series B Preferred Stock (an additional 20% of the Base Number of Outstanding Shares). All such partial redemptions shall be made in cash and shall be effected pro rata among the holders of the Series B Preferred Stock based on the number of shares of Series B Preferred Stock held by such holders. "Financing Transaction" means debt, equity, stock purchase, asset purchase, license, tender offer, merger or other transaction involving the assets, securities or shareholders of the Corporation; provided that any such transaction in which (i) the aggregate proceeds paid to the Corporation, its shareholders or their respective Affiliates is less than $3,000,000 and (ii) the purchaser, acquirer, lender, licensee or other contracting party is not an Affiliate of any other person or entity who has, at any time, engaged in a Financing Transaction of any dollar amount or value with the Corporation, its shareholders or their respective Affiliates shall not be considered a Financing Transaction for purposes hereof.

2. By deleting Section B(e)(2) of Article III and replacing such section with the following text:

(2) [Intentionally Omitted].

3. By deleting Section B(e)(3) of Article III and replacing such section with the following text:

(3) [Intentionally Omitted].

4. By deleting Section B(e)(4) of Article III and replacing such section with the following text:

(4) [Intentionally Omitted].

IN WITNESS WHEREOF, this Second Amendment to the Second Restated Articles of Incorporation of GROEN BROTHERS AVIATION, INC. is hereby executed this 18th day of November, 2003.

GROEN BROTHERS AVIATION, INC.

By: /s/ David Groen
Name: David Groen
Title: President & CEO

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a - 14(a) OF THE
SECURITIES EXCHANGE ACT 0F 1934, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David Groen certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of Groen Brothers Aviation, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting..

/s/ David Groen

David Groen, President and Chief Executive Officer
(Principal Executive Officer)
February 16, 2004

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13a - 14(a) OF THE
SECURITIES EXCHANGE ACT 0F 1934, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dennis P. Gauger certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of Groen Brothers Aviation, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting..

/s/ Dennis P. Gauger
Dennis P. Gauger, Chief Financial Officer and Secretary
(Principal Accounting Officer)
February 16, 2004

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Groen Brothers Aviation, Inc. (the "Company") on Form 10-QSB for the period ending December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Groen, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

a. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

b. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David Groen
David Groen, President and Chief Executive Officer
(Principal Executive Officer)
February 16, 2004

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Groen Brothers Aviation, Inc. (the “Company”) on Form 10-QSB for the period ending December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Dennis P. Gauger, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

c. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

d. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dennis P. Gauger
Dennis P. Gauger, Chief Financial Officer and Secretary
(Principal Accounting Officer)
February 16, 2004