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GYRODYNE CO OF AMERICA INC
Form DEF 14A
December 20, 2002

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

| | | | |
|-------------------------------------|---|--------------------------|--------------------------------|
| <input type="checkbox"/> | Preliminary Proxy Statement | <input type="checkbox"/> | Soliciting Material Under Rule |
| <input type="checkbox"/> | Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) | | 14a-12 |
| <input checked="" type="checkbox"/> | Definitive Proxy Statement | | |
| <input type="checkbox"/> | Definitive Additional Materials | | |

Gyrodyne Company of America, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

GYRODYNE COMPANY OF AMERICA, INC.
102 FLOWERFIELD
SAINT JAMES, NEW YORK 11780

NOTICE OF ANNUAL MEETING
OF SHAREHOLDERS
TO BE HELD ON

JANUARY 23, 2003

TO THE SHAREHOLDERS OF GYRODYNE COMPANY OF AMERICA, INC.

NOTICE IS HEREBY GIVEN, pursuant to the Bylaws, that the Annual Meeting of Shareholders (the "Annual Meeting") of Gyrodyne Company of America, Inc. (the "Company"), will be held at Flowerfield Celebrations, Mills Pond Road, Saint James, New York, on Thursday, January 23, 2003 at 11:00 o'clock in the forenoon, Eastern Time.

The purpose of the Annual Meeting is to consider and vote upon the following matters:

1. To elect two (2) Directors to a three year term of office, and one (1) Director to a one year term of office; or until their successors shall be elected and shall qualify;
2. To ratify the engagement of Holtz Rubenstein & Co., LLP, independent accountants as auditors of the Company and its subsidiaries for the Fiscal Year ending April 30, 2003;
3. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. By order of the Board of Directors, only Shareholders of Record at the close of business December 1, 2002 are entitled to notice of and to vote at the Annual Meeting, or any adjournment thereof. Enclosed in this mailing are the Notice of the 2002 Annual Meeting of Shareholders, Proxy Statement, Proxy Card and Attendance Registration.

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To obtain an admittance card for the Meeting, please complete the enclosed Attendance Registration form and return it with your Proxy Card. If your shares are held by a bank or broker, you may obtain an admittance card by returning the Attendance Registration form they forwarded to you. If you do not receive an Attendance Registration form, you may obtain an admittance card by sending a written request, accompanied by proof of share ownership to the undersigned. For your convenience, we recommend that you bring your admittance card to the Annual Meeting so you can avoid registration and proceed directly to the Meeting. However, if you do not have an admittance card by the time of the Meeting, please bring proof of share ownership to the registration area where our staff will assist you.

By Order of the Board of Directors,

Peter Pitsiokos, Corporate Secretary

December 23, 2002

YOUR VOTE IS IMPORTANT

ALL SHAREHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON. HOWEVER, WE ENCOURAGE YOU TO SIGN, DATE AND PROMPTLY RETURN THE PROXY IN THE ENCLOSED ENVELOPE, REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE MEETING. GIVING YOUR PROXY WILL NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ATTEND THE MEETING, BUT WILL HELP ASSURE A QUORUM AND AVOID FURTHER PROXY SOLICITATION COSTS. ATTENDANCE AT THE ANNUAL MEETING IS LIMITED TO SHAREHOLDERS, THEIR PROXIES AND INVITED GUESTS OF THE COMPANY. FOR IDENTIFICATION PURPOSES, "STREET NAME" SHAREHOLDERS WILL NEED TO BRING A COPY OF A BROKERAGE STATEMENT REFLECTING STOCK OWNERSHIP AS OF THE RECORD DATE.

PROXY STATEMENT ANNUAL MEETING OF SHAREHOLDERS

IN GENERAL

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") of Gyrodyne Company of America, Inc. (the "Company") for use at the Annual Meeting of Shareholders (the "Annual Meeting") to be held January 23, 2003 at 11:00 a.m., Eastern Time at Flowerfield Celebrations, Mills Pond Road, Saint James, New York 11780 and at any and all adjournments thereof.

VOTING SECURITIES AND PROXIES

The Board has fixed the close of business on December 1, 2002, as the Record Date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting. The securities which may be voted at the Annual Meeting consist of shares of common stock of the Company. Holders of Common Stock are entitled to one vote per share. Shareholders do not have cumulative voting rights. It is necessary for a Quorum that record holders of a majority of the shares be represented by proxy or in person at the Annual Meeting. The number of shares of Common Stock (par value \$1 per share) outstanding on the Record Date was 1,115,862, the Company's only authorized class of stock. This Proxy Statement and the enclosed proxy card were mailed commencing on or about December 23, 2002.

Proxies solicited by the Board will be voted in accordance with the instructions given therein. Where no instructions are indicated, proxies will be voted "FOR" the election of the nominees for director, and "FOR" ratification of the

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appointment of the independent auditor. Directors shall be elected by a majority of the votes cast. If you do not return your duly signed proxy card, your shares cannot be voted unless you attend the Annual Meeting and vote in person or present a duly signed proxy at the Annual Meeting. Proxies solicited hereby will be tabulated by inspectors of election designated by the Board of Directors, who will not be directors or officers of the Company. After the final adjournment of the Annual Meeting, the proxies will be returned to the Company for safekeeping.

PRINCIPAL SHAREHOLDERS

The following table sets forth as of December 1, 2002 those persons or entities known by the Company to be Beneficial Owners of more than 5% of the Company's Common Stock \$1 par value, its only equity security.

| Name and Address ----- | Type of Ownership ----- | Number of shares Owned ----- | Per |
|--|-------------------------------|------------------------------------|-----|
| Gerard Scollan (A) 80 Browns River Road Sayville, NY 11782 | Beneficial | 115,706 | |
| Gyrodyne Company of America, Inc. St. James, NY 11780 (B) | Beneficial | 82,580 | |
| Private Capital Management, Inc. 8889 Pelican Bay Blvd., Suite 500 Naples, Florida 34108 | Beneficial | 73,875 | |

(A) Includes 3,891 shares of Company Stock held by Lovin Oven Catering of Suffolk, Inc, of which Mr. Scollan is the majority shareholder.

(B) Since the Company has the authority to direct the HSBC Bank, USA, the Trustee of the Gyrodyne Pension Plan, to vote the securities of the Company held by the Pension Fund, Gyrodyne Company of America, Inc. has been listed above as the beneficial owner of the 82,580 shares held by the HSBC Bank, USA as Trustee for the Gyrodyne Pension Fund. The Board of Directors intends to instruct the trustees of the Pension Fund to vote "FOR" the election of the nominees for director and "FOR" ratification of the appointment of the independent auditor.

ELECTION OF DIRECTORS
(Proposal 1)

The By-Laws of the Company provide that there shall be not less than three (3), nor more than nineteen (19) directors. The number of directors of the Company is presently fixed by resolution of the Board of Directors at six (6). There are three (3) classes of directors serving staggered terms of office with each class to consist, as nearly as possible, of one-third of the total number of directors constituting the entire Board of Directors. Upon the expiration of the term of office for a class of directors, the nominees for that class are elected for a three (3) year term to serve until the election and qualification of their successors. Each properly executed Proxy received will be voted for the election of the three (3) nominees named below as directors to serve until the designated Annual Meeting of Shareholders shown below or until their respective successors

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shall be elected and shall qualify. The nominees have consented to be named as nominees in the Proxy Statement and to serve as directors if elected.

Should any nominee become unable or unwilling to accept a nomination or election, the persons named in the enclosed Proxy will vote for the election of a nominee designated by the Board.

Following are the nominees who are currently directors of the Company. Information concerning the nominees, showing the year when first elected as a director of the Company, the age, principal occupation and principal affiliations, is as follows:

NOMINEES FOR DIRECTOR
Term Expiring in 2003

| | |
|--|--|
| Richard B. Smith Director since 2002 Age 48 Term Expiring in 2005 | Senior Vice President for Sales, Suffolk County National Bank, Mayor of the Incorporated Village of Nissequogue, New York, President Smithtown Historical Society. |
|--|--|

| | |
|--|--|
| Robert H. Beyer Director since 1977 Age 69 | Consultant, retired Naval Air Systems Command Engineer, retired Captain, United States Naval Reserves, Retired Technical Representative for the Company's former helicopter subsidiary. Member of the Audit and Stock Option Committees. |
|--|--|

| | |
|---|--|
| Robert F. Friemann Director since 1998 Age 54 | CPA and retired Partner of Albrecht, Viggiano , Zureck & Company, P.C. Member of the Executive, Executive Compensation and Stock Option Committees. Chairman of Audit Committee. |
|---|--|

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE NOMINEES FOR DIRECTOR. THIS IS IDENTIFIED AS ITEM 1 ON THE ENCLOSED PROXY CARD.

SECURITY OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS AND NOMINEES

The following table sets forth as of December 1, 2002 the outstanding voting securities beneficially owned by the directors and executive officers and the number of shares owned by directors and executive officers as a group.

| Name & Positions With The Company | Shares of stock Beneficially Owned | |
|--|---------------------------------------|-----|
| Stephen V. Maroney, President, CEO, Treasurer and Director | 16,293 | |
| Peter Pitsiokos, Exec. Vice President, Secretary & General Counsel | 11,491 | (A) |
| Robert H. Beyer, Director | 8,063 | (C) |
| Robert F. Friemann, Director | 3,291 | |
| Paul L. Lamb, Chairman of the Board of Directors | 15,989 | (D) |
| Philip F. Palmedo, Director | 9,999 | |
| Richard B. Smith, Director | -0- | |

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 All Directors and Executive
 Officers as a Group (Seven (7) Persons) 65,126

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

DIRECTOR COMPENSATION

Directors who are full-time salaried employees of the Company are not compensated for their service on the Board or any committee. Non-employee directors are paid an annual fee of \$12,000.00, \$1,000.00 for each Director's meeting attended, \$500.00 for each committee meeting attended and travel and lodging expenses where appropriate. All compensation is paid in cash. There was no additional compensation paid by the Company to any other Director for Fiscal Years 2001 or 2002.

Non-Employee Director's Stock Option Plan

The Company adopted a non-qualified stock option plan for all non-employee Directors of the Company in October 1996. Each non-employee Director was granted an initial 2,500 options on the date of adoption of the plan. These options were exercisable in three equal annual installments commencing on the first anniversary date subsequent to the grant. Additionally, each non-employee Director was granted 1,250 options on each January 1, 1997 through 2001, respectively. These additional options are exercisable in full on the first anniversary date subsequent to the date of grant.

A summary of the Company's various fixed stock option plans as of April 30, 2002 and 2001, and changes during the years then ended is presented below:

| | Years Ended April 30, | | |
|--------------------------------|-----------------------|---------------------------------|---------|
| | 2002 | | |
| Fixed Stock Options | Shares | Weighted Average Exercise Price | Shares |
| Outstanding, beginning of year | 120,975 | \$ 14.90 | 93,475 |
| Granted | 35,090 | 15.94 | 33,275 |
| Exercised | (5,500) | 14.08 | -- |
| Canceled | (8,225) | 16.02 | (5,775) |

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| | | | |
|---|------------------|------------------|------------------|
| Outstanding, end of year | 142,340 ===== | 15.13 | 120,975 ===== |
| Options exercisable at year end | 142,340 ===== | 15.13 | 102,000 ===== |
| Weighted average fair value of options granted during the year | | \$ 5.35 ===== | |

The following table summarizes information about stock options outstanding at April 30, 2002:

| Range of Exercise Price ----- | Options Outstanding ----- | | | Options Outstanding ----- |
|-------------------------------------|--------------------------------|--|---|---------------------------------|
| | Number Outstanding ----- | Weighted Average Remaining Contractual Life ----- | Weighted Average Exercise Price ----- | |
| \$10.73 - \$13.46 | 37,675 | 2.15 | \$11.56 | 37,675 |
| \$14.23 - \$16.16 | 65,065 | 3.87 | \$15.26 | 65,065 |
| \$18.16 - \$19.10 | 39,600 | 2.96 | \$18.30 | 39,600 |

Shares reserved for future issuance at April 30, 2002 are comprised of the following:

Shares issuable upon exercise of stock options under the
Company's Non-Employee Director Stock Option Plan

Shares issuable under the Company's Non-Employee
Director Stock Compensation Plan

Shares issuable upon exercise of stock options under
the Company's stock incentive plan

Shares issuable under the Company's stock grant incentive plan

Interest of Directors in Transactions with the Company

Mr. Paul L. Lamb, Chairman of the Board of Directors, is a partner in the law firm of Lamb & Barnosky, LLP, which performs legal services for the Company and is paid its usual and customary fees for those services. In Fiscal Year 2002, total fees paid to Lamb & Barnosky, LLP were \$309,191.

BOARD MEETINGS, COMMITTEES AND MEMBERSHIP

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Attendance

There were ten regular and special meetings of the Board of Directors during Fiscal Year 2002 (May 1, 2001 through April 30, 2002). Each Director attended at least 75% of the aggregate number of meetings of the Board of Directors of the Company.

Committees

The committees consist of the Audit Committee, Executive Committee, Executive Compensation Committee, Nominating Committee and Stock Option Committee.

The Executive Committee consists of three non-employee members and Mr. Maroney. Directors presently serving on the Executive Committee include Mr. Lamb (Chairman), Mr. Friemann, Mr. Maroney and Mr. Palmedo. The Executive Committee exercises all the authority of the Board of Directors in the management and business affairs of the Company during the intervals between meetings of the Board except with respect to certain matters that by statute may not be delegated by the Board of Directors. The committee met eight times during FY 2002.

The Audit Committee consists of independent directors, in accordance with the existing requirements of NASDAQ. The functions of the Audit Committee include meeting with the Company's independent auditors annually to review

financial results, audited financial statements, internal financial controls and procedures and audit plans and recommendations. The Audit Committee also recommends the selection, retention or termination of the Company's independent auditors, approves services to be provided by the independent public accountants and evaluates the possible effect the performance of such services will have on the accountants' independence. The committee met once during FY 2002 and its members are Mr. Friemann, Mr. Beyer and Mr. Palmedo.

The Executive Compensation Committee consists entirely of non-employee directors and oversees the Company's compensation and benefit policies and programs. It recommends to the Board annual salaries, bonuses and other benefits for elected officers. The Committee met once in FY 2002 and its members are Mr. Lamb and Mr. Friemann.

The Nominating Committee consists entirely of non-employee directors and recommends guidelines to the Board regarding the size and composition of the Board and criteria for the selection of nominees. It also recommends the slate of director nominees to be included in the proxy statement and recommends candidates for vacancies which may occur. The Nominating Committee will accept for consideration stockholders' nominations for directors if made in writing. The nominee's written consent to the nomination and sufficient background information on the candidate must be included to enable the Committee to make proper judgments as to his or her qualifications. Nominations must be addressed to the Secretary of the Company at the Company's headquarters and must be received no later than the deadline for submissions of stockholders proposals in order to be considered for the next annual election of directors. The Committee met once during FY 2002 and its members were Mr. Lamb, Mr. Maroney and Mr. Palmedo.

The Stock Option Committee consists entirely of non-employee directors not eligible to participate in the Company's 1993 Stock Incentive Plan or other stock option plans for the benefit of Company employees. The primary functions of the Stock Option Committee include the review and administration of employee stock option plans for the benefit of officers and key employees. It also

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recommends to the Board stock options and awards. The Committee met once during FY 2002 and its members are Mr. Beyer and Mr. Friemann.

COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934

A review of all Forms 3 and 4 filed with the Company indicates that none of the executive officers or directors were late in filing any required Forms 3 or Forms 4 with the Securities and Exchange Commission for fiscal year 2002. A review of prior year filings indicates that no 10% holder of Gyrodyne Common Stock \$1 par value failed to file timely reports.

REPORT OF THE AUDIT COMMITTEE

Pursuant to newly adopted rules by the Securities and Exchange Commission (the SEC) and the National Association of Securities Dealers, Inc. (the NASD), the Audit Committee of Gyrodyne Company of America, Inc. has issued the following report and affirmed that:

(i) All financial reports (Form 10-QSB and 10-KSB) issued subsequent to March 15, 2001 are reviewed by both the Company's independent auditors and the members of this committee prior to filing such reports with the SEC.

(ii) Audited financial statements have been reviewed and discussed with management.

(iii) We have reviewed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 pertaining to communications with Audit Committees.

(iv) We have received from and discussed with the auditors, disclosures regarding the auditors' independence as required by Independence Standards Board Standard No. 1.

(v) Based on our review of and discussion about the audited financial statements, we have recommended they be included in the Company's Annual Report on Form 10-KSB.

(vi) The members of the Company's Audit Committee qualify as being independent as defined in the applicable standards issued by the NASD.

(vii) The Board of Directors has adopted a written charter for the Audit Committee which is included in this proxy statement as Appendix A.

Members of the Committee
Robert F. Friemann
Robert H. Beyer
Philip F. Palmedo

COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Company's executive compensation program is administered by the Executive Compensation Committee of the Board. The Committee reviews and recommends compensation for executive officers. The Committee's recommendations are considered by the Board's non-employee directors.

The goal of the Company's Executive Compensation Committee is to ensure that an appropriate relationship exists between executive compensation and the creation of shareholder value, while at the same time motivating and retaining key employees. Salary guidelines for executive officers are established by comparing

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responsibilities of the position to similar positions in other comparable companies. The Company has long believed in the importance of aligning the interests of executives and shareholders through stock ownership by key employees. The primary components of compensation, base salary and stock option awards are designed to accomplish the Committee's goals.

The Committee evaluates management based on the Company's financial and non-financial performance recognizing that land and property management constitute the major portion of the Company's business activities.

Comparisons of the Company's compensation levels with those of similar land management and property rental organizations are extremely limited and primarily based on estimates since most are privately owned and not required to make public disclosures. In light of these estimations, it is the Committee's opinion that the Company's level of overall compensation is competitive and in the low to mid range on a comparative basis.

It is the position of both the Executive Compensation and the Stock Option Committees that management's performance can best be evaluated based on its ability to formulate, oversee and administer corporate strategy, which itself is the product of Board action and direction. For the foreseeable future, that strategy is to focus primarily on continued progress in the real estate operation, principally the development of Flowerfield.

In establishing the compensation for Messrs. Maroney and Pitsiokos, the Committee observes the policy set forth above for Executive Officers. No specific weighting is applied to the various factors in determining total compensation.

MEMBERS OF THE COMMITTEE
Robert F. Friemann, Chairman
Paul L. Lamb

EMPLOYMENT CONTRACTS, OTHER COMPENSATION AND CERTAIN TRANSACTIONS

The Company has a one year employment agreement with Mr. Maroney, who was appointed President, Chief Executive Officer and Treasurer of the Company in March, 1999. The employment contract provided for an annual base salary of \$209,500.00. In connection with the Company's appointment of Mr. Pitsiokos as Executive Vice President, General Counsel and Secretary, the Company also entered into a one year employment contract with an annual base salary of \$152,500.00. Both contracts provide for a severance payment equivalent to six months salary in the event of a change in control.

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

SUMMARY COMPENSATION TABLE Annual Compensation

| Name and Principal Position | Year | Annual Compensation | | | Long term Compe Awards | |
|--------------------------------|------|---------------------|---------------|--------------------------------------|-----------------------------------|--|
| | | Salary (\$) | Bonus (\$) | Other Annual Compensation (\$) | Restricted Stock Award (\$) | Securities Underlying Options/LSARs (#) |

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| | | | | | | |
|--|------|---------|---|------------|---|--------|
| Stephen V. Maroney President & CEO | 2002 | 190,750 | 0 | 0 | 0 | 13,750 |
| | 2001 | 181,058 | 0 | 0 | 0 | 10,500 |
| | 2000 | 176,269 | 0 | 4,875 (A) | 0 | 7,500 |
| Peter Pitsiokos Exec.V.P. and Secretary | 2002 | 123,128 | 0 | 0 | 0 | 14,300 |
| | 2001 | 127,242 | 0 | 20,647 (B) | 0 | 8,000 |
| | 2000 | 130,020 | 0 | 72,764 (B) | 0 | 3,500 |

(A) Mr. Maroney received shares for his services as Company Director with a fair market value of \$4,875 in FY 00. The FY 2000 distribution represents fees earned prior to his appointment as President. The Registrant has concluded that aggregate amounts of personal benefits to any of the current executives does not exceed the lesser of \$50,000 or 10% of compensation and bonuses reported above for the named executive officers, and that the information set forth in tabular form above is not rendered materially misleading by virtue of the omission of such personal benefits.

(B) For the year ended 2000, Mr. Pitsiokos received 4,093 shares from the exercise of stock appreciation rights granted in FY 95, 25% of which was amortized in FY 01 with a value of \$20,647 and 75% of which was amortized in FY 00 with a value of \$61,942. In addition, Mr. Pitsiokos received 525 shares in FY 00 from stock awards granted in FY 98 with a value of \$10,533.

1993 Stock Incentive Plan

In 1993, the shareholders adopted a stock incentive plan (the "Plan") under which participants may be granted Incentive Stock Options ("ISOs"), Non-Qualified Stock Options ("NQSOs") or Stock Grants. The purpose of the Plan is to promote the overall financial objectives of the Company and its shareholders by motivating those persons selected to participate in the Plan to achieve growth in shareholder value and retain the association of those individuals who are instrumental in achieving this growth. Such options or grants become exercisable at various intervals based upon vesting schedules as determined by the Stock Option Committee. The options expire between October 2004 and April 2007.

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

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

tender previously purchased stock, in lieu of cash, for the purchase of the

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options and receive additional options equal to the number of shares tendered.

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

| Name ----- | Shares Acquired on Exercise ----- | Value Realized ----- | Number of Securities Underlying Unexercised Options/LSAR's at April 30, 2002 Exercisable/Unexercisable ----- |
|---|--|----------------------------|---|
| Stephen V. Maroney President and CEO | -- | -- | 43,725/0 |
| Peter Pitsiokos Exec. V.P. and Secretary | -- | -- | 26,950/0 |

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS (Proposal 2)

The Board of Directors, upon the recommendation of the Audit Committee, comprised entirely of outside directors, has appointed Holtz Rubenstein & Co., LLP ("HR") of 125 Baylis Road, Melville, New York 11747, as independent public accountants of the Company and its subsidiaries for the current Fiscal Year, and to perform such other professional services, if any, as may be required of them. The appointment of HR has been ratified by the shareholders every year since 1990. The Board is requesting ratification of HR as independent public accountants. This firm has no financial interest in the Company or any connection with the Company other than as auditors and independent public accountants.

In the event the proposal is defeated, the adverse vote will be considered a direction to the Board to select other independent public accountants for the next fiscal year. However, because of the expense and difficulty of making any substitution of independent public accountants after the beginning of a fiscal period, it is contemplated that the appointment for 2003 will be permitted to stand unless the Board finds other reasons for making the change.

Audit fees. Audit fees with out of pocket expenses billed or expected to be billed to the Company by HR for the audit of the Company's financial statements for the fiscal year ended April 30, 2002 and for reviews of the Company's financial statements included in the Company's quarterly reports on Form 10-QSB for the last fiscal year totaled \$38,200.

Financial Information Systems Design and Implementation Fees. No fees were billed or are expected to be billed to the Company by HR for services provided during the last fiscal year for the design and implementation of financial information systems.

All Other Fees. Fees billed or expected to be billed to the Company by HR for all other non-audit services, including tax-related services, provided during the last fiscal year totaled \$22,000.

Representatives of HR are expected to be present at the annual shareholders meeting, will be given an opportunity to make a statement if they desire to do so, and are expected to be available at a designated time during the meeting to respond to appropriate questions.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THIS PROPOSAL. THIS

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IS IDENTIFIED AS ITEM 2 ON THE ENCLOSED PROXY CARD.

OTHER MATTERS

Management does not know of any other matters that may be presented. If any other matters properly come before the Annual Meeting or adjournments thereof, the persons named in the enclosed Proxy will vote on such matters in accordance with their best judgment pursuant to the discretionary authority included in the proxy.

The cost of soliciting proxies will be paid by the Company. In addition to solicitation by mail, Officers, Directors, and regular employees of the Company may, without compensation other than their regular compensation, solicit Proxies by telephone, by fax or in person. Brokerage houses and other custodians, nominees and fiduciaries will be requested to forward solicitation materials to their principals and the Company will reimburse the expense of so doing. In addition, Mackenzie Partners Inc., a proxy solicitation firm, will assist the Company in soliciting proxies for the Annual Meeting and will be paid a fee of \$5,000 plus out-of-pocket expenses.

Any shareholder executing the enclosed Proxy has the right to revoke it at any time prior to its exercise by delivering to the Company a written revocation or a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person. However, if you are a shareholder whose shares are not registered in your own name, you will need appropriate documentation from your record holder to attend the Annual Meeting and to vote personally at the Annual Meeting.

FINANCIAL STATEMENTS

Accompanying this Proxy Statement is the Annual Report for the latest Fiscal Year ended April 30, 2002 which includes audited Balance Sheets and Statements of Income and Cash Flow for each of the two most recent fiscal years.

2002 STOCKHOLDER'S PROPOSALS

The Company intends to hold its next Annual Meeting on October 16, 2003, therefore, any Shareholder's proposal intended to be presented at the 2003 Annual Meeting of Shareholders must, in accordance with Rule 14a-8 of the Proxy Rules of the Securities and Exchange Commission, be received at the Company's principal executive office on or prior to June 18, 2003, in order to be included in the Company's Proxy Statement and Form of Proxy relating to such annual meeting.

APPENDIX A

AUDIT COMMITTEE CHARTER

Organization

There shall be a committee of the Board of Directors to be known as the Audit Committee. The Audit Committee shall be composed of non-employee directors who are independent of the management of the corporation and are free of any relationship that, in the opinion of the Board of Directors, would interfere with their exercise of independent judgment as a committee member.

Statement of Policy

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The Audit Committee shall provide assistance to the corporate directors in fulfilling their responsibility to the shareholders, potential shareholders, and investment community relating to corporate accounting, reporting practices of the corporation, and the quality and integrity of the financial reports of the corporation. In so doing, it is the responsibility of the Audit Committee to maintain free and open means of communication between the directors, the independent auditors, the internal auditors, and the financial management of the corporation.

Responsibilities

In carrying out its responsibilities, the Audit Committee believes its policies and procedures should remain flexible, in order to best react to changing conditions and to ensure to the directors and shareholders that the corporate accounting and reporting practices of the corporation are in accordance with all requirements and are of the highest quality.

In carrying out these responsibilities, the Audit Committee will:

- Review and recommend to the directors the independent auditors to be selected to audit the financial statements of the corporation and its divisions and subsidiaries.
- Meet with the independent auditors and financial management of the corporation to review the scope of the proposed audit for the current year and the audit procedures to be utilized, and at the conclusion thereof review such audit, including any comments or recommendations of the independent auditors.
- Review with the independent auditors and financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls of the corporation, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable. Particular emphasis should be given to the adequacy of such internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.
- Review quarterly and annual financial statements contained in the annual report to shareholders with management and the independent auditors to determine that the independent auditors are satisfied with the disclosure and content of the financial statements to be presented to the shareholders. Any changes in accounting principles should be reviewed.
- Provide sufficient opportunity for independent auditors to meet with the members of the Audit Committee without members of management present. Among the items to be discussed in these meetings are the independent auditors' evaluation of the corporation's financial, accounting, and auditing personnel, and the cooperation that the independent auditors received during the course of the audit.
- Submit the minutes of all meetings of the Audit Committee to, or discuss the matters discussed at each committee meeting with, the Board of Directors.
- Investigate any matter brought to its attention within the scope of its duties, with the power to retain outside counsel for this purpose if, in its judgment, that is appropriate.

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Revocable Proxy

PROXY/AUTHORIZATION AND DIRECTION FOR EXECUTION
OF PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby constitutes Stephen V. Maroney and Peter Pitsiokos, and each of them, their true and lawful agents and proxies with full power of substitution in each, to represent the undersigned at the Annual Meeting of GYRODYNE COMPANY OF AMERICA, INC. to be held at the Company's Flowerfield Complex, St. James, New York 11780 on Thursday, January 23, 2003 at 11:00 A.M., and any adjournment thereof, and revoking all proxies heretofore given, as designated hereon. As to any other matter, the proxies shall be authorized to vote in accordance with their best judgment. This proxy shall remain in effect for a period of one year from its date.

SIGN BELOW - Please sign exactly as your name appears hereon. If shares are registered in more than one name, all should sign but if one signs, it binds the others. When signing as attorney, executor, administrator, agent, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by an authorized person. If a partnership, please sign partnership name by an authorized person.

Dated _____ Signature _____
Signature _____

THIS PROXY/AUTHORIZATION AND DIRECTION FOR EXECUTION OF PROXY, IF PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED. IF NO DIRECTION IS MADE FOR A PROPOSAL, THE SHARES WILL BE VOTED IN ACCORDANCE WITH THE BOARD OF DIRECTORS' RECOMMENDATIONS. Receipt of the Proxy Statement and Annual Report is hereby acknowledged.

A vote FOR Items 1 and 2 is recommended by the Board of Directors.

Proposal 1: To elect two Director to serve for a term of three years and one director to serve for a term of one year and until his successor shall be elected and shall qualify; 1: FOR WITHHELD

Robert F. Friemann Term Expiring 2005
Robert H. Beyer Term Expiring 2005
Richard B. Smith Term Expiring 2003

Proposal 2: To ratify the engagement of Holtz Rubenstein & Co., LLP as Certified Public Accountants for the current fiscal year 2: FOR AGAINST ABSTAIN