

# War of words between Gyrodyne, shareholders

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Coalition formed to oppose the application. The subdivision application is on the Planning Board agenda for Wednesday, March 30, after **The Smithtown News** goes to press. At the meeting the Planning Board will vote on the findings statement that concludes the State Environmental Quality Review Act (SEQRA) environmental review process. Then, the board will hold the public hearing in advance of preliminary subdivision approval.

The March 23 Star Equity statement alleges that Gyrodyne shareholders have suffered “value destruction” under the incumbent directors. According to Star Equity, in a class action settlement in August 2015, Gyrodyne agreed to liquidate four properties in its real estate portfolio, return the proceeds to its shareholders, and dissolve the company. To date, seven years after the agreement, Gyrodyne has sold only two of its properties, and is left with the 75-acre site in St. James and a site in Westchester County, Cortlandt Manor.

“With the Company’s Flowerfield [St. James] and Cortlandt Manor yet to be sold, we have little confidence Gyrodyne will complete its liquidations any time soon. We believe the Company effectively has become a compensation vehicle for the incumbent Board at the expense of shareholders,” Star Equity alleges.

According to Star Equity, Gyrodyne has a “bonus” plan in place to allocate 5% of the gross sale proceeds from the two remaining properties to its board members and management as long as the proceeds exceed the appraised value; and board members and management earn a fee on any incremental gross proceeds in excess of the appraised value.

“We believe the liquidation bonus pool is egregious with 65% of the proceeds going to the Board, which unfairly benefits a poorly performing incumbent Board to the detriment of shareholders,” Star Equity alleges.

Star Equity further claims that Gyrodyne has demonstrated poor responsiveness following shareholder dissent in 2021 and that there was a “high level of shareholder disapproval” in 2020.

Star Equity alleges that Gyrodyne has not responded to its request for the Company’s director nominee questionnaires and other director nomination forms as required by its Limited Liability Company Agreement. “Should Gyrodyne continue to refuse to provide these materials thus on a reasonable timeframe, we are fully prepared to take all actions necessary to enforce our rights to the fullest extent of the law and under the Company’s LLC agreement,” says the Star Equity statement.

Star Equity points out that Gyrodyne requires that a shareholder own at least \$2,000 or 1% of the company’s common stock for at least a year to vote at the annual meeting. Star Equity has held its shares for less than a year, so it does not meet the Company’s threshold.

“We strongly believe that this requirement inhibits shareholders participation and serves as an

entrenchment mechanism for the incumbent,” says the Star Equity statement. “We request that Gyrodyne waive these prohibitive requirements in order to facilitate shareholder input at the Company.”

“Gyrodyne’s long-suffering shareholders deserve better and we aim to give them an opportunity for much-needed change on the board,” Star Equity concludes.

During an interview Tuesday, Mr. Fitlin said he recently sent a letter to Star Equity addressing the allegations in its press release. He said the 2022 annual corporate meeting has not yet been scheduled, and when it is held he is uncertain what to expect. Though a minor Gyrodyne shareholder, in the case of other companies, Star Equity has waged proxy battles seeking the support of their established shareholders to join them in nominating a slate to take over the board of directors.

Mr. Fitlin has been the Gyrodyne CEO for 10 years. He and all of the members of the board are local residents. He said their underlying philosophy has been that the Company has a responsibility to the community as well as the shareholders.

“I truly believe the measure of our return is based on the return to the community, not just the return to our shareholders. A company’s responsibility goes beyond distribution to its shareholders. It also is about its mark on improving the community, of its employees. It’s qualitative not just quantitative. It is measured in a number of different ways, and that’s why we are going after these entitlements [the subdivision],” Mr. Fitlin said. “We believe it is a balance—it will provide a very respectable return for the shareholders and it will provide a very qualitative return for the community.”

Mr. Fitlin declined to speculate about the timing of the Star Equity press release a week before the Planning Board hearing. He said though that a group from Greenwich, Connecticut is not going to do a better job of getting the entitlements, his term for the subdivision, than the incumbent directors who all reside locally.

He denied that the Company is a “compensation vehicle” and said the incumbent directors have not yet received any compensation. He confirmed that their compensation is contingent on the property being sold in an amount over the appraised value, and said they run the risk of receiving no compensation if it is not.

Mr. Fitlin said the bonus package for the directors is 5% if the land is sold for an amount over the appraised value plus all of the land development costs the company has incurred, including an expensive environmental impact statement (EIS) to comply with the State Environmental Quality Review Act (SEQRA). “If that sale price is not above it, the board gets zero,” he said. “They don’t get a dollar, they don’t get a hundred thousand, they don’t get a half million dollars. They get zero. After all these years of effort by the board they could get nothing.”

He said, therefore, that the allegation that Gyrodyne is a “compensation vehicle” for the Board is inaccurate.

“I really, wholeheartedly believe that this is not a compensation vehicle for my board or its employees or officers. It’s just not,” he said. “Our board’s interest is aligned. We care about the community and there is a dual role here. We have a fiduciary responsibility to our shareholders but we have this second hat that we wear where we feel we are stewards to the community and we are trying to do the right thing.”

“I’m passionate about the community,” Mr. Fitlin said. “I think time will show that everyone is a winner here.”

Mr. Fitlin said he is open to having a dialogue with shareholders large or small. He said that he does it all the time.

“[Star Equity] is a very small shareholder but the size of the shareholder is irrelevant to whether or not I return the call,” he said, adding that he has spoken to people in their 70s who hold as little as three shares since the company was a helicopter manufacturer.

“I speak to everyone, big or small,” Mr. Fitlin said. “I’ve reached out to them. I want to have a dialogue with them to hear their interests.”

During a press time interview Wednesday, March 30, Star Equity spokesman Jeffrey Eberwein stood by the allegations in last week’s statement and disputed Mr. Fitlin’s claims. He said there is discontent among a majority of the Gyrodyne shareholders and that the incumbent directors have deferred their compensation for 2020 and 2021, not gone without compensation. He said they stand to make millions of dollars in compensation and bonuses that are egregious by corporate standards, and he alleges the directors and management are “milking” the company to the disadvantage of the shareholders, who have lost patience.

According to Mr. Eberwein, two of the

six Gyrodyne directors, Richard Smith and Paul Lamb, are up for re-election this year. He declined to disclose the names of the people Star Equity has lined up to run against them. He also declined to disclose a specific plan for the St. James site if the board of directors is overthrown, but indicted that an option includes selling the property to the government.

Mr. Eberwein said Gyrodyne’s corporate structure is unconventional, “defense mechanisms” in place to stave off shareholder unrest and a takeover. He said there is a window of opportunity from March to April to file documentation with the Securities and Exchange Commission (SEC) to nominate a slate of directors, but the annual meeting is not usually held until August. He said staggered terms of the directors and the one-year and 2% rule to wage a shareholder proxy battle are all atypical of public corporations nationally and other defense mechanisms used by the incumbents to maintain control. He said, though, that Star Equity is engaged in this battle now for the long term and will stay at it until the shareholders are satisfied that their investment is being protected.

As for the Cortlandt Manor property, the site is across the street from New York Presbyterian Hudson Valley Hospital, which recently underwent a \$100 million project to expand the hospital space by 80%. Mr. Fitlin said the development plan for the site is also going to be good for the community and there is no opposition to that application. Gyrodyne is seeking approval for the Cortlandt Manor Medical Oriented District (MOD). Following the approval of rezoning by the Town of Cortlandt, site proposals will be submitted to the town to develop it as medical office space, helping to drive the local economy, attract new medical talent and increase local tax revenue, according to Gyrodyne.

## Schumer ramps up battle with VA

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is vitally important, and Senator Schumer is doing that.

Suffolk County Director of Veterans Services Thomas Ronayne, a member of the Northport American Legion post, was another of the speakers Monday. He emphasized why it is so important to save and expand the services provided at Northport to meet the ever evolving needs of local veterans.

“As I look at this audience I see among you, and I know so many of you, I see heroes, I see men and women who have worn the uniform of this great nation and they never questioned what they were doing in that uniform. They did what they were asked, they went where they were told, and they did the job that we depended on them to do. Not one of our veterans, myself included, has ever asked, what’s in it for me,” Mr. Ronayne said.

According to Mr. Ronayne, the one assurance veterans received is that health care would be available to them in the future. He said since the 9/11 terrorist attacks, the United States military has done things that are unprecedented, including multiple

deployments, family separations, reliance on National Guard and reserve forces.

“All of those things have an effect and that effect brings us right to the gates of this facility,” Mr. Ronayne said. “To close it would be unconscionable. To reduce services would be unacceptable. I look forward to working with the senator and my great county executive to ensure that the services we receive here at Northport are not only continued but expanded and improved to meet the ever growing demands of the veterans community.”

Fred Sganga, executive director of the Long Island Veterans Home in Stony Brook, said his facility works in partnership with the Northport VA. “It’s a great partnership because we have to do great things for our veterans,” he said. “All of us at the Long Island Veterans home never forget that it is the veterans who protected our freedom that we enjoy each and every day and for that we remain grateful and for that we want to provide extraordinary service for those who sacrificed for us.”