

GYRODYNE CO OF AMERICA INC

Form S-1

March 06, 2015

Table Of Contents

As filed with the Securities and Exchange Commission on March 6, 2015

Registration No. 333-

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

FORM S-1

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

GYRODYNE COMPANY OF AMERICA, INC.
(Exact name of Registrant as specified in its charter)

New York (State or Other Jurisdiction of Incorporation or Organization)	6512 (Primary Standard Industrial Classification Code Number)	11-1688021 (I.R.S. Employer Identification Number)
---	---	--

One Flowerfield, Suite 24
Saint James, New York 11780
(631) 584-5400
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal
Executive Offices)

Frederick C. Braun III
President and Chief Executive Officer
Gyrodyne Company of America, Inc.
One Flowerfield, Suite 24

Saint James, New York 11780

(631) 584-5400

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

Alon Y. Kapen, Esq.

Farrell Fritz, P.C.

1320 RXR Plaza

Uniondale, New York 11556-1320

(516) 227-0700

(516) 227-0777 (facsimile)

Approximate date of commencement of proposed sale to the public: As soon as practicable after the Registration Statement is declared effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement under the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Table Of Contents

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

Large accelerated filer		Accelerated Filer
Non-accelerated filer	(Do not check if smaller reporting company)	Smaller Reporting Company

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, par value \$1.00 per share, underlying subscription rights	—	—	5,560,050 ⁽²⁾	\$ 646.08
Non-transferable Subscription Rights to purchase Common Stock	—	—	—	⁽³⁾
Total				\$ 646.08

(1) This registration statement relates to: (a) non-transferable subscription rights to purchase common stock of the Registrant, which subscription rights are to be distributed to holders of the Registrant's common stock; and (b) the shares of common stock deliverable upon the exercise of the non-transferable subscription rights pursuant to the rights offering.

(2) Represents the gross proceeds from the assumed exercise of all non-transferable subscription rights to be distributed.

(3) Pursuant to Rule 457(g) under the Securities Act of 1933, no separate registration fee is required for the rights because the rights are being registered in the same registration statement as the common stock of the Registrant underlying the rights.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Security and Exchange Commission, acting pursuant to said section 8(a), may determine.

Table Of Contents

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 6, 2015

PRELIMINARY PROSPECTUS

GYRODYNE COMPANY OF AMERICA, INC.

**[] SHARES OF COMMON STOCK ISSUABLE UPON THE EXERCISE
OF SUBSCRIPTION RIGHTS AT \$[] PER SHARE**

We are distributing, at no charge to our shareholders, non-transferable subscription rights to purchase an aggregate of [] shares of common stock at a price of \$[] per whole share. We refer to this offering as the “rights offering.”

We are offering to each of our shareholders [] subscription rights for every two full common shares owned by each shareholder as of the close of business on [], 2015, the record date, provided that no fractional shares will be issued in the rights offering and exercises therefore will be rounded to the nearest whole number, with halves rounded down. Additionally, shareholders may over-subscribe for additional shares of common stock to the extent that offered subscription rights are not exercised by other shareholders, although we cannot assure you that we will fill any over-subscriptions. If all rights are exercised and all of the shares issuable upon exercise of the rights are sold in this offering, the total purchase price of the shares offered in the rights offering would be approximately \$5,560,050.

We have not entered into any standby purchase agreement or other similar arrangement in relation to this rights offering. This offering is being conducted on a best-efforts basis and there is no minimum number of shares that we must sell or amount of proceeds that we must receive in order for us to close the offering.

All members of our board of directors (who are also shareholders) have advised us they intend to exercise their basic subscription privilege under rights received and that they also intend to exercise their over-subscription privilege with respect to additional shares that become available for purchase. If they do so, their ownership percentage may increase significantly if shareholders do not exercise basic subscription privileges with respect to a significant number of shares. Their expressed intention, however, does not constitute a binding obligation on their part.

To the extent you properly exercise your over-subscription privilege for a number of shares of common stock that exceeds the number of the unsubscribed shares available to you, the subscription agent will return to you any excess subscription payments, without interest or penalty, as soon as practicable following the expiration of the rights offering.

We have engaged Computershare Trust Company, N.A. to serve as the subscription agent for the rights offering. The subscription agent will hold in escrow the funds we receive from subscribers until we complete or cancel the rights offering.

The subscription rights will expire if they are not exercised by 5:00 p.m., New York City time, on [], 2015, but we may extend the rights offering for additional periods ending no later than [], 2015. We may cancel the rights offering for any reason at any time before it expires. If we cancel the rights offering, the subscription agent will return all subscription payments received, without interest or penalty, as soon as practicable.

Table Of Contents

You should carefully consider whether to exercise your subscription rights before the rights offering expires. All exercises of subscription rights are irrevocable. The purchase of shares of common stock involves a high degree of risk.

You should read “Risk Factors” beginning on page 20. Our board of directors is making no recommendation regarding your exercise of the subscription rights.

The subscription rights are non-transferable. The shares of common stock to be issued upon exercise of the subscription rights will be listed for trading on the NASDAQ Capital Market under the symbol “GYRO.” The last reported sales price of our common stock on [], 2015 was \$[] per share.

We have not entered into any standby purchase agreement or other similar arrangement in relation to this rights offering. The shares of common stock are being offered directly by us without the services of an underwriter or selling agent.

	Per Share	Total
Subscription Price	\$ []	\$5,560,050 (1)
Estimated Expenses	\$ []	\$510,050
Proceeds to Us	\$ []	\$5,050,000

(1) Assumes the rights offering is fully subscribed.

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved of these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 6, 2015.

Table Of Contents

TABLE OF CONTENTS

<u>ABOUT THIS PROSPECTUS</u>	i
<u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	i
<u>QUESTIONS AND ANSWERS RELATING TO THE RIGHTS OFFERING</u>	1
<u>PROSPECTUS SUMMARY</u>	9
<u>RISK FACTORS</u>	20
<u>USE OF PROCEEDS</u>	35
<u>CAPITALIZATION</u>	36
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION</u>	37
<u>BUSINESS</u>	50
<u>DIRECTORS</u>	70
<u>EXECUTIVE OFFICERS</u>	74
<u>EXECUTIVE COMPENSATION</u>	77
<u>TRANSACTIONS WITH CERTAIN RELATED PERSONS</u>	85
<u>SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	85
<u>THE RIGHTS OFFERING</u>	86
<u>MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES</u>	97
<u>MARKET PRICE AND DIVIDEND DATA</u>	99
<u>DESCRIPTION OF CAPITAL STOCK</u>	100
<u>PLAN OF DISTRIBUTION</u>	104
<u>DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LITIGATION</u>	104

<u>WHERE YOU CAN FIND MORE INFORMATION</u>	105
<u>LEGAL MATTERS</u>	105
<u>EXPERTS</u>	105
<u>INFORMATION NOT REQUIRED IN PROSPECTUS</u>	106
<u>SIGNATURES</u>	112
<u>FINANCIAL INFORMATION</u>	F-1

Table Of Contents

ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus regardless of the time of delivery of this prospectus or the time of any exercise of the subscription rights. Our business, financial condition, results of operations and prospects may have changed since the date of this prospectus.

In this prospectus, we rely on and refer to information and statistics regarding our industry. We obtained this market data from independent publications or other publicly available information that we believe are reliable.

No action is being taken in any jurisdiction outside the United States to permit a public offering of our securities or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to those jurisdictions.

Unless the context indicates otherwise, all references in this prospectus to the “Company,” “Gyrodyne,” “we,” “us” and “our” refer to Gyrodyne Company of America, Inc. and our wholly owned subsidiaries, except that in the discussion of our subscription rights and capital stock and related matters, these terms refer solely to Gyrodyne Company of America, Inc. and not to its subsidiaries.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus are forward-looking statements about Gyrodyne within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Statements containing the words “believes,” “anticipates,” “estimates,” “expects,” “intends,” “plans,” “seeks,” “will,” “may,” “should,” “would,” “projects,” “continues” and similar expressions, or the negative of these terms constitutes forward-looking statements that involve risks and uncertainties. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and they are included in this prospectus for the purpose of invoking these safe harbor provisions. Such statements are based on current expectations and are subject to risks, uncertainties and changes in condition, significance, value and effect. In September 2013, our board of directors approved a plan of liquidation intended to qualify as a tax liquidation, which included a plan of merger and other

related transactions. The risks, uncertainties and changes in condition, significance, value and effect that could cause Gyrodyne's actual results to differ materially from anticipated results include risks and uncertainties relating to the process of exploring strategic alternatives, risks associated with Gyrodyne's ability to implement the tax liquidation, plan of liquidation or the plan of merger, the risk that the proceeds from the sale of assets may not be sufficient to satisfy our obligations to our current and future creditors, the risk of shareholder litigation relating to the tax liquidation, the plan of liquidation or the plan of merger and other unforeseeable expenses related to the proposed liquidation, the tax treatment of condemnation proceeds, the effect of economic and business conditions, risks inherent in the real estate markets of Suffolk and Westchester Counties in New York, Fairfax County in Virginia and Palm Beach County in Florida, the ability to obtain additional capital to develop the real estate that we manage and other risks detailed from time to time in Gyrodyne's SEC filings. Except as may be required under federal law, we undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur.

Table Of Contents

QUESTIONS AND ANSWERS RELATING TO THE RIGHTS OFFERING

The following are what we anticipate will be common questions about the rights offering. The answers are based on selected information from this prospectus. The following questions and answers do not contain all of the information that may be important to you and may not address all of the questions that you may have about the rights offering. This prospectus contains more detailed descriptions of the terms and conditions of the rights offering and provides additional information about us and our business, including potential risks related to the rights offering, our common stock, and our business.

Exercising your subscription rights and investing in our common stock involves a high degree of risk. We urge you to carefully read the section entitled “Risk Factors” beginning on page 20 of this prospectus, and all other information included in this prospectus in its entirety before you decide whether to exercise your subscription rights.

What is a rights offering?

A rights offering is a distribution of subscription rights on a pro rata basis to all shareholders of a company. We are distributing to holders of our issued and outstanding capital stock as of 5:00 p.m., New York City time, on [], 2015, the “record date,” at no charge, non-transferable subscription rights to purchase shares of our common stock. You will receive [] subscription rights (rounded to the nearest whole number, with halves rounded down) for every two shares of our capital stock you own as of 5:00 p.m., New York City time, on the record date. The subscription rights will be evidenced by rights certificates. Each subscription right consists of a basic subscription privilege and an over-subscription privilege.

What is the basic subscription privilege?

Shareholders will receive in the rights offering [] subscription rights for each two shares held. Each whole subscription right gives our shareholders the opportunity to purchase one share of our common stock for \$[] per share. We determined the ratio of subscription rights to distribute per our issued and outstanding shares ([]) by dividing the number of shares we determined to offer in the rights offering, [], by the number of shares issued and outstanding on the record date ([]/1,482,680 = []).

What is the over-subscription privilege?

We do not expect all of our shareholders to exercise all of their basic subscription privileges. The over-subscription privilege provides shareholders that do exercise their entire basic subscription privileges the opportunity to purchase the shares that are not purchased by other shareholders. Accordingly, if you fully exercise your basic subscription privilege and other shareholders do not fully exercise their basic subscription privileges, then you may also exercise an over-subscription privilege to purchase additional shares of common stock that remain unsubscribed at the expiration of the rights offering, subject to the availability and pro rata allocation of such shares among persons exercising this over-subscription privilege. To the extent that the number of the unsubscribed shares are not sufficient to satisfy all of the properly exercised over-subscription privilege requests, then the available shares will be allocated pro rata among those who properly exercise their over-subscription privileges based on the number of shares each shareholder subscribed for under his, her or its basic subscription privilege. “Pro rata” means in proportion to the number of shares of our common stock that you and the other shareholders have subscribed for under the over-subscription privilege, so that the number of shares that would be allocated to you would equal the number of shares you have subscribed for in your over-subscription request multiplied by a fraction, the numerator of which is the number of available shares and the denominator of which is the aggregate number of over-subscription shares requested by all shareholders.

In order to properly exercise your over-subscription privilege, you must deliver the subscription payment related to your over-subscription privilege prior to the expiration of the rights offering. Because we will not know the total number of unsubscribed shares prior to the expiration of the rights offering, if you wish to maximize the number of shares you purchase pursuant to your over-subscription privilege, you will need to deliver payment in an amount equal to the aggregate subscription price for the maximum number of shares of our common stock available to you, assuming that no shareholder other than you has purchased any shares of our common stock pursuant to their basic subscription privilege and over-subscription privilege. See “The Rights Offering—Over-Subscription Privilege.”

Table Of Contents

How many shares may I purchase if I exercise my subscription rights?

Each subscription right entitles you to purchase one whole share of our common stock for \$[] per share. We will not issue fractional subscription rights or shares of common stock in the rights offering, and holders will only be entitled to purchase a whole number of shares of common stock. You may exercise any number of your subscription rights (including the over-subscription privilege), or you may choose not to exercise any subscription rights. As explained elsewhere in this prospectus, there is no limit on the number of offered shares that may be purchased pursuant to your over-subscription privilege.

If you hold your shares in street name through a broker, bank, or other nominee who uses the services of the Depository Trust Company, or “DTC,” then DTC will issue [] subscription rights to your nominee for every two shares of our common stock you own at the close of business on the record date. Each subscription right can then be used to purchase one share of common stock for \$[] per share pursuant to the basic subscription privilege. For more information, see the question “*What should I do if I want to participate in the rights offering, but my shares are held in the name of my broker, dealer, custodian bank or other nominees (commonly referred to as “street name”)?*” below.

Will fractional subscription rights or shares be issued in the rights offering?

No. We will not issue fractional subscription rights or subscription rights to purchase fractional shares of common stock in the rights offering. In allocating subscription rights among our shareholders, each two shares of capital stock held of record at the close of business on the record date will entitle the holder of such shares to receive [] subscription rights (rounded to the nearest whole number, with halves rounded down), and each subscription right granted in the rights offering may only be exercised for a full share of our common stock.

Are we requiring a minimum aggregate subscription to complete and close the rights offering?

No. This offering is being conducted on a best-efforts basis and there is no minimum number of shares that we must sell or amount of proceeds that we must receive in order for us to close the offering.

Are there backstop or standby purchasers?

No. We have not entered into any standby purchase agreement or other similar arrangement in relation to this rights offering.

Are there any limits on the number of shares I may purchase in this rights offering?

Yes. The total number of offered shares in this rights offering represents the maximum number of shares you may potentially purchase. In all cases, you are entitled (but not required) to purchase all shares available to you under your basic subscription privilege. Shares in excess of those available to you under your basic subscription privilege must be purchased pursuant to your over-subscription privilege. As explained elsewhere in this prospectus, other shareholders may also exercise their over-subscription privilege. If this occurs, the number of shares available for purchase by you will be reduced accordingly.

Table Of Contents

In no event may you exercise subscription and over-subscription privileges to the extent that any such exercise would result in your owning, without approval of our board of directors, 20% or more of our issued and outstanding common stock, which is the ownership limitation that would trigger the provisions of our shareholder rights plan, after giving effect to your purchase under the basic subscription privilege and the over-subscription privilege.

In addition, to ensure compliance with the so-called “5/50 rule” of the Internal Revenue Code, which generally prohibits five or fewer shareholders from owning in the aggregate in excess of 50% of the value of the shares of a REIT during the last half of any of the REIT’s taxable years (starting with the REIT’s second taxable year), subscription and over-subscription privileges will be subject to proportionate cutbacks to the extent that any such exercises would result in five or fewer shareholders owning in the aggregate in excess of 50% of the value of our shares.

Am I required to exercise the subscription rights I receive in the rights offering?

No. You may exercise any number of your subscription rights, or you may choose not to exercise any subscription rights. However, if you choose not to exercise your subscription rights in full, the relative percentage of our shares of common stock that you own will decrease, and your voting and other rights will be diluted. Furthermore, if you fail to exercise your full basic subscription privilege, you will not be eligible to exercise your over-subscription privilege. For more information, see the question “*How many shares of capital stock will be issued and outstanding after the rights offering?*” below.

Will our directors and significant shareholders be exercising their subscription rights?

Our directors and any greater-than-5% beneficial shareholders may participate in this offering at the same subscription price per share as all other purchasers, but none of our directors or greater-than-5% beneficial shareholders are obligated to so participate. All directors (who are also shareholders) have indicated that they will purchase shares that are subject to their subscription rights, and that they will exercise their over-subscription privilege (if available), at the same subscription price offered to our shareholders. If they do so, their ownership percentage may increase significantly if shareholders do not exercise basic subscription privileges with respect to a significant number of shares. Nevertheless, none of our directors have executed agreements to purchase shares and there is no guarantee or commitment that they will subscribe for shares in the offering. Any shares purchased in the rights offering by our directors will be deemed “control securities” under federal securities rules and will likely not be eligible for public resale unless sold in accordance with the limitations of Rule 144 or the public resale of such shares is registered with the SEC.

Has our Board of Directors made a recommendation to our shareholders regarding the exercise of rights under the rights offering?

No. Our board of directors is making no recommendation regarding your exercise of the subscription rights. Shareholders who exercise their subscription rights risk loss on their investment. We cannot assure you that the market price of our common stock will be above the subscription price or that anyone purchasing shares at the subscription price will be able to sell those shares in the future at the same price or a higher price. You are urged to make your decision based on your own assessment of our business and the rights offering. See the “Risk Factors” section of this prospectus for a discussion of some of the risks involved in investing in our common stock.

Why are we conducting a rights offering?

Our board of directors believes that the rights offering will facilitate the vote of two-thirds of the outstanding shares needed under New York law to approve the proposed merger of Gyrodyne and Gyrodyne Special Distribution, LLC (“GSD”) with and into Gyrodyne, LLC (the “Merger”), which we believe is supported by holders of more than two-thirds of our outstanding shares. On June 5, 2014, Gyrodyne announced that a special meeting of Gyrodyne shareholders would be held on August 14, 2014 to authorize the Merger. Gyrodyne postponed the special meeting, first to August 27, 2014 and then to December 5, 2014, to allow additional time for shareholders to vote on the Merger. Although the shares that were voted in these previous attempts to conduct the special meeting were voted overwhelmingly in favor of the Merger, not enough shares were voted to achieve the two-thirds of the outstanding shares vote requirement. Accordingly, on November 4, 2014, Gyrodyne announced a further postponement of the special meeting until the first half of 2015. Given the small size of holdings of many Gyrodyne shareholders and the nature of various holders, we believe many holders may not have paid enough attention to the Merger to exercise their right to vote. The board believes, however, that shareholders who would exercise their subscription rights in the rights offering may be more interested in the current structure of Gyrodyne and thus more likely to vote their shares on the Merger proposal. If all rights in the rights offering are exercised and all of the shares issuable upon exercise of the rights are sold in this offering, there will be [] shares outstanding, in which case holders of at least [] shares will need to vote in favor of the Merger to satisfy the requirement that holders of two-thirds of the outstanding shares vote in favor of the Merger. There is no minimum number of shares, however, required to complete the rights offering. Gyrodyne intends to conduct the special meeting to authorize the Merger as soon as reasonably possible after the consummation of the rights offering.

Table Of Contents

We are also conducting the rights offering because it provides our shareholders the opportunity to participate in an offering of our shares on a pro rata basis and minimizes the dilution of their ownership interest in our Company. The proceeds of the rights offering will provide Gyrodyne with needed liquidity as we pursue an orderly liquidation of the properties currently owned by GSD and managed by Gyrodyne.

How was the subscription price of \$[] per share determined?

The subscription price of \$[] per share was determined by our board of directors. Factors considered by the board included the price at which our shareholders might be willing to participate in the rights offering, historical and current trading prices of our common stock, our business prospects, the condition of the trading market for our common stock, the condition of the securities and capital markets in general and comparable precedent transactions in terms of the percentage of shares offered, the terms of the subscription rights being offered, the subscription price and the discount that the subscription price represented to the immediately prevailing closing prices for those offerings. The board also considered the advice of the investment banking firm of Coady Diemar Partners, which we retained to provide financial advisory services to us in connection with the offering. We cannot assure you that the market price for our common stock during the rights offering will be equal to or above the subscription price or that a subscribing owner of rights will be able to sell the shares of common stock purchased in the rights offering at a price equal to or greater than the subscription price.

How soon must I act to exercise my rights?

If you received a rights certificate and elect to exercise any or all of your subscription rights, the subscription agent must receive your completed and signed rights certificate and related payment prior to the expiration of the rights offering, which is [], 2015 at 5:00 p.m., New York City time. If you hold your shares in the name of a custodian bank, broker, dealer or other nominee, your custodian bank, broker, dealer or other nominee may establish a deadline prior to 5:00 p.m. New York City time, on [], 2015 by which you must provide it with your instructions to exercise your subscription rights and pay for your shares.

Although we will make reasonable attempts to provide this prospectus to all holders of subscription rights, the rights offering and all subscription rights will expire at 5:00 p.m., New York City time on [], 2015 (unless extended for up to 30 additional days), whether or not we have been able to locate each person entitled to receive subscription rights. Although we reserve the right to extend the expiration of the rights offering for up to 30 additional days, we currently do not intend to do so.

May I transfer my subscription rights?

No. You may not sell or transfer your subscription rights to anyone.

4

Table Of Contents

Can the Board of Directors cancel, terminate, amend or extend the rights offering?

Yes. Although there is no present intention to do so, our board of directors may change the terms of the rights offering for any reason at any time. If we should make any fundamental changes to the terms set forth in this prospectus, we will offer potential purchasers who have subscribed for rights the opportunity to cancel such subscriptions, issue a refund of any money advanced by such shareholder and recirculate an updated prospectus. In addition, upon such event, we may extend the expiration date of this rights offering to allow holders of rights ample time to make new investment decisions and for us to recirculate updated documentation. The terms of the rights offering cannot be changed after the expiration date of the rights offering. We have the option to extend the rights offering and the period for exercising your subscription rights for up to 30 additional days, although we do not presently intend to do so. Our board of directors may cancel the rights offering at any time for any reason. If the rights offering is cancelled, all subscription payments received by the subscription agent will be returned promptly, without interest or penalty.

Will funds be held in escrow pending consummation or cancelation of the rights offering?

Yes. The subscription agent will hold funds received in payment for shares of the common stock in a segregated account pending completion of the rights offering. The subscription agent will hold this money in escrow until the rights offering is completed or is withdrawn and canceled. If the rights offering is canceled for any reason, all subscription payments received by the subscription agent will be returned promptly, without interest or penalty, as soon as practicable. In addition, all subscription payments received by the subscription agent will be returned, without interest or penalty, as soon as practicable, if subscribers decide to cancel their subscription rights in the event that we extend the rights offering for a period of more than 30 days after the expiration date or if there is a fundamental change to the rights offering.

When will I receive my subscription rights certificate?

Promptly after the date of this prospectus, the subscription agent will send a subscription rights certificate to each registered holder of our common stock as of the close of business on the record date, based on our shareholder register maintained by the transfer agent for our common stock. If you hold your shares of common stock through a brokerage account, bank, or other nominee, you will not receive an actual subscription rights certificate. Instead, as described in this prospectus, you must instruct your broker, bank or nominee whether or not to exercise rights on your behalf. If you wish to obtain a separate subscription rights certificate, you should promptly contact your broker, bank or other nominee and request a separate subscription rights certificate. If you hold your shares of common stock through a brokerage account, bank, or other nominee, it is not necessary to have a physical subscription rights certificate in order to exercise your subscription rights.

What will happen if I choose not to exercise my subscription rights?

If you do not exercise any subscription rights, the number of our shares of common stock you own will not change. Nevertheless, due to the fact that other shareholders may purchase shares in the rights offering, **your percentage ownership of Gyrodyne will be diluted** after the completion of the rights offering unless you do exercise your subscription rights. For more information, see the question “*How many shares of capital stock will be issued and outstanding after the rights offering?*” below.

How do I exercise my subscription rights?

If you wish to participate in the rights offering, you must take the following steps:

deliver payment to the subscription agent; and

Table Of Contents

deliver your properly completed and signed rights certificate, and any other subscription documents, to the subscription agent.

Please follow the payment and delivery instructions accompanying the rights certificate. Do not deliver documents to Gyrodyne. You are solely responsible for completing delivery to the subscription agent of your subscription documents, rights certificate, and related payment on or prior to the deadline for receipt of such items. We urge you to allow sufficient time for delivery of your subscription materials to the subscription agent so that they are received by the subscription agent by 5:00 p.m., New York City time, on [], 2015. We are not responsible for subscription materials sent directly to our offices. If you cannot deliver your rights certificate to the subscription agent prior to the expiration of the rights offering, you may follow the guaranteed delivery procedures described under the “The Rights Offering—Guaranteed Delivery Procedures” section of this prospectus.

If you send a payment that is insufficient to purchase the number of shares you requested, or if the number of shares you requested is not specified in the forms, the payment received will be applied to exercise your subscription rights to the fullest extent possible based on the amount of the payment received, subject to the availability of shares under the oversubscription privilege and purchase limitations and subject to the elimination of any fractional shares. Any excess subscription payments received by the subscription agent will be returned promptly, without interest or penalty, following the expiration of the rights offering.

What should I do if I want to participate in the rights offering but my shares are held in the name of my broker, dealer, custodian bank or other nominee (commonly referred to as “street name”)?

If you hold your shares of common stock in the name of a broker, dealer, custodian bank or other nominee, then your broker, dealer, custodian bank or other nominee is the record holder of the shares you own. Consequently, you will not receive a rights certificate. Instead, the record holder (i.e., your broker, dealer, custodian bank or other nominee) must exercise the subscription rights on your behalf for the shares of common stock you wish to purchase.

If you hold your shares of our common stock in the name of a broker, dealer, custodian bank or other nominee and you wish to purchase shares in the rights offering, please promptly contact your broker, dealer, custodian bank or other nominee as record holder of your shares. For our part, we will ask your record holder to notify you of the rights offering. Nevertheless, if your broker, dealer, custodian bank or other nominee does not contact you regarding the rights offering, you should promptly initiate contact with that intermediary if you wish to participate in the offering. Your broker, dealer, custodian bank or other nominee may establish a deadline prior to 5:00 p.m. New York City time on [], 2015, which we have established as the expiration date of the rights offering.

When will I receive my new shares?

If you purchase shares in the rights offering by submitting a rights certificate and payment, our subscription agent will mail you a share certificate as soon as practicable after the completion of the rights offering. One share certificate will be generated for each rights certificate processed. Until your share certificate is received, you may not be able to sell the shares of our common stock acquired in the rights offering. If your shares as of the record date were held by a custodian bank, broker, dealer or other nominee, and you participate in the rights offering, you will not receive share certificates for your new shares. Instead, your custodian bank, broker, dealer or other nominee will be credited with the shares of common stock you purchase in the rights offering as soon as practicable after the completion of the rights offering.

After I send in my payment and rights certificate, may I change or cancel my exercise of rights?

No. All exercises of subscription rights are irrevocable, even if you later learn information that you consider to be unfavorable to the exercise of your subscription rights. However, if we amend the rights offering to allow for an extension of the rights offering for a period of more than 30 days or make a fundamental change to the terms of the rights offering set forth in this prospectus, you may cancel your subscription and receive a refund of any money you have advanced. You should not exercise your subscription rights unless you are certain that you wish to purchase additional shares of our common stock at a subscription price of \$[] per share.

Table Of Contents

How many shares of capital stock will be issued and outstanding after the rights offering?

As of [], 2015, there were 1,482,680 shares of our common stock outstanding. We will issue [] shares of common stock in the rights offering, assuming the rights offering is fully subscribed, but there is no minimum number of shares required to complete the rights offering. Based on the number of shares outstanding as of [], 2015, if we issue all [] shares of common stock available in this rights offering, the number of shares of common stock we would have outstanding will be [].

Are there risks in exercising my subscription rights?

Yes. The exercise of your subscription rights involves risks. Exercising your subscription rights involves the purchase of additional shares of common stock and should be considered as carefully as you would consider any other equity investment. Among other things, you should carefully consider the risks described in the section of this prospectus entitled "Risk Factors."

If the rights offering is not completed, will my subscription payment be refunded to me?

Yes. The subscription agent will hold all funds it receives in a segregated bank account until completion of the rights offering. If the rights offering is not completed, all subscription payments received by the subscription agent will be returned promptly, without interest or penalty. If you own shares in "street name," it may take longer for you to receive payment because the subscription agent will return payments through the record holder of your shares (i.e., through your custodian bank, broker, dealer or other nominee).

Will the subscription rights be listed on a stock exchange or national market?

No. The subscription rights may not be sold, transferred or assigned and will not be listed for trading on Nasdaq or on any other stock exchange or market or on the OTC Bulletin Board.

How do I exercise my rights if I live outside the United States?

We will not mail this prospectus or the rights certificates to shareholders whose addresses are outside the United States or who have an army post office or foreign post office address. The subscription agent will instead hold rights certificates for the account of these shareholders. To exercise subscription rights, our foreign shareholders must notify the subscription agent and timely follow other procedures described in the section of this prospectus entitled “The Rights Offering—Foreign Shareholders.”

What fees or charges apply if I purchase the shares of common stock?

We are not charging any fee or sales commission to issue subscription rights to you or to issue shares to you if you exercise your subscription rights. If, however, you exercise your subscription rights through your broker, dealer, custodian bank or other nominee, you are responsible for paying any fees your nominee may charge you.

What are the material U.S. federal income tax consequences of exercising my subscription rights?

For U.S. federal income tax purposes, you should not recognize income or loss upon receipt or exercise of subscription rights. You should consult your tax advisor as to your particular tax consequences resulting from the rights offering. For a more detailed discussion, see the “Material U.S. Federal Income Tax Consequences” section of this prospectus.

Table Of Contents

How much money will Gyrodyne receive from the rights offering?

If we issue all [] shares available in the rights offering, the net proceeds to us, after deducting estimated offering expenses, will be approximately \$5,050,000. However, there is no minimum number of shares required to complete the rights offering. We estimate that the expenses of the rights offering will be approximately \$510,000, irrespective of the number of shares we sell or the amount of proceeds we raise in the offering. Accordingly, the estimated \$510,000 of offering expenses will constitute approximately 9% of the offering proceeds if we issue all [] shares available in the rights offering, or a greater percentage of such net proceeds to the extent that we close the offering with net proceeds below \$5,050,000.

To whom should I send my forms and payment?

If you received a rights certificate with this prospectus and wish to purchase shares during the rights offering, you should send your properly completed and signed rights certificate, any other subscription documents and payment by hand delivery, first class mail or courier service to the subscription agent at:

<i>If Delivering by Hand or Overnight:</i>	<i>By Mail:</i>
<i>Computershare Trust Company, N.A.</i>	<i>Computershare Trust Company, N.A.</i>
<i>Attn: Corporate Actions Voluntary Offer</i>	<i>Attn: Corporate Actions Voluntary Offer</i>
<i>250 Royall Street, Suite V</i>	<i>P.O. Box 43011</i>
<i>Canton, MA 02021</i>	<i>Providence, RI 02940-3011</i>

You are solely responsible for completing delivery to the subscription agent of your subscription materials. The subscription materials are to be received by the subscription agent on or prior to 5:00 p.m., New York City time, on [], 2015. We urge you to allow sufficient time for delivery of your subscription materials to the subscription agent.

Whom should I contact if I have other questions?

If you have more questions about the rights offering or need additional copies of the rights offering documents, please contact the information agent, MacKenzie Partners, Inc., 105 Madison Avenue, New York, NY 10016, or telephone (800) 322-2885 (toll free).

For a more complete description of the rights offering, see “The Rights Offering” beginning on page 11 of this prospectus.

Table Of Contents

PROSPECTUS SUMMARY

This summary highlights the information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before deciding whether to exercise your subscription rights. You should carefully read this entire prospectus, including the information under the heading “Risk Factors”. In this prospectus, all references to the “Company,” “Gyrodyne” “we,” “us” and “our” refer to Gyrodyne Company of America, Inc., a New York corporation, and its subsidiaries and predecessors, unless the context otherwise requires or where otherwise indicated.

Gyrodyne Company of America, Inc.

Gyrodyne, a self-managed and self-administered real estate investment trust (or REIT) formed under the laws of the State of New York, manages a diversified portfolio of real estate properties comprising office, industrial and service-oriented properties primarily in the New York metropolitan area. Prior to the payment of the First Special Dividend issued in December 2013 and described below, Gyrodyne owned a 68 acre site approximately 50 miles east of New York City on the north shore of Long Island, which includes industrial and office buildings and undeveloped property that is the subject of development plans and is referred to in this proxy statement/prospectus as “Flowerfield.” Prior to payment of the First Special Dividend described below, Gyrodyne also owned medical office buildings in Port Jefferson Station, New York, Cortlandt Manor, New York and Fairfax, Virginia. As part of the First Special Dividend as described below, the foregoing properties were transferred to GSD, a subsidiary of Gyrodyne, and all of the outstanding shares of GSD were then distributed to the shareholders of Gyrodyne. Gyrodyne is also a limited partner in Callery Judge Grove, L.P., the only assets of which consist of potential future payments upon the achievement of certain development benchmarks by the purchaser in the 2013 sale by the partnership of an undeveloped 3,700 plus acre property in Palm Beach County, Florida. As of September 30, 2014, Gyrodyne has an investment in mortgage loans due to it from GSD of \$13,130,802, which mortgage loans are eliminated in consolidation.

On December 24, 2014, Gyrodyne and GSD executed a management services agreement, pursuant to which Gyrodyne continues to provide GSD with acquisition and disposition services, asset management services, accounting and other administrative services, property management services and shareholder services. In consideration for these services, GSD reimburses Gyrodyne for 85% of Gyrodyne’s general and administrative expenses and pays Gyrodyne a fee equal to 8.5% of such reimbursed amount; reimburses Gyrodyne for all rental expenses, whether value added (such as contractor and consultant expenses) or non-value added (such as utilities and taxes) paid by Gyrodyne in respect of the properties; pays Gyrodyne a fee equal to 8.5% of all value added rental expenses paid by Gyrodyne in respect of the properties (but no fee in respect of non-value added rental expenses); reimburses Gyrodyne for 100% (without mark-up) of any bonuses paid by Gyrodyne to its employees and directors and related payroll taxes on account of any sales of GSD properties; and pays interest to Gyrodyne at the rate of 5.0% per annum on any funds advanced by Gyrodyne to GSD pursuant to a liquidity facility, currently of up to \$5.5 million, made available to GSD by Gyrodyne.

The shares of common stock of Gyrodyne, par value \$1.00 per share, are traded on NASDAQ under the symbol GYRO. Gyrodyne's principal executive offices are located at One Flowerfield, Suite 24, Saint James, New York 11780 and its telephone number is (631) 584-5400.

Strategic Process

In July 2012, Gyrodyne received \$167,501,656.95 from the State of New York in payment of the judgments in Gyrodyne's favor in its condemnation litigation with the State, which consisted of \$98,685,000 in additional damages, \$1,474,940.67 in costs, disbursements and expenses and \$67,341,716.28 in interest. In August 2012, Gyrodyne announced that it was undertaking a strategic review to maximize shareholder value through one or more potential cash distributions and/or through a potential sale, merger, reinvestment or other strategic combination, consistent with Gyrodyne's previously announced goal of providing one or more tax efficient liquidity events to its shareholders.

Table Of Contents

On September 12, 2013, following Gyrodyne's receipt of a private letter ruling from the Internal Revenue Service (the "2013 PLR") (as described below), our board of directors concluded that it was in the best interests of Gyrodyne and its shareholders to liquidate Gyrodyne for federal income tax purposes and adopted a Plan of Liquidation and Dissolution (the "Plan of Liquidation"). In adopting the Plan of Liquidation for federal income tax purposes, our board of directors also determined to pursue the actual disposition of our remaining assets in an orderly manner designed to obtain the best value reasonably available for such assets. The completion of the Merger would complete the liquidation of Gyrodyne for federal income tax purposes within the two year period from the adoption of the Plan of Liquidation, as provided by Section 562(b)(1)(B) of the Internal Revenue Code of 1986, as amended (the "Code") even though the actual disposition of the properties within the same period had not necessarily occurred. Our board of directors believed that the prompt completion of the Tax Liquidation by means of the Merger while permitting a longer period to dispose of the remaining assets would help obtain better values by enabling the sales to take place without the potential timing constraints created by completing the Merger as promptly as practicable. In addition, the ability to extend the time of holding the properties would permit Gyrodyne to seek enhancements of the value of Flowerfield including by pursuing various development or zoning opportunities. In this prospectus, we refer to such liquidation as the "Tax Liquidation."

On September 13, 2013, our board of directors declared the First Special Dividend, in the amount of \$98,685,000, or \$66.56 per Gyrodyne share, of which approximately \$68,000,000, or \$45.86 per share, was to be paid in cash. In connection with the First Special Dividend, our board of directors requested the opinion of Valuation Research Corporation ("Valuation Research") as to the solvency of Gyrodyne after giving effect to the First Special Dividend. On September 13, 2013, at a meeting of our board of directors, Valuation Research delivered its opinion that, immediately after the completion of the First Special Dividend, (i) the fair value and the present fair saleable value of our aggregate assets exceeds the sum of our total liabilities, (ii) we will be able to pay our debts as such debts mature or otherwise become absolute or due, and (iii) we do not have unreasonably small capital.

On December 19, 2013, our board of directors determined that the non-cash portion of the First Special Dividend would be paid by a distribution of all of the outstanding shares in GSD, a subsidiary of Gyrodyne into which all of Gyrodyne's real estate assets were previously contributed as part of an internal restructuring. We refer to such properties as the Contributed Properties. Our board also determined that, after consideration of a management presentation regarding the fair market value of the properties to be transferred to GSD, the aggregate value of the outstanding equity interests of GSD ("GSD Interests") distributed in the First Special Dividend was \$30,685,000 (an amount determined by our board of directors to be equal to the estimated fair market value of the properties, net of all liabilities encumbering such properties, including mortgage loans payable to a subsidiary of Gyrodyne in the aggregate amount of \$13,840,889 as of December 31, 2013).

The First Special Dividend was paid on December 30, 2013 to shareholders of record as of November 1, 2013. As required by NASDAQ rules governing special dividends of this magnitude, the ex-dividend date was set one business day following the payment date.

The transfer of the Contributed Properties by Gyrodyne to GSD resulted in the recognition of approximately \$28.4 million of capital gain income by Gyrodyne in 2013. Giving effect to offsetting deductions, Gyrodyne determined that it would have approximately \$18 million in REIT income for 2013. In order to satisfy applicable REIT distribution requirements, on December 20, 2013, Gyrodyne declared an additional dividend (the "Second Special Dividend"), payable to Gyrodyne shareholders of record as of December 31, 2013 on January 31, 2014. The Second Special Dividend was paid in the form of uncertificated interests in a global dividend note due June 30, 2017 (the "Dividend Note") aggregating \$16,150,000 (\$10.89 per share) in principal amount. The Dividend Note bears interest at 5.0% per annum, payable semi-annually on June 15 and December 15 of each year, commencing June 15, 2014, and may be payable in cash or in the form of additional notes. On June 16, 2014, the initial semi-annual interest payment on the Dividend Note was paid in kind in the form of uncertificated interests in a global 5% subordinated note due June 30, 2017 in the principal amount of \$302,813 that otherwise is identical to the Dividend Note other than as to the initial semi-annual interest payment date thereunder. On December 15, 2014, the second semi-annual interest payment on the original Dividend Note was paid in kind in the form of uncertificated interests in a global 5% subordinated note due June 30, 2017 in the principal amount of \$403,750 that otherwise is identical to the Dividend Note other than as to the initial semi-annual interest payment date thereunder. The initial interest due of \$7,570 on the note issued on June 16, 2014 was paid in cash on December 15, 2014.

Table Of Contents

The following table shows information with respect to all distributions made by Gyrodyne to its shareholders since November 2005, the time of the taking by New York State of 245.5 acres of our Flowerfield property. The values indicated for the non-cash distributions (GSD Interests and interests in notes) are stated values as of the time of the respective distributions made in good faith by the board. There can be no assurance that such values represent actual market values or that any shareholders could realize those values now or at any time in the future.

Ex-Div. Date/ Interest Payment Date	Distributions per Share	Consideration
3/22/2007	\$4.00	Cash Dividend
12/17/2012	\$38.30	Cash Dividend
12/27/2013	\$10.89	Interests in Dividend Note
12/31/2013	\$66.56	\$45.86 cash, \$20.70 in GSD Interests
6/16/2014	\$0.20	Interests in PIK Note
9/24/2014	\$0.46	Interests in Dividend Note
12/15/2014	\$0.27	Interests in PIK Note
Total Distributions per Share	\$120.68	

On September 15, 2014, our board declared a special supplemental dividend in the amount of \$682,033 or \$0.46 per share of Gyrodyne common stock. The dividend was paid in the form of non-transferrable uncertificated interests in a dividend note on December 31, 2014 to all shareholders of record as of September 26, 2014 (the “2014 Dividend Note”). The dividend is intended to distribute Gyrodyne’s undistributed 2013 REIT taxable income.

During the second quarter of 2014, our board of directors approved the hiring of real estate brokers to facilitate the sale of the Cortlandt Manor Medical Center and Fairfax Medical Center.

Rights Offering

The following summary describes the principal terms of the rights offering, but is not intended to be complete. See “The Rights Offering” for a more detailed description of the terms and conditions of the rights offering.

Securities Offered

We are distributing, at no charge, to holders of our common stock non-transferable subscription rights to purchase up to [] shares of our common stock. You will receive [] subscription rights for each two shares of common stock held of record, as of 5:00 p.m., New York City time, on [], 2015.

Subscription Price [] per share

Under the basic subscription privilege, for each subscription right you will be entitled to purchase one share of our common stock at a subscription price of \$[] per full share. The number of subscription rights you may exercise appears on your rights certificate.

Basic
Subscription
Privilege

Over-Subscription
Privilege If you exercise your basic subscription privilege in full and other shareholders do not exercise their basic subscription privilege in full,

you will also have an over-subscription privilege to purchase any shares that our other subscription rights holders do not purchase under their basic subscription privilege, subject to proration of available shares. The subscription price for shares purchased pursuant to the over-subscription privilege will be the same as the subscription price for the basic subscription privilege.

Table Of Contents

If you are not allocated the full amount of shares for which you over-subscribe, you will receive a refund of the subscription price, without interest or penalty, that you delivered for those shares of our common stock that are not allocated to you. The subscription agent will mail such refunds as soon as practicable after the completion of the offering.

No fractional shares of common stock will be issued. Any fractional rights resulting from the share allocation process specified above will be rounded to the nearest whole number, with halves rounded down.

Assuming we receive valid subscriptions for the full [] shares, the gross proceeds to us will be \$5,560,050 and the net proceeds to us, after deducting estimated offering expenses, will be approximately \$5,050,000. However, there is no minimum amount of proceeds required to complete the rights offering.

Amount of Proceeds

Limitation on the Purchase In no event may a shareholder exercise subscription and

of Shares over-subscription privileges to the extent that any such exercise would result in the shareholder, without the approval of our board of directors, owning 20% or more of our issued and outstanding common stock, the limit under our shareholder rights plan, after giving effect to such shareholder's purchase under the basic subscription privilege and the over-subscription privilege. Subscription and over-subscription privileges will also be subject to proportionate cutbacks to the extent that any such exercises would result in five or fewer shareholders owning in the aggregate in excess of 50% of the value of our shares.

Record Date[], 2015

Expiration Date The subscription rights will expire at 5:00 p.m., New York City time, on [], 2015, unless the expiration date is extended. We reserve the right to extend the subscription rights period at our sole discretion for a period not to exceed 30 days, although we do not presently intend to do so.

Procedure for Exercising The subscription rights may be exercised at any time during the subscription period,

Subscription which commences on
Rights [], 2015. To exercise
your subscription
rights, you must take
the following steps:

If you are a registered holder of our shares of common stock, you may deliver payment and a properly completed rights certificate to the subscription agent before 5:00 p.m., New York City time on [], 2015, unless the expiration date is extended. You may deliver the documents and payments by mail or commercial carrier. If regular mail is used for this purpose, we recommend using registered mail, properly insured, with return receipt requested.

If you are a beneficial owner of shares that are registered in the name of a broker, dealer, custodian bank or other nominee, or if you would rather an institution conduct the transaction on your behalf, you should instruct your broker, dealer, custodian bank or other nominee to exercise your subscription rights on your behalf and deliver all documents and payments before

5:00 p.m., New York
City time, on [], 2015,
unless the expiration
date is extended

Table Of Contents

Use of Proceeds

We intend to use the net proceeds received from the rights offering to pay accrued interest and principal on certain outstanding dividend and payment-in-kind notes, to meet current funding obligations of the pension plan resulting from its termination, to provide funding to GSD under the liquidity facility established pursuant to GSD's operating agreement, for pursuing development rights for the Flowerfield property, for necessary capital improvements in GSD's real estate portfolio which we manage and for general working capital. See "Use of Proceeds." However, there is no minimum number of shares required to complete the rights offering, and the gross and net proceeds could be considerably less than the \$5,560,050 and \$5,050,000, respectively, we would receive assuming full subscription.

Non-Transferability of Subscription Rights

The subscription rights may not be sold, transferred or assigned to anyone else and will not be listed for trading on the NASDAQ Capital Market or any other stock exchange or market or on the OTC Bulletin Board.

No Revocation

All exercises of subscription rights are irrevocable, even if you later learn information about us that you consider unfavorable to the exercise of your subscription rights, or even in the event we extend the rights offering. However, if we extend the rights offering for a period of more than 30 days or make a fundamental change to the terms set forth in this prospectus, you may cancel your subscription and receive a refund of any money you have advanced. You should not exercise your subscription rights unless you are certain that you wish to purchase the shares of common stock offered pursuant to this rights offering at a subscription price of \$[] per share.

Extension;
Cancellation;
Amendment

We have the option to extend the rights offering and the period for exercising your subscription rights, although we do not presently intend to do so. If we elect to extend the expiration of the rights offering, we will issue a press release announcing such extension no later than 9:00 a.m., New York City time, on the next business day after the most recently announced expiration of the rights offering. We will extend the duration of the rights offering as required by applicable law or

regulation and may choose to extend it if we decide to give investors more time to exercise their subscription rights in this rights offering. If we elect to extend the rights offering for a period of more than 30 days, then holders who have subscribed for rights may cancel their subscriptions and receive a refund of all money advanced.

Our board of directors also reserves the right to cancel the rights offering at any time prior to the expiration date for any reason. If the rights offering is canceled, all subscription payments received by the subscription agent will be returned, without interest or penalty, as soon as practicable to those persons who subscribed for shares in the rights offering.

Our board of directors also reserves the right to amend or change the terms of the rights offering. If we should make any fundamental changes to the terms set forth in this prospectus, we will file a post-effective amendment to the registration statement in which this prospectus is included, offer potential purchasers who have subscribed for

rights the opportunity to cancel such subscriptions and issue a refund of any money advanced by such shareholder and recirculate an updated prospectus after the post-effective amendment is declared effective by the SEC. In addition, upon such event, we may extend the expiration date of this rights offering to allow holders of rights ample time to make new investment decisions and for us to recirculate updated documentation. Promptly following any such occurrence, we will issue a press release announcing any changes with respect to this rights offering and the new expiration date. Although we do not presently intend to do so, we may choose to change the terms of the rights offering for any reason, including, without limitation, in order to increase participation in the rights offering. Such changes may include a change in the subscription price although no such change is presently contemplated. The terms of the rights offering cannot be changed after the expiration date of the rights offering.

Table Of Contents

No Board
Recommendation

Our board of directors is making no recommendations regarding your exercise of the subscription rights. You are urged to make your own decision whether or not to exercise your subscription rights based on your own assessment of our business and the rights offering. See the section of this prospectus entitled “Risk Factors” for a discussion of some of the risks involved in investing in our common stock.

Director
Participation

All Gyrodyne directors (who are also shareholders) have indicated that they will purchase shares that are subject to their subscription rights, and that they will exercise their over-subscription privilege (if available), at the same subscription price offered to our shareholders. If they do so, their ownership percentage may increase significantly if

shareholders do not exercise basic subscription privileges with respect to a significant number of shares.

Nevertheless, these shareholders have not executed agreements to purchase shares and there is no guarantee or commitment that they will subscribe for shares in the offering.

Issuance of
Common Stock

If you purchase shares in the rights offering by submitting a rights certificate and payment, we will mail you a stock certificate as soon as practicable after the completion of the rights offering. If your shares as of the record date were held by a custodian bank, broker, dealer or other nominee, and you participate in the rights offering, you will not receive stock certificates for your new shares. Your custodian bank, broker, dealer or other nominee will be credited with the shares of common stock you purchase in the rights offering as soon as

practicable after the completion of the rights offering

Listing of Common Stock

Our common stock trades on the NASDAQ Capital Market under the symbol “GYRO”, and we expect the shares to be issued in connection with the rights offering will also be listed on the NASDAQ Capital Market under the same symbol.

Certain Material U.S. Federal Income Tax Considerations

The receipt and exercise of your subscription rights will generally not be taxable under U.S. federal income tax laws. You are urged to seek specific tax advice from your personal tax advisor in light of your personal tax situation and as to the applicability and effect of any tax laws. See “Certain Material U.S. Federal Income Tax Considerations.”

Subscription Agent

Computershare Trust Company, N.A.

Information Agent

MacKenzie Partners, Inc.

Shares of Common Stock Outstanding

As of [], 2015, 1,482,680 shares of our common stock

Before the Rights were outstanding.
Offering

We will issue
[] shares of
common stock in
the rights offering,
assuming the full
number of
subscription rights
are
exercised. Based
on the number of
shares of common
stock outstanding
as of [], 2015, if we
issue all [] shares
of common stock
available in this
rights offering, we
would have []
shares of common
stock outstanding
following the
completion of the
rights
offering. However,
there is no
minimum number
of shares required
to complete the
rights offering.

Table Of Contents

Risk Factors Shareholders considering making an investment by exercising subscription rights in the rights offering should carefully read and consider the information set forth in “Risk Factors” beginning on page 10 of this prospectus, together with the other information contained in this prospectus, before making a decision to invest in our common stock.

Fees and Expenses We will pay the fees and expenses incurred by us related to the rights offering.

Summary Financial Information

During the second quarter of 2014, we engaged real estate brokers to sell the Cortlandt Manor Medical Center and the Fairfax Medical Center. The Cortlandt Manor Medical Center was acquired by Gyrodyne in 2008 and the neighboring lots were acquired by Gyrodyne in 2009 and 2010. The Fairfax Medical Center was acquired by Gyrodyne in 2009. These acquisitions were part of an overall strategy of reinvesting tax free under Section 1033 of the Internal Revenue Code (the "Code") the \$26,315,000 payment received from New York State in 2006 which the Company elected under New York State's eminent domain law to treat as advance payment while it pursued its claim for just compensation. In late 2013, these properties were contributed to a wholly owned subsidiary of Gyrodyne, GSD, the interests in which were distributed to our shareholders as a non-cash dividend with Gyrodyne retaining only a managing member interest (no ownership interest). As of April 1, 2014, all of the operations related to the Cortlandt Manor Medical Center and the Fairfax Medical Center are reported as discontinued operations and are presented as such in the unaudited third quarter consolidated financial statements and the unaudited pro forma consolidated financial statements for years ended December 31, 2013, 2012, 2011, 2010 and 2009. The prior period operations related to these entities have also been recast as discontinued operations retrospectively for all periods presented.

The following is a summary of selected statement of operations and balance sheet data for each of the periods indicated. The selected financial data presented below for the years ended December 31, 2013, December 31, 2012, December 31, 2011, December 31, 2010 and December 31, 2009 are derived from our unaudited pro forma consolidated financial statements and related notes. The selected consolidated financial data presented below for the nine months ended September 30, 2014 and September 30, 2013, are derived from our unaudited consolidated financial statements and related notes.

Table Of Contents

You are encouraged to review our financial statements (and the notes to our consolidated financial statements) beginning on page F-1 of this prospectus prior to exercising your subscription rights and investing in our common stock.

Statement of Operations	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Gross Revenues	\$2,002,107	\$2,186,915	\$2,890,174	\$2,724,983	\$2,975,621	\$3,025,117	\$2,864,804
Rental expenses excluding depreciation and amortization	1,140,057	1,051,013	1,401,297	1,268,689	1,316,886	1,281,470	1,211,383
Condemnation costs	0	(2,360)	(2,360)	167,370,518	(333,308)	(109,354)	(1,307,184)
Mortgage interest expense	0	(5,748)	5,748	439,972	(500,424)	(386,167)	(308,983)
Interest expense on dividend notes	(542,570)	0	0	0	0	0	0
Strategic alternative costs	1,246,096	2,803,021	3,637,123	1,013,043	29,383	0	0
Impairment charges (Benefit)	200,000	2,100,000	2,100,000	0	0	0	0
Federal tax provision	0	(58,182,122)	(61,553,442)	61,649,000	0	109,000	(4,130,000)
Net income from continuing operations	(2,790,349)	47,053,005	45,637,890	99,185,047	(1,388,688)	(1,442,672)	1,310,229
Discontinued operations:							
Income from discontinued operations attributable to Gyrodyne	0	0	417,315	(136,794)	264,023	361,207	212,661
Income from discontinued operations attributable to non-controlling interest	562,866	327,471	0	0	0	0	0

Edgar Filing: GYRODYNE CO OF AMERICA INC - Form S-1

Net (loss) income	(2,227,483)	47,380,476	46,055,205	99,048,253	(1,124,665)	(1,081,465)	1,522,890
Net income from non-controlling interest in GSD	(2,165,861)	0	(8,001)	0	0	0	0
Net (loss) income attributable to Gyrodyne	\$(61,622)	\$47,380,476	\$46,063,206	\$99,048,253	\$(1,124,665)	\$(1,081,465)	\$1,522,890

Statement of cash flows

Cash (used in) operations, net	\$(5,165,124)	\$(4,225,938)	\$(8,105,339)	\$161,712,775	\$(477,273)	\$(346,936)	\$(1,705,447)
Cash (used in) provided by investing	(3,506,610)	285,207	(1,437)	(5,010,995)	(905,834)	(1,524,192)	(6,269,146)
Cash (used in) provided by financing	0	(5,013,415)	(73,009,119)	(72,913,052)	9,617,579	3,143,864	7,637,486
Net increase (decrease) in cash and cash equivalents	\$(8,671,734)	\$(8,954,146)	\$(81,115,895)	\$(83,788,728)	8,234,472	1,272,736	(337,107)

Balance sheet

Real estate operating assets, net (1)	\$8,578,592	\$8,815,828	\$8,778,345	\$11,056,552	\$11,262,085	\$11,412,797	\$11,496,321
Land held for development (1)	2,482,288	2,355,063	2,382,313	2,274,312	2,166,066	2,041,037	1,925,429
Assets held for sale	22,411,392	21,893,073	22,024,321	21,758,524	22,148,875	22,034,432	21,089,227
Total assets (1)	44,938,473	122,407,206	50,981,788	134,518,999	47,806,589	39,768,219	36,105,005
Notes payable (1)	16,447,427	0	16,144,614	0	0	0	0
Mortgages payable	0	0	0	5,013,415	9,013,092	9,225,476	5,323,205
Cash distributions paid	0	0	67,995,704	56,786,652	0	0	0
Total equity attributable to Gyrodyne	\$8,194,789	\$13,371,185	\$8,939,014	\$64,768,002	\$23,987,799	\$14,961,340	\$14,633,741

Table Of Contents**Operating data**

Medical properties rentable square feet	130,910		130,887		130,910		131,125		131,113		130,648		127,213	
Occupancy percentage (2)	85	%	82	%	83	%	78	%	88	%	95	%	89	%
Industrial property rentable square feet	130,426		130,426		130,426		128,586		128,141		127,062		127,062	
Occupancy percentage (2)	72	%	83	%	84	%	85	%	83	%	81	%	83	%
Cash dividend declared per share	\$0.00		\$45.86		\$45.86		\$38.30		\$0		\$0		\$0	
PIK dividend declared	\$0.46		\$20.7		\$31.59		\$0.00		\$0		\$0		\$0	

Additional financial data

Funds from operations	\$(1,392,827)		\$(7,933,890)		\$(12,370,658)		\$(5,712,917)		\$(179,490)		\$(233,911)		\$(1,881,196)
Adjusted Funds from operations	\$402,339		\$286,104		\$209,943		\$(48,911)		\$183,201		\$(124,557)		\$(574,012)
Net income (loss) per share attributable to Gyrodyne	\$(0.04)		\$31.96		\$31.07		\$66.80		\$(0.84)		\$(0.84)		\$1.18
Funds from operations ("FFO") per common share (3)	\$(0.94)		\$(5.35)		\$(8.34)		\$(3.86)		\$(0.13)		\$(0.18)		\$(1.46)
Adjusted Funds from operations	\$0.27		\$0.19		\$0.14		\$(0.03)		\$0.14		\$(0.10)		\$(0.44)

(“AFFO”) per common share (4) Basic and diluted shares outstanding	1,482,680	1,482,680	1,482,680	1,482,680	1,340,706	1,290,039	1,290,039
--	-----------	-----------	-----------	-----------	-----------	-----------	-----------

(1) As of the period end.

(2) Occupancy Percentage is calculated by dividing the total rented square footage as of the end of the period by the total rentable square footage at the end of the period.

Table Of Contents

(3) The Company calculates funds from operations (“FFO”) in accordance with the white paper on FFO approved by the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT. The white paper defines FFO as net income or loss calculated in accordance with GAAP, excluding extraordinary items, as defined by GAAP, and gains and losses attributable to the sale of depreciable operating property, plus real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. NAREIT clarified its computation of FFO to exclude impairment on depreciable real estate owned directly or indirectly.

We believe that FFO is a useful supplemental measure of our operating performance. The exclusion of gains and losses on the sale of real estate allows investors and analysts to identify the operating results of the assets that reflect the core of our operations and assists in comparing the results of those operations across reporting periods. Additionally, FFO is the recognized industry standard for reporting the financial performance of a REIT. As a result, providing FFO facilitates comparison of operating performance with other REITs.

The use of historical cost accounting under GAAP is premised on real estate asset values diminishing over time. Since real estate assets have historically risen or fallen with market conditions, many investors and analysts consider presentation of operating results utilizing historical cost accounting alone to be insufficient. Because FFO excludes depreciation and amortization of real estate assets, we believe reporting FFO along with the required GAAP presentation provides a more complete measurement of our performance relative to our competitors. However, our FFO includes a material cost for condemnation litigation which other REITs may not incur. Condemnation expense is not an extraordinary item as defined by GAAP; therefore such costs were included in the computation of FFO.

FFO should not be viewed as an alternative measure of our operating performance since it does not reflect either depreciation and amortization costs or the capital expenditures and capitalized leasing costs necessary to maintain the operating performance of our properties. Such capital expenditures are significant economic costs and can materially impact results of operations and net cash flow provided or used between reporting periods.

Noncash adjustments applied to calculate FFO included depreciation and amortization and the tax benefit under Section 1033 of the Code. The tax benefit is from the rollover of the advance payment we received from the condemnation of 245.5 acres. Under the definition of FFO, gain or loss from property transactions are excluded from FFO. There were no other NAREIT defined FFO adjustments contained in the operating results.

(4) We also present Company adjusted FFO (“AFFO”), which adjusts FFO for certain items which we believe are non-recurring and not indicative of the operating results of our real estate portfolio. We believe this is an appropriate presentation as it is frequently requested by security analysts, investors and other interested parties. Since others do not calculate funds from operations in a similar fashion, AFFO may not be comparable to similarly titled measures as reported by others. FFO and AFFO should not be considered as an alternative to net income as an indicator of our operating performance or as an alternative to cash flow as a measure of liquidity. The adjustments to FFO include condemnation costs in years where no income was recognized due to the contingency of the event, early debt prepayment penalties, fees and related costs inclusive of any write-off of loan origination fees, fees / costs related to the pursuit of strategic alternatives, restructuring fees which were not incurred in the comparative periods, 2008 through 2013, as well as distributions triggered under the Company’s Incentive Compensation Plan.

Table Of Contents

The following table provides the reconciliation of net income to FFO and AFFO for each of the nine months ended September 30, 2014 and 2013, and the years ended December 31, 2013, December 31, 2012, December 31, 2011, December 31, 2010 and December 31, 2009:

Reconciliation of Net (loss) Income to FFO and AFFO	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Net (Loss) Income	\$(2,227,483)	\$47,380,476	\$46,055,205	\$99,048,253	\$(1,124,665)	\$(1,081,465)	\$1,522,890
Less net income from condemnation depreciation and amortization	0	0	0	167,370,518	0	0	0
Add Depreciation and Amortization From continuing operations	249,660	264,321	344,478	330,034	323,538	321,896	296,577
From discontinued operations	314,935	449,234	609,247	570,061	552,563	481,829	394,099
Total depreciation and amortization	564,595	713,555	953,725	900,095	876,101	803,725	690,676
Add amortization of capitalized leasing costs	70,061	54,201	73,854	60,253	69,074	43,829	35,237
Impairment charges (Benefit)	200,000	2,100,000	2,100,000	0	0	0	0
Federal tax provision	0	(58,182,122)	(61,553,442)	61,649,000	0	0	(4,130,000)
Funds From Operations	(1,392,827)	(7,933,890)	(12,370,658)	(5,712,917)	(179,490)	(233,911)	(1,881,196)
Condemnation costs	0	2,360	2,360	0	333,308	109,354	1,307,184
	0	898,836	898,456	1,090,213	0	0	0

Compensation costs to employees under the Incentive Compensation Plan triggered by the special dividend							
Director payments under the Incentive Compensation Plan triggered by the special dividend	0	2,471,854	2,471,854	2,380,345	0	0	0
Compensation and director fee related costs under the Incentive Compensation Plan to former employees and a former director that was vested prior to the special dividend	0	1,726,171	1,726,171	779,405	0	0	0
Restructuring costs	0	64,237	64,237	0	0	0	0
Costs to pursue strategic alternatives	1,246,096	2,803,021	3,637,123	1,013,043	29,383	0	0
Non-recurring governance items related to ICP	0	0	5,565	0	0	0	0
Excise Tax	0	0	3,521,320	0	0	0	0
Dividend note interest	542,570	0	0	0	0	0	0
Amortization of dividend note costs	6,500	0	0	0	0	0	0
financing Debt prepayment penalties and	0	253,515	253,515	401,000	0	0	0

related costs

AFFO	\$402,339	\$286,104	\$209,943	\$(48,911) \$183,201	\$(124,557) \$(574,012)
------	-----------	-----------	-----------	-----------	-------------	------------	--------------	---

19

Table Of Contents

RISK FACTORS

Investing in our securities involves a high degree of risk. You should carefully consider the specific risks described below before making an investment decision. See the section of this prospectus entitled “Where You Can Find More Information.” Any of the risks we describe below could cause our business, financial condition, results of operations or future prospects to be materially and adversely affected. The market price of our common stock could decline if one or more of these risks and uncertainties develop into actual events and you could lose all or part of your investment. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition, results of operations or future prospects. In addition, some of the statements in this section of the prospectus are forward-looking statements. For more information about forward-looking statements, see the section of this prospectus entitled “Cautionary Statement Concerning Forward-Looking Information” above .

Risks Related to the Rights Offering

If we consummate the rights offering and you do not fully exercise your basic subscription privilege, your interest in us will be diluted. In addition, if you do not exercise your basic subscription privilege in full and the subscription price is less than the market price of our common stock, then you would experience an immediate dilution of the aggregate fair value of your shares, which could be substantial.

Assuming we consummate the rights offering and you do not choose to fully exercise your basic subscription privilege, your proportionate voting interest and your percentage ownership interest in us will decrease. In addition, if you exercise your basic subscription privilege in full but do not exercise your over-subscription privilege in full and other subscription rights holders fully exercise their basic and over-subscription privileges, the percentage of our common stock owned by those other subscription rights holders will increase. For example, if you own 14,827 shares of common stock before the rights offering, or approximately 1.0% of our common stock, and you do not exercise any of your basic or over-subscription privileges while all other subscription rights holders exercise their subscription privileges in full, then your percentage ownership will be reduced from 1.0% to approximately 0.[]%. In addition, if you do not exercise your basic subscription privilege in full and the subscription price is less than the market price of our common stock, you would experience immediate dilution of the value of your shares relative to what your value would have been had our common stock been issued at the market price. This dilution could be substantial.

The subscription price determined for the rights offering is not necessarily an indication of the fair value of our common stock.

Our board of directors determined the terms of the rights offering, including the subscription price. In determining the subscription price, our board of directors considered a number of factors, including:

- the size and timing of the rights offering and the price at which our shareholders might be willing to participate in a rights offering offered on a pro rata basis to all shareholders with an over-subscription privilege;
- subscription price discounts in similar rights offerings;
- our need for additional capital, liquidity and financial flexibility;
- the board's perception of the value of the Contributed Properties and of the likelihood of consummating the Merger when compared to the current market capitalization;
- current economic and financial market conditions;
- alternatives available for raising equity capital;
- historical and current trading prices for our common stock; and
- potential costs associated with pursuing development rights for the Flowerfield property, necessary capital improvements in the real estate portfolio and general operations.

The subscription price was established by our board of directors at a price of \$[] per share. The subscription price is not necessarily related to our book value, results of operations, cash flows, financial condition or net worth or any other established criteria of value and may or may not be considered the fair value of our common stock at the time the rights offering was approved by our board of directors or during the rights offering period. On [], 2015, the closing sale price for our common stock on the NASDAQ Capital Market was \$[] per share and traded at an average closing price of \$[] per share for the thirty trading day period ended [], 2015 and \$[] per share for the three-month period ended [], 2015. On [], 2015, the last trading day prior to the announcement of the subscription price, the closing sales price of our common stock was \$[]. We retained the investment banking firm of Coady Diemar Partners to provide financial advisory services to us in connection with the offering, including on the issue of the subscription price. We cannot assure you that the trading price of our common stock will not decline during or after the rights offering. We also cannot assure you that you will be able to sell shares purchased in this offering at a price equal to or greater than the subscription price. We do not intend to change the subscription price in response to changes in the trading price of our common stock prior to the closing of the rights offering.

Table Of Contents

The rights offering may cause the price of our common stock to decline.

The subscription price of \$[] per share is lower than the average of the closing sales prices of our common stock over the thirty trading day period ended [], 2015, the last trading day prior to the announcement of the subscription price. On that day, the closing sales price of our common stock was \$[]. The average of the closing sales prices of our common stock over the thirty trading day period ended[], 2015 was \$[] and the average closing price for the three-month period ended [], 2015 was \$[] per share. The announcement of the rights offering and its terms, including the subscription price, together with the number of shares of common stock we could issue if this offering is completed, may result in an immediate decrease in the trading price of our common stock. This decrease may continue after the completion of the rights offering. If that occurs, your purchase of shares of our common stock in the rights offering may be at a price greater than the prevailing trading price. Further, assuming subscription rights for the full [] shares are exercised in the rights offering and the holders of the shares received upon exercise of those subscription rights choose to sell some or all of those shares, the resulting sales could also depress the trading price of our common stock.

We may cancel the rights offering at any time prior to the expiration of the rights offering, and neither we nor the subscription agent will have any obligation to you except to return your subscription payments.

We may, in our sole discretion, decide not to continue with the rights offering or decide to cancel the rights offering prior to the expiration of the rights offering. If the rights offering is cancelled, we will issue a press release notifying shareholders of the cancellation and all subscription payments received by the subscription agent will be returned, without interest, as soon as practicable.

The rights offering does not have a minimum amount of proceeds or number of shares and there can be no assurance that shareholders will choose to exercise their subscription rights, which means that we may not have achieved our stated objective of facilitating the Merger and if you exercise your rights you may be investing in a company that continues to desire additional capital.

There is no minimum amount of proceeds required to complete the rights offering. There can be no assurance that any shareholders will exercise their subscription rights. All our directors (who are also shareholders) have indicated that they will purchase shares that are subject to their subscription rights, and that they will exercise their over-subscription privilege (if available), at the same subscription price offered to our shareholders. If they do so, their ownership percentage may increase significantly if shareholders do not exercise basic subscription privileges with respect to a significant number of shares. Nevertheless, these shareholders have not executed agreements to purchase shares and there is no guarantee or commitment that they will subscribe for shares in the offering. In addition, all exercises of subscription rights are irrevocable, even if you later learn information that you consider to be unfavorable to the exercise of your subscription rights and even if the rights offering is extended by our board of directors. However, if

we amend the rights offering to allow for an extension of the rights offering for a period of more than 30 days or make a fundamental change to the terms of the rights offering set forth in this prospectus, you may cancel your subscription and receive a refund of any subscription payments you have advanced. Also, one of the main reasons for conducting this rights offering is to facilitate the Merger, because we believe that shareholders who purchase shares in this rights offering may be more interested in the current structure of Gyrodyne and thus more likely to vote their shares on the Merger proposal. Accordingly, if we do not sell enough shares, the rights offering will not have furthered this objective. In addition, if you exercise the basic subscription privilege or the over-subscription privilege, but we do not raise the desired amount of capital in this rights offering, you may be investing in a company that continues to desire additional capital.

Table Of Contents

We may amend or change the terms of the rights offering at any time prior to the expiration of the rights offering in our sole discretion.

Our board of directors reserves the right to amend or change the terms of the rights offering in its sole discretion. Although we do not presently intend to do so, we may choose to amend or change the terms of the rights offering for any reason, including, without limitation, in order to increase participation in the rights offering. Such amendments or changes may include a change in the subscription price, although no such change is presently contemplated. If we should make any fundamental changes to the terms set forth in this prospectus, we will file a post-effective amendment to the registration statement in which this prospectus is included, offer potential purchasers who have subscribed for rights the opportunity to cancel such subscriptions and issue a refund of any money advanced by such shareholder and recirculate an updated prospectus after the post-effective amendment is declared effective by the SEC. In addition, upon such event, we may extend the expiration date of this rights offering to allow holders of rights ample time to make new investment decisions and for us to recirculate updated documentation. Promptly following any such occurrence, we will issue a press release announcing any changes with respect to this rights offering and the new expiration date. The terms of the rights offering cannot be amended or changed after the expiration date of the rights offering.

Because you may not revoke or change your exercise of the subscription rights, you could be committed to buying shares above the prevailing trading price at the time the rights offering is completed.

Once you exercise your subscription rights, you may not revoke or change the exercise. The trading price of our common stock may decline before the subscription rights expire. If you exercise your subscription rights, and, afterwards, the trading price of our common stock decreases below the \$[] per share subscription price, you will have committed to buying shares of our common stock at a price above the prevailing trading price and could have an immediate unrealized loss. There can be no assurances that the trading price of our common stock will equal or exceed the subscription price at the time of exercise or at or after the expiration of the subscription rights offering period.

Our common stock is traded on the NASDAQ Capital Market under the symbol, "GYRO", and the closing sale price of our common stock on the NASDAQ Capital Market on [], 2015 was \$[] per share.

You may not be able to resell any shares of our common stock that you purchase pursuant to the exercise of subscription rights immediately upon expiration of the subscription rights offering period or be able to sell your shares at a price equal to or greater than the subscription price.

If you exercise subscription rights, you may not be able to resell the common stock purchased by exercising your subscription rights until you, or your broker, custodian bank or other nominee, if applicable, have received those shares. Moreover, you will have no rights as a shareholder of the shares you purchased in the rights offering until we issue the shares to you. Although we will endeavor to issue the shares as soon as practicable after completion of the rights offering, including after all necessary calculations have been completed, there may be a delay between the expiration date of the rights offering and the time that the shares are issued. Additionally, as a result of our common stock being thinly traded, we cannot assure you that following receipt of the common stock, the market will provide a sufficient amount of buyers to enable you to sell a portion or all of the common stock at a price equivalent, above or even below the price of the stock on the date the rights offering closed.

Table Of Contents

Because we will have broad discretion over the use of the net proceeds from the rights offering, you may not agree with how we use the proceeds.

We intend to use the net proceeds received from the rights offering to pay accrued principal and interest on outstanding dividend and payment-in-kind notes issued by Gyrodyne, to fulfill our obligation to provide a liquidity facility to GSD, for pursuing development rights for the Flowerfield property, for necessary capital improvements in GSD's real estate portfolio which we manage, to fund any obligations under the Gyrodyne Company of America, Inc. Pension Plan and for general working capital. However, we may allocate the proceeds among these purposes in our discretion. Also, there is no minimum number of shares required to complete the rights offering, and the gross and net proceeds could be considerably less than the \$5,560,050 and \$5,050,000, respectively, we would receive assuming full subscription. In addition, economic and financial market conditions may require us to allocate portions of the net proceeds for other purposes. Accordingly, you will be relying on the judgment of our management with regard to the use of proceeds from the rights offering, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used in a manner that you consider appropriate. It is possible that the proceeds will be used in a way that does not yield a favorable, or any, return for Gyrodyne. See "Use of Proceeds."

If you do not act promptly and follow the subscription instructions, your exercise of subscription rights may be rejected.

Subscription rights holders who desire to purchase shares in the rights offering must act promptly to ensure that all required forms and payments are actually received by the subscription agent prior to the expiration date of the rights offering. If you are a beneficial owner of shares of our common stock, but not a record holder, you must act promptly to ensure that your broker, dealer, custodian bank or other nominee acts for you and that all required forms and payments are actually received by the subscription agent prior to the expiration of the rights offering period. We are not responsible if your broker, dealer, custodian bank or nominee fails to ensure that all required forms and payments are actually received by the subscription agent prior to the expiration of the rights offering period. If you fail to complete and sign the required subscription forms, send an incorrect payment amount or otherwise fail to follow the subscription procedures that apply to your exercise in the rights offering prior to the expiration of the rights offering period, the subscription agent may, depending on the circumstances, reject your subscription or accept it only to the extent of the payment received. Neither we nor the subscription agent undertakes to contact you concerning, or attempt to correct, an incomplete or incorrect subscription form or payment. We have the sole discretion to determine whether the exercise of your subscription rights properly and timely follows the subscription procedures.

Because the subscription rights are non-transferable, there is no market for the subscription rights.

You may not sell, transfer or assign your subscription rights to anyone else, and we do not intend to list the subscription rights on the NASDAQ Capital Market, any other stock exchange or the OTC Bulletin Board. The

subscription rights are only transferable by operation of law. Because the subscription rights are non-transferable, there is no market or other means for you to directly realize any value associated with the subscription rights. You must exercise the subscription rights and acquire shares of our common stock to realize any value that may be embedded in the subscription rights.

The price of our common stock is volatile and may decline before or after the subscription rights expire.

The market price of our common stock is subject to wide fluctuations in response to numerous factors, including factors that have little or nothing to do with us or our performance, and these fluctuations could materially reduce our stock price. These factors include, among other things, actual or anticipated variations in our operating results and cash flow, risks and uncertainties relating to the Plan of Liquidation, the Plan of Merger and the respective transactions contemplated thereby, the nature and content of our competitors' earnings releases, business conditions in our markets, the general state of the securities markets and the market for similar stocks, changes in capital markets that affect the perceived availability of capital to companies in our industry, governmental legislation or regulation, as well as general economic and market conditions. In addition, the stock market historically has experienced significant price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may cause declines in the market price of our common stock.

Table Of Contents

Risks Associated with the Plan of Liquidation and Plan of Merger

On June 5, 2014, Gyrodyne announced that a special meeting of Gyrodyne shareholders would be held on August 14, 2014 to authorize the Merger. Under New York law, the affirmative vote of holders of at least two-thirds of our outstanding shares is required to approve the Merger. Gyrodyne postponed the special meeting, first to August 27, 2014 and then to December 5, 2014, to allow additional time for shareholders to vote on the Merger. Although the shares that were voted in these previous attempts to conduct the special meeting were overwhelmingly voted in favor of the Merger, not enough shares were voted to achieve the two-thirds of the outstanding shares vote requirement. Accordingly, on November 4, 2014, Gyrodyne announced a further postponement of the special meeting until the first half of 2015. Given the small size of holdings of many Gyrodyne shareholders and the nature of various holders, we believe many holders may not have paid enough attention to the Merger to exercise their right to vote. The board believes, however, that shareholders who would exercise their subscription rights in the rights offering may be more interested in the current structure of Gyrodyne and thus more likely to desire completion of the Merger. If all rights in the rights offering are exercised and all of the shares issuable upon exercise of the rights are sold in this offering, there will be [] shares outstanding and holders of at least [] shares will need to vote in favor of the Merger to satisfy the two-thirds of the outstanding shares vote requirement. Gyrodyne intends to conduct the special meeting to authorize the Merger as soon as reasonably possible after the consummation of the rights offering.

This prospectus is not to be considered material to solicit proxies or deemed an offer to sell the Gyrodyne, LLC equity interests (“Gyrodyne, LLC Shares”), which solicitation and offer will only be made through a definitive proxy statement/prospectus relating to the Merger and the issuance of the Gyrodyne, LLC Shares. Gyrodyne filed definitive proxy materials with the Securities and Exchange Commission (the “SEC”) on July 1, 2014 with respect to the Plan of Merger. If our board determines to try again to hold the special meeting to authorize the Plan of Merger, which is our current intention, Gyrodyne will solicit proxies through such definitive proxy statement or, if necessary, a post-effective amendment thereto.

There are risks and uncertainties associated with the Plan of Liquidation generally.

There are a number of risks and uncertainties relating to the Plan of Liquidation (including those associated with the proposed Merger and the respective transactions contemplated thereby). For example:

- the transactions may not be consummated (including as a result of a legal injunction) or may not be consummated as currently anticipated;
- there can be no assurance that approval of our shareholders for the Merger will be obtained;
- there can be no assurance other conditions relating to implementation of the Merger will be satisfied or waived or that other events will not intervene to delay or result in our board of directors rescinding the Plan of Liquidation or terminating the Plan of Merger;

if the transactions are not completed, the share price of shares of common stock may change to the extent that the current market price of Gyrodyne shares reflects an assumption that the transactions contemplated by the Plan of Liquidation and the Plan of Merger will be consummated;

we are incurring and may continue to incur significant costs arising from efforts to engage in the transactions contemplated by the Plan of Liquidation and the Plan of Merger, and these efforts may not result in the successful completion of such transactions;

even if the transactions contemplated by the Plan of Liquidation and the Plan of Merger are consummated; achieving the anticipated benefits of the transactions is subject to a number of uncertainties. Failure to achieve anticipated benefits could result in increased costs and could materially adversely affect our business, financial condition and results of operations and the value of Gyrodyne to our shareholders;

we may continue to incur difficulties in preserving the commercially sensitive confidential information that we may need to disclose to other persons during this process. If we are unable to effectively manage these risks, our business, financial condition or results of operations may be adversely affected.

Table Of Contents

If the Merger is consummated, the allocation of Gyrodyne, LLC Shares to be issued to Gyrodyne shareholders, GSD Interest holders and holders of interests in dividend notes is subject to adjustment in the discretion of the Gyrodyne board of directors

If the Merger is approved and consummated, Gyrodyne and GSD would merge into Gyrodyne, LLC, and Gyrodyne shares and the GSD Interests issued in the First Special Dividend would be converted into, and the Dividend Note issued as the Second Special Dividend and certain other notes issued by Gyrodyne would be redeemed for, Gyrodyne, LLC Shares. The Plan of Merger provides that holders of Gyrodyne shares will receive approximately 15.2% of the Gyrodyne, LLC Shares in the aggregate, holders of interests in the Dividend Note (\$16,150,000 principal amount) would receive approximately 29.2% of the Gyrodyne, LLC Shares in the aggregate, and holders of GSD Interests would receive approximately 55.6% of the Gyrodyne, LLC Shares in the aggregate. The Plan of Merger also provides, however, that the foregoing allocations are subject to adjustment in the discretion of the Gyrodyne board of directors. The board of directors determined the foregoing allocations based on the relative values it attributed to the three categories of securities that will be exchanged or redeemed for Gyrodyne, LLC Shares, namely the assumed pro forma book value of Gyrodyne of \$8,450,000 (approximately \$5.70 per share), the principal amount of the Dividend Note (\$16,150,000 or \$10.89 per share) and the fair market value of GSD Interests as determined by our board (\$30,685,000 or \$20.70 per share). It is anticipated that our board will determine in its discretion to adjust the foregoing allocations to account for developments occurring after the foregoing allocations were originally set in December 2013 which cause the relative values placed on Gyrodyne shares, GSD Interests and Dividend Note interests to change materially. These developments may include, without limitation, consummation of the rights offering, the liquidity facility provided by Gyrodyne to GSD, accrual of interest on the Dividend Note, any new appraisals on the Contributed Properties indicating a valuation materially different from the aggregate value for such properties reflected in the 2013 appraisal, any valuations of the GSD Interests and the Dividend Note interests indicating valuations materially different from the valuations for such assets determined in December 2013, adoption of our retention bonus plan, the financial performance of Gyrodyne and GSD and any increase in Gyrodyne's funding obligation with respect to the Pension Plan. In addition, on September 15, 2014, our board declared a special supplemental dividend in the amount of \$682,033, paid in the form of non-transferrable uncertificated interests in a dividend note on December 31, 2014 to all shareholders of record as of September 26, 2014 (the "2014 Dividend Note", and together with the Dividend Note, the "Dividend Notes"). Accordingly, the allocation of Gyrodyne, LLC Shares previously designated for holders of interests in the Dividend Note will now include as well holders of interests in the 2014 Dividend Note. The percentage allocated to all noteholders will be adjusted to reflect the aggregate amount outstanding under the notes including accrued interest thereon net of all cash payments thereon. The final determination of our board of directors as to allocation of Gyrodyne, LLC Shares to be made to Gyrodyne shareholders, GSD shareholders and interest holders in the Dividend Notes will be announced via press release, a copy of which will be filed with the SEC under cover of a Current Report on Form 8-K, at least ten days prior to the special meeting at which shareholders will be asked to vote on the Merger. In addition, in carrying out its fiduciary obligations to Gyrodyne and its shareholders, its legal obligations to GSD and its contractual obligations to the holders of interests in the Dividend Notes, our board of directors may face situations where there may be a conflict among the interests of Gyrodyne's shareholders, GSD's shareholders and the Dividend Notes interest holders.

If our shareholders do not authorize the Plan of Merger, it may be difficult for us to continue our business operations.

Our board adopted the Plan of Liquidation, pursuant to which we intend to dispose of our remaining assets in an orderly manner designed to obtain the best reasonably available value for such assets and to complete the Tax Liquidation. In the event that the Plan of Merger is not approved by the shareholders, we will continue our business operations as a self-managed and self-administered REIT and continue to act as the managing member of GSD. In light of our announced intent to liquidate and the impact of the Special Dividend, prospective employees, suppliers, tenants and other third parties may be less likely to form relationships or conduct business with us if they do not believe we will continue to operate as a going concern.

Table Of Contents

We cannot assure you of the exact timing and amount of any further distributions to our shareholders under the Plan of Liquidation.

Although consummation of the Merger will complete the Tax Liquidation, our board currently intends that, if the Merger is consummated, Gyrodyne, LLC will operate with a business plan to dispose of its current real property assets in an orderly manner designed to obtain the best value reasonably available for such assets. The liquidation process is subject to numerous uncertainties, may fail to create value for our shareholders and may not result in any remaining proceeds for distribution to our shareholders. The precise nature and timing of any distribution to our shareholders subsequent to the Merger, if consummated, will depend on and could be delayed by, among other things, sales of our real estate assets, claim settlements with creditors, resolution of outstanding litigation matters, payment of incentive bonuses to employees, directors and former employees and a former director who were vested under the Incentive Compensation Plan and unanticipated or greater-than-expected expenses. Examples of uncertainties that could reduce the value of or eliminate distributions to our shareholders include unanticipated costs relating to:

failure to achieve favorable values for our properties in their disposition;
the defense, satisfaction or settlement of lawsuits or other claims that may be made or threatened against us in the future; and
delays in our liquidation, including due to our inability to settle claims.

As a result, we cannot determine with certainty the amount or timing of distributions to our shareholders or to holders of Gyrodyne, LLC Shares.

Our board may abandon or delay implementation of the Plan of Liquidation or the Plan of Merger even if the Plan of Merger is authorized by our shareholders.

Even if the Merger pursuant to the Plan of Merger is authorized by our shareholders, our board has reserved the right, in its discretion, to abandon or delay implementation of the transactions contemplated thereby and by the Plan of Liquidation, in order, for example, to permit us to pursue new strategic opportunities.

If our Common Stock were delisted from NASDAQ, shareholders may find it difficult to dispose of their shares.

If our common stock or, subsequent to the Merger, Gyrodyne, LLC Shares were to be delisted from NASDAQ, trading of our common stock or, subsequent to the Merger, Gyrodyne, LLC Shares most likely will be conducted in the over-the-counter market on an electronic bulletin board established for unlisted securities such as the Pink Sheets

or the OTC Bulletin Board. Such trading will reduce the market liquidity of our common stock or, subsequent to the Merger, Gyrodyne, LLC Shares. As a result, an investor would find it more difficult to dispose of, or obtain accurate quotations for the price of, our common stock or, subsequent to the Merger, Gyrodyne, LLC Shares.

If the Plan of Merger is not authorized, the board may decide to pursue the Plan of Liquidation in another manner.

If the Plan of Merger is not approved, the board may determine not to withdraw the Plan of Liquidation but to continue to pursue a tax liquidation by other means, including dissolution under New York law or a merger under different terms than those set forth in the Plan of Merger. In such event, Gyrodyne may suffer from a period of uncertainty while any necessary shareholder approval is obtained, costs of the liquidation may increase, and shareholders may be delayed in their receipt of liquidation proceeds and the amount of such proceeds may be reduced significantly.

We may not be able to settle all of our obligations to creditors at the amount we have estimated.

We have current and may incur future obligations to creditors. Our estimated distribution to shareholders takes into account all of our known obligations and our best estimate of the amount reasonably required to satisfy such obligations. As part of the wind-down process, we will attempt to settle those obligations with our creditors. We cannot assure you that we will be able to settle all of these obligations for the amount we have estimated for purposes of calculating the likely distribution to shareholders. If we are unable to reach an agreement with a creditor relating to an obligation, that creditor may bring a lawsuit against us. Amounts required to settle obligations or defend lawsuits in excess of the amounts estimated by us will reduce the amount of remaining proceeds available for distribution to shareholders.

Table Of Contents

Our shareholders may be liable to our creditors for an amount up to the amount distributed by us if our reserves for payments to creditors are inadequate.

In the event our shareholders receive funds by means of the Special Dividend or as distributions from Gyrodyne, LLC and there are not left sufficient funds to pay any creditors who seek payment of claims against Gyrodyne, shareholders (or holders of Gyrodyne, LLC Shares) could be held liable for payments made to them and could be required to return all or a part of distributions made to them.

If the Plan of Merger is authorized, but the Merger does not occur, shareholders may not be able to recognize a loss in their Common Stock for federal income tax purposes until they receive a final distribution from us, which may be up to two years after our adoption of the Plan of Liquidation.

In general, if our shareholders approve the proposal to authorize the Plan of Merger, a shareholder will recognize, for federal income tax purposes, gain or loss equal to the difference between (i) the sum of the amount of cash and the fair market value of other property distributed to such shareholder in the Special Dividend and in any other distributions we may make pursuant to the Tax Liquidation, whether by merger or otherwise, and (ii) such shareholder's adjusted tax basis in its shares of common stock. Liquidating distributions pursuant to the Plan of Liquidation and/or Plan of Merger may occur at various times and in more than one tax year. Any gain will be recognized in such year(s) when the shareholder receives a distribution that, in the aggregate with all other distributions received pursuant to the Tax Liquidation, whether by merger or otherwise, is in excess of the shareholder's basis in its shares of common stock; loss will be recognized only in the year in which the final distribution to the shareholder is made, and only if the shareholder has not received distributions equal to the shareholder's basis in its shares of common stock. The tax treatment for non-U.S. shareholders may differ from that described above. Shareholders are urged to consult their tax advisors as to the specific tax consequences to them of a Tax Liquidation pursuant to the Plan of Liquidation and/or Plan of Merger.

Risks Relating to our Business and our Company

We no longer own our properties, and there could be conflicts between our shareholders and holders of GSD Interests.

Shareholders of Gyrodyne who sold their shares in Gyrodyne on or following December 31, 2013, the ex-dividend date of the First Special Dividend, will continue to hold their GSD Interests indefinitely because such interests are

generally non-transferable. Accordingly, conflicts could arise between shareholders of Gyrodyne and those holders of GSD Interests who no longer hold shares in Gyrodyne. Under GSD's Amended and Restated Limited Liability Company Agreement (the "LLC Agreement"), Gyrodyne has sole authority as GSD's managing member to manage the affairs of GSD. Gyrodyne was also obligated to provide an initial liquidity facility to GSD, in such amount up to \$2.5 million as Gyrodyne may determine from time to time, in order to permit GSD to conduct its operations. During the third quarter of 2014, our board authorized an increase in the liquidity facility to \$3.5 million, and in January 2015 our board authorized a further increase to \$5.5 million. On December 24, 2014, Gyrodyne and GSD entered into a management services agreement (the "Management Services Agreement") pursuant to which Gyrodyne agreed to continue providing management services to GSD under substantially the same terms previously provided under the management provisions contained in the LLC Agreement. In carrying out its obligations under the Management Services Agreement, Gyrodyne may face situations where there may be a conflict between what is in the best interest of Gyrodyne and what is in the best interest of GSD. There also may be conflicts in setting transfer pricing between Gyrodyne and GSD. Finally, holders of GSD Interests who no longer own shares in Gyrodyne will not be entitled to vote at the special meeting that Gyrodyne intends to call in order to vote upon the Plan of Merger. See "Business--Management Services Agreement".

Table Of Contents

Pension Plan liabilities could impair our liquidity or financial condition.

On November 25, 2013, Gyrodyne's board of directors determined that it was advisable and to the advantage, welfare and best interests of Gyrodyne to terminate the Pension Plan as of February 28, 2014. Pursuant to our board of directors' decision, Gyrodyne froze benefits and additional participation as of December 23, 2013 and is seeking an IRS determination letter to complete the termination. Gyrodyne will be required to distribute all assets of the Pension Plan to its participants within 120 days following receipt of the determination letter from the IRS regarding the termination of the Pension Plan. Based on the current assets and liabilities of the Pension Plan on a termination basis, Gyrodyne expects to be required to fund additional amounts to complete the termination and liquidation of the Pension Plan. The exact amount of this funding obligation has not yet been determined.

The Pension Plan is considered to be a defined benefit pension plan for accounting purposes. If a defined benefit pension plan is terminated without being fully funded on a termination basis, the Pension Benefit Guaranty Corporation, or PBGC, could obtain a lien on the sponsor company's assets for the amount of this liability. The measurement of our obligations, costs and liabilities associated with benefits pursuant to the Pension Plan requires that we estimate the present value of projected future payments to all participants, including assumptions related to discount rates, investment returns on designated plan assets and demographic experience. Our liability to the Pension Plan will be equal to the amount by which the liabilities of the Pension Plan, calculated on a termination basis, exceed the assets of the Pension Plan. As a result of the termination of the Pension Plan, Gyrodyne may have to make additional contributions to the Pension Plan to satisfy obligations due and payable to its participants. The exact amount of that funding obligation is not known at this time.

We may be the potential target of a reverse acquisition or other acquisition prior to or after the Merger.

Until the Merger, we will continue to exist as a public company. Public companies that exist with limited operations have from time to time been the target of "reverse" acquisitions, meaning acquisitions of public companies by private companies in order to bypass the costly and time-intensive registration process to become publicly traded companies. In addition, we could become an acquisition target, through a hostile tender offer or other means, as a result of our cash holdings or for other reasons. In the event of an acquisition bid other than through a hostile tender offer, approval of the acquisition would be subject to our board of directors and/or shareholder approval. On August 8, 2014, we extended the expiration date of our shareholder rights plan, which would significantly dilute the ownership of a hostile acquirer and may have the effect of lengthening the time required for a person to acquire control of us through a proxy contest or the election of a majority of our board of directors, may deter efforts to obtain control of us and may make it more difficult for a third party to acquire us without negotiation. If we become the target of a successful acquisition, notwithstanding the shareholder authorization of the Plan of Merger, our board of directors could potentially decide either to delay or completely abandon the Merger, and our shareholders may not receive any proceeds that would have otherwise been distributed in connection with the liquidation and may receive less than they would have received in the liquidation.

Following the Merger, Gyrodyne, LLC similarly could become an acquisition target, which would delay or prevent the liquidation of its assets, thereby potentially delaying or reducing any proceeds that would have otherwise been distributed in connection with the liquidation.

Our directors and executive officers may have interests that are different from, or in addition to, those of our shareholders generally.

Our board and executive officers may have interests in the Plan of Liquidation that may be in addition to, or different from, your interests as a shareholder. In connection with the Plan of Liquidation, some of our executive officers will be entitled to receive severance benefits and other payments for health insurance. In addition, following the Merger, our directors and executive officers will be entitled to continuing indemnification and liability insurance. For a more detailed discussion of the interests of our management, see pages 70 and 74 of this prospectus.

Table Of Contents

As described on page 30 of this prospectus, on May 30, 2014 the board of directors of Gyrodyne adopted a retention bonus plan for the benefit of directors, officers and employees of Gyrodyne. See “page 83 — *Retention Bonus Plan.*” The plan was intended to recognize the nature and scope of the responsibilities related to such business plan, to reward and incent performance in connection therewith, to align the interests of directors, executives and employees with our shareholders and to retain such persons during the term of such plan. As the funding for such plan will reduce the amounts otherwise available to GSD, or, subsequent to the Merger, holders of Gyrodyne, LLC Shares, a conflict of interest between such holders and the beneficiaries of the retention bonus plan could be deemed to exist.

We will continue to incur the expenses of complying with public company reporting requirements.

We have an obligation to continue to comply with the applicable reporting requirements of the Exchange Act. Even if we proceed with the Plan of Merger and it is approved, it is anticipated that Gyrodyne, LLC will continue to be subject to such requirements during the period its assets are liquidated even though compliance with such reporting requirements involves time and expense.

Provisions in our certificate of incorporation, our by-laws, our shareholder rights plan and New York law could make it more difficult for a third party to acquire us, discourage a takeover and adversely affect existing shareholders.

Provisions contained in our certificate of incorporation, our by-laws, our shareholder rights plan and New York law may have an anti-takeover effect that may delay, defer or prevent a takeover attempt and thereby prevent shareholders from receiving a “control premium” for their shares. For example, these provisions may defer or prevent tender offers for our common stock or purchases of large blocks of our common stock, thus limiting the opportunities for our shareholders to receive a premium for their common stock over then-prevailing market prices.

These provisions include the following:

Staggered board. Our board is divided into three classes with each director generally serving for a three-year term. This staggering of the board may discourage offers for Gyrodyne or make an acquisition of Gyrodyne more difficult, even when an acquisition is in the best interest of our shareholders.

New York anti-takeover statute. Under New York’s anti-takeover statute, any person who acquires 20% or more of our common stock is prohibited from engaging in a business combination with us for five years unless the board has approved (i) the particular business combination or (ii) the stock purchase that put the shareholder over the 20%

threshold.

Shareholder rights plan. In 2004, we adopted a shareholder rights plan intended to deter a hostile takeover by making any proposed hostile acquisition of us more expensive and less desirable to a potential acquirer. If a person or group acquires or announces an intention to acquire 20% or more of our outstanding common stock, each right holder (other than the acquiring person) would be entitled to purchase, at the then-current exercise price, such number of shares of our common stock which are equivalent to shares of common stock having a value of twice the exercise price of the right. If we are acquired in a merger or other business combination transaction after any such 20% threshold event, each right holder would then be entitled to purchase, at the then-current exercise price, shares of the acquiring company's common stock having a value of twice the exercise price of the right. The shareholder rights plan could delay or discourage transactions involving an actual or potential change in control of us, including transactions in which shareholders might otherwise receive a premium for their shares over then current prices. On August 8, 2014, we extended the expiration date of the shareholder rights plan from August 11, 2014 to August 11, 2015.

Table Of Contents

Provisions of Gyrodyne, LLC's Amended and Restated Limited Liability Company Agreement, including its classified board and 20% ownership limitation could make it more difficult for a third party to acquire Gyrodyne, LLC, discourage a takeover and adversely affect its members.

Gyrodyne, LLC's Amended and Restated Limited Liability Company Agreement contains certain provisions that may have the effect of making more difficult, delaying, or deterring attempts by others to obtain control of Gyrodyne, LLC, even when these attempts may be in the best interests of its members. These include provisions on maintaining a classified board, limiting members' powers to remove directors and an ownership limitation that prohibits members from holding Gyrodyne, LLC Shares representing in excess of 20% of the outstanding Gyrodyne, LLC Shares at any time. These provisions and others that could be adopted in the future may have the effect of discouraging unsolicited takeover proposals and therefore may delay or prevent a change of control not approved by Gyrodyne, LLC's board or may delay or prevent changes in Gyrodyne, LLC's control or management, including transactions in which holders of Gyrodyne, LLC Shares might otherwise receive a premium for their shares over then current market prices.

Our incentive compensation plan, provisions in our executive officers' employment agreements and our retention bonus plan may make a change of control of our company and/or an acquisition of our owned or managed assets more costly.

Benefits under Gyrodyne's incentive compensation plan (the "ICP") are realized upon either a change-in-control (as defined in the ICP) of Gyrodyne, or upon the issuance by Gyrodyne of an excess dividend (as defined in the ICP) following certain asset sales. The ICP provides that payments made in connection with an excess dividend may not exceed the hypothetical ICP payments that would have been made had there instead been a change in control transaction consummated on the dividend payment date. The ICP payments that would have been made had there been a Change in Control transaction consummated on December 30, 2013, the payment date of the \$98,685,000 First Special Dividend, were approximately \$5,277,800. The ICP payments actually made in respect of the \$68,000,000 cash portion of the First Special Dividend totaled \$5,044,600. Consequently, remaining ICP payments to be made in connection with the First Special Dividend when and to the extent GSD holders, or following the Merger Gyrodyne, LLC holders, receive cash in respect of their interests, may not exceed \$233,200 (\$5,277,800 - \$5,044,600). Liquidation proceeds that otherwise would be available to our shareholders generally will be reduced by the foregoing benefit to be paid to participants in the plan. Moreover, inasmuch as the rights under the plan are vested, there is a risk that individual participants may elect to terminate their employment with Gyrodyne, or in the case of directors resigned from the board, without forfeiting their general right to receive benefits under the plan. Frederick C. Braun III and Gary Fitlin, our Chief Executive Officer and Chief Financial Officer, respectively, are not participants in the plan.

Our employment agreements with Mr. Braun and Mr. Fitlin provide for a bonus equal to \$125,000 payable if the executive is employed by Gyrodyne on the effective date of a change-in-control. Under such agreements, a change-in-control means the first to occur of a change in ownership, in effective control or in the ownership of a substantial portion of the assets of Gyrodyne, as each such term is defined under Section 409A of the Internal

Revenue Code of 1986, as amended, and its corresponding regulations. In addition, each agreement provides that if the executive is terminated without cause (as defined in the employment agreement), the executive is entitled to a payment equal to the change-in-control bonus (\$125,000) and, if the executive signs a separation agreement in reasonable and customary form provided by, and acceptable to, Gyrodyne, severance pay equal to base salary for six months from the date of termination.

On May 30, 2014, our board of directors adopted a retention bonus plan for the benefit of directors, officers and employees of Gyrodyne. See “page 83 — Retention Bonus Plan.” The plan was intended to recognize the nature and scope of the responsibilities related to our business plan, to reward and incent performance in connection therewith, to align the interests of directors, executives and employees with our shareholders and to retain such persons during the term of such plan. If the Merger does not occur, GSD will reimburse, under the terms of the Management Services Agreement, 100% (without mark-up) of any bonuses (under the retention bonus plan or otherwise) paid by Gyrodyne to its employees and directors and related payroll taxes on account of any sales of the Contributed Properties. If the Merger does occur, the funding for such plan will reduce the amounts otherwise payable to holders of Gyrodyne, LLC Shares.

Table Of Contents

We may not be able to deduct for tax purposes as an operating expense a portion or all of the above amounts paid to the executives.

The foregoing provisions may make a change of control of Gyrodyne and any post-Merger sale of assets, even if it is in the best interests of our shareholders, more costly and may reduce the amounts our shareholders would receive in any such transaction.

The corporate structure and interrelationships of Gyrodyne and GSD present risks of conflicts between the entities and their equity holders as long as they are operated as separate entities.

As a result of the First Special Dividend, Gyrodyne has been managing GSD, initially pursuant to the terms of GSD's Amended and Restated Limited Liability Company Agreement, and since December 24, 2014 pursuant to the terms of the Management Services Agreement. Pursuant to the Management Services Agreement, Gyrodyne continues to provide GSD with acquisition and disposition services, asset management services, accounting and other administrative services, property management services and shareholder services. In consideration for these services, GSD reimburses Gyrodyne for 85% of Gyrodyne's general and administrative expenses and pays Gyrodyne a fee equal to 8.5% of such reimbursed amount; reimburses Gyrodyne for all rental expenses, whether value added (such as contractor and consultant expenses) or non-value added (such as utilities and taxes) paid by Gyrodyne in respect of the properties; pays Gyrodyne a fee equal to 8.5% of all value added rental expenses paid by Gyrodyne in respect of the properties (but no fee in respect of non-value added rental expenses); reimburses Gyrodyne for 100% (without mark-up) of any bonuses paid by Gyrodyne to its employees and directors and related payroll taxes on account of any sales of GSD properties; and pays interest to Gyrodyne at the rate of 5.0% per annum on any funds advanced by Gyrodyne to GSD pursuant to a liquidity facility, currently of up to \$5.5 million.

In carrying out Gyrodyne's obligations under GSD's Amended and Restated Limited Liability Company Agreement or the Management Services Agreement, there may be instances where a conflict could arise between what is in the best interest of Gyrodyne and what is in the best interest of GSD. Although such agreements establish applicable standards, there also may be actual or perceived conflicts between Gyrodyne and GSD in establishing actual compensation and reimbursement under those standards. Gyrodyne shareholders who sold their shares on or following the ex-dividend date of the First Special Dividend will continue to hold their GSD Interests indefinitely because such interests are generally non-transferable. Accordingly, conflicts between Gyrodyne and GSD could result in conflicts between Gyrodyne shareholders and those holders of GSD Interests who no longer hold Gyrodyne shares.

Conflicts of interest may exist between the shareholders of Gyrodyne and the holders of Dividend Notes.

Although holders of the Dividend Note and the 2014 Dividend Note were shareholders of Gyrodyne as of the December 31, 2013 and September 26, 2014 respective record dates for the Dividend Notes, as a result of transfers of shares of Gyrodyne common stock subsequent to such dates, there now exists certain disparities between the holders of the Dividend Notes and the holders of shares of Gyrodyne common stock. As the Dividend Notes represent debt obligations of Gyrodyne and the shares are equity of Gyrodyne, the Dividend Notes are entitled to priority in the distribution of assets of Gyrodyne. If GSD sold properties and repaid mortgage and liquidity facility debt to Gyrodyne, the board of directors of Gyrodyne would have to determine whether to redeem or repurchase Dividend Notes or retain the cash proceeds of the mortgage debt for other uses. In addition, if the Merger is not completed and Gyrodyne continues as an operating entity, future changes in operating results, whether accretive or dilutive, may result in changes to its equity value.

Table Of Contents

Risks associated with our investment in Callery-Judge Grove, L.P.

We own a 9.3% limited partnership interest in Callery-Judge Grove, L.P., a New York limited partnership (the “Grove”), which owned a 3,700+ acre citrus grove located in Palm Beach County, Florida. The property is the subject of a plan for a mixed use of residential, commercial, and industrial development which is under review by state and local municipal authorities. We face several risks inherent in ownership of a minority interest in a limited partnership.

We account for the investment under the equity method. As of December 31, 2013, the carrying value of our investment was \$0. We cannot predict what, if any, value we will ultimately realize from this investment.

On March 18, 2011, the Grove’s lender, Prudential Industrial Properties, LLC (“Prudential”), commenced a foreclosure action against the Grove by filing a complaint in the Circuit Court of Palm Beach County to foreclose upon the Grove property, alleging that the Grove had defaulted on its loan from Prudential and that the Grove is indebted to Prudential in the amount of over \$37 million in principal and over \$8 million in interest and fees. We are a limited partner in the Grove but are not a guarantor of any debt related to the Grove. Our investment is held in a taxable REIT subsidiary where we have a \$1,315,000 deferred tax liability related to the Grove.

On September 19, 2013, the Grove property was sold, the foreclosure lawsuit was dismissed and the Grove property was conveyed to Minto, a family-owned real estate development, construction and management company, and the Grove’s debt to Prudential was repaid. Our investment continues to be held in a taxable REIT subsidiary of Gyrodyne with \$0 carrying value and a \$1,315,000 deferred tax liability related to the Grove, which represents taxable losses not yet recorded pursuant to the equity method of accounting. Gyrodyne did not receive any distribution in connection with the sale of the Grove property. Under the agreement with Minto, however, the Grove may receive certain additional payments if certain development benchmarks are achieved by Minto, which could enable future distributions to Gyrodyne. Gyrodyne cannot predict whether these benchmarks will be achieved or as to the timing or amount of any further distributions by the Grove.

We are limited in our ability to transfer our interest in the Grove; our interest can only be assigned or transferred upon the terms and conditions set forth in the limited partnership agreement. Those restrictions may at times preclude a transfer of our interest. We may not transfer our interest without prior written notice to, and receiving consent in writing and at the sole discretion of, the Grove’s managing partner. The transferor must also provide the Grove’s managing partner on request an opinion of counsel that the transfer will not violate any securities, tax or other laws or rules and will not affect the tax status or treatment of the Grove. No public market for the Grove’s interests exists or is contemplated in the foreseeable future.

Since limited partners do not participate in management of the Grove's business, we must rely on the managing partner to adequately manage the Grove's affairs. The managing partner of the Grove controls the Grove and is in a position to exercise sole decision-making authority regarding the Grove's property including, but not limited to, the method and timing of disposition of the property. We do not participate in the management or control of the Grove or the conduct of its business. We have only limited voting rights with respect to the Grove's affairs. We must rely upon the fiduciary responsibility and judgment of the managing partner of the Grove to manage the Grove's affairs in the best interests of the limited partners.

Our investment in the Grove is in a taxable REIT subsidiary and is subject to federal and state income tax on any taxable income from the investment. As a limited partner in the Grove, we have minimal influence over its management and operations. Substantial income from the Grove, either through debt forgiveness or operations, could exceed our historical losses resulting in a tax liability.

Table Of Contents

Risks Related to Our REIT Status

The federal income tax laws governing REITs are complex.

The Company has qualified, and expects to continue to qualify, as a real estate investment trust (REIT) for federal and state income tax purposes under section 856(c)(1) of the Internal Revenue Code (the “Code”). As long as we qualify for taxation as a REIT, we generally will not be subject to federal and state income tax. If we fail to qualify as a REIT in any taxable year, we will be subject to federal and state income tax on our taxable income at regular corporate rates. Unless entitled to relief under specific statutory provisions, we will also be disqualified for taxation as a REIT for the four taxable years following the year in which we lose our qualification. Even if we qualify as a REIT, we may be subject to certain state and local taxes on our income and property and to federal income and excise taxes on our undistributed income.

Failure to make distributions could subject us to tax.

In order to maintain our qualification as a REIT, each year we must pay out to our shareholders in distributions at least 90% of our REIT taxable income, excluding net capital gain. To the extent that we satisfy this distribution minimum, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4.0% nondeductible excise tax if the actual amount that we pay out to our shareholders in a calendar year is less than the minimum amount specified under federal tax laws. Our only source of funds to make these distributions comes from our cash and investments in mortgage backed securities, and net cash payments, if any, received from managing GSD and the payments received on the mortgage loan and liquidity facility provided to GSD. Accordingly, we may be required to borrow money or sell assets to make distributions sufficient to enable us to pay in cash out enough of our taxable income to satisfy the distribution requirement and to avoid corporate income tax and the 4.0% nondeductible excise tax in a particular year. Alternatively, we could make distributions in the form of dividend notes, as was the case with the Dividend Note and the 2014 Dividend Note.

There are certain ownership limitations to maintain REIT status and we have no charter provisions to ensure compliance.

Not more than 50% of the value of our outstanding shares of stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made). Although our shareholder rights plan has a 20% ownership trigger, our certificate of incorporation contains no restrictions limiting the ownership and transfer of

shares of our common stock and other outstanding shares of stock. Consequently, if five or fewer individuals acquire ownership in excess of 50% in the aggregate of the value of our outstanding shares of stock, we may lose our REIT status.

Failure to qualify as a REIT would subject us to federal income tax.

If we fail to remain qualified as a REIT in any taxable year and if the relief provisions were not to apply, we will be subject to federal income tax on our taxable income. If we fail to qualify as a REIT, we would not be required to make any distributions. In addition, any distributions that we do make will not be deductible by us. This would substantially reduce our earnings, our cash available to pay distributions, and the value of our common stock.

The resulting tax liability might cause us to borrow funds, liquidate some of our investments, or take other steps that could negatively affect our operating results in order to pay any such tax. Moreover, if our REIT status is terminated because of our failure to meet a technical REIT requirement and the relief provisions did not excuse our failure to qualify as a REIT, or if we voluntarily revoke our election, we generally would be disqualified from re-electing treatment as a REIT until the fifth taxable year after the year in which we failed to qualify as a REIT.

Table Of Contents

Failure to qualify as a REIT may result in increased difficulty in raising capital or obtaining financing.

If we fail to remain qualified as a REIT, we may have to reduce or eliminate any planned distributions to our shareholders in order to satisfy our income tax liabilities. Any distributions that we do make to our shareholders would be treated as taxable dividends to the extent of our current and accumulated earnings and profits. This may result in negative investor and market perception regarding the market value of our common stock, and the value of your shares of our common stock may be reduced. In addition, we may face increased difficulty in raising capital or obtaining financing if we fail to qualify or remain qualified as a REIT because of the resulting tax liability and potential reduction of our market valuation.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we remain qualified for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets. For example:

We will be required to pay tax on undistributed REIT taxable income.

We may be required to pay “alternative minimum tax” on our items of tax preference.

If we have net income from the disposition of foreclosure property held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we must pay tax on that income at the highest corporate rate.

If we sell a property in a “prohibited transaction,” our gain from the sale would be subject to a 100% penalty tax. A “prohibited transaction” would be a sale of property, other than a foreclosure property, held primarily for sale to customers in the ordinary course of business.

Complying with REIT requirements may cause us to forgo attractive investment opportunities that could otherwise generate strong risk-adjusted returns and instead pursue less attractive opportunities, or none at all.

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our shareholders and the ownership of our stock. Thus, compliance with the REIT requirements may limit our ability to operate solely on the basis of generating strong risk-adjusted returns on invested capital for our shareholders.

Complying with REIT requirements may force us to liquidate otherwise attractive investments, which could result in an overall loss on our investments.

To maintain qualification as a REIT, we must ensure that at the end of each calendar quarter at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets. The remainder of our investment in securities (other than government securities, qualified real estate assets and securities of one or more taxable REIT subsidiaries) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities, qualified real estate assets and securities of one or more taxable REIT subsidiaries) can consist of the securities of any one issuer, and no more than 25% of the value of our total assets can be represented by securities of one or more taxable REIT subsidiaries. If we fail to comply with these requirements at the end of any calendar quarter, we must correct such failure within 30 days after the end of the calendar quarter to avoid losing our REIT status and suffering adverse tax consequences. If we fail to comply with these requirements at the end of any calendar quarter, and the failure exceeds a de minimis threshold, we may be able to preserve our REIT status if the failure was due to reasonable cause and not to willful neglect. In this case, we will be required to dispose of the assets causing the failure within six months after the last day of the quarter in which the failure occurred, and we will be required to pay an additional tax of the greater of \$50,000 or the product of the highest applicable tax rate multiplied by the net income generated on those assets. As a result, we may be required to liquidate otherwise attractive investments.

Table Of Contents

The board of directors' revocation of our REIT status without shareholder approval may decrease our shareholders' total return.

Our board of directors may revoke or otherwise terminate our REIT election, without the approval of our shareholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to be a REIT, we would become subject to federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our shareholders, which may have adverse consequences on our total return to our shareholders.

USE OF PROCEEDS

Assuming the sale of the full [] shares in the rights offering, we estimate that the aggregate net proceeds from the offering, after deducting estimated offering expenses of approximately \$510,050, will be approximately \$5,050,000.

We intend to use the net proceeds from this rights offering to supplement the cash on hand to meet the following obligations in order of priority, assuming the rights offering is fully subscribed. Because there is no minimum number of shares that must be sold in the rights offering, we can provide no assurance regarding the amount of proceeds we will actually raise. If the rights offering is not fully subscribed, proceeds of the offering will be allocated in order of priority to the extent available.

	Priority Use of Proceeds	Approximate Amount
1	Supplement the funding necessary for the \$5.5 million expanded liquidity facility for GSD	\$1.0 million
2	Pursue GSD's development rights for the Flowerfield property	\$700,000
3	Pay for necessary capital improvements in GSD's real estate portfolio which we manage	\$1.0 million
4	Supplement Gyrodyne's termination funding obligation under the Pension Plan of up to approximately \$2.0 million	\$1.0 million
5	Pay accrued interest and principal on the 2014 Dividend Note and payment-in-kind notes issued by Gyrodyne (see table below)	\$1.4 million
6	Any unused balance will be allocated for general working capital	

The following table sets forth the issue date, maturity date, principal amount and interest rate with respect to each of Gyrodyne's outstanding notes to which we intend to apply proceeds from the rights offering:

Note	Issue Date	Maturity Date	Principal Amount	Interest
Subordinated Dividend Note	June 16, 2014	June 30, 2017	\$302,813	5% per annum, payable semi-annually on June 15 and December 15 of each year, commencing December 15, 2014, and may be payable in cash or in the form of additional notes
Global Subordinated Note	December 15, 2014	June 30, 2017	\$403,750	5% per annum, payable semi-annually on June 15 and December 15 of each year, commencing June 15, 2015, and may be payable in cash or in the form of additional notes
Subordinated Dividend Note	December 31, 2014	June 30, 2017	\$682,033	5% per annum, payable semi-annually on June 15 and December 15 of each year, commencing June 15, 2015, and may be payable in cash or in the form of additional notes

Table Of Contents

This expected use of the net proceeds from this rights offering represents our intentions based upon our current plans and business conditions. As of the date of this prospectus, we cannot predict with certainty all of the particular uses for the net proceeds to be received upon the completion of this rights offering or the amounts that we will actually spend on the uses set forth above. The amounts and timing of our actual expenditures may vary significantly depending on numerous factors, including whether or not the Merger is consummated, the progress of our efforts to sell GSD's properties, developments in the shareholder litigation relating to the tax liquidation and any unforeseen cash needs. As a result, our management will retain broad discretion over the allocation of the net proceeds from this offering.

Pending our use of the net proceeds from this offering, we intend to invest the net proceeds in a variety of capital preservation investments, including short-term, investment-grade, interest-bearing instruments and U.S. government securities.

CAPITALIZATION

The following table shows our capitalization as of September 30, 2014 on a historical basis and as adjusted to reflect the sale of [] shares of our common stock, assuming all subscription rights are exercised, at the subscription price of \$[] per share and the receipt of the net proceeds from the rights offering of \$5,050,000 after deducting estimated offering expenses in the amount of \$510,000. The pro forma information is being presented for illustrative purposes. You should consider this table in conjunction with "Use of Proceeds" above as well as our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the notes to those financial statements included elsewhere in this prospectus.

	Historical	Rights	
	as Reported	Offering (1)	Pro Forma
Dividend payable (payable with a dividend note)	\$682,033	\$-	\$682,033
Notes payable	16,447,427	-	16,447,427
Total long term debt	17,129,460	-	17,129,460
Shareholders Equity:			
Common stock, \$1 par value; authorized 4,000,000 shares; 1,723,888 shares issued and 1,482,680 shares outstanding, actual	1,723,888	[]	1,723,888
Additional paid-in capital	17,753,505	5,050,000	22,803,505

Edgar Filing: GYRODYNE CO OF AMERICA INC - Form S-1

Accumulated other comprehensive income	118,219	-	118,219
(Deficit) retained earnings	(9,863,126)	-	(9,863,126)
	9,732,486	5,050,000	14,782,486
Less: Cost of 241,208 Shares of Common Stock Held in Treasury (2)	(1,537,697)	-	(1,537,697)
Total Gyrodyne stockholders' equity	8,194,789	5,050,000	13,244,789
Non-controlling interest in GSD, LLC	16,892,606	-	16,892,606
Total Equity	25,087,395	5,050,000	30,137,395
Total Capitalization	\$42,216,855	\$5,050,000	\$47,266,855

(1) Net proceeds are based upon the [] common shares that are being offered in the rights offering, a subscription price of \$[] per share and after deducting anticipated offering expenses of \$510,050.

(2) Number of treasury shares will not be adjusted as the rights offering will be fulfilled with authorized but previously unissued shares.

Table Of Contents

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

The following discussion should be read in conjunction with the financial statements and related notes that appear elsewhere in this prospectus. This discussion contains forward-looking statements that involve significant uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed in "Risk Factors" elsewhere in this report. For further information, see "Cautionary Note Regarding Forward-Looking Statements" above.

The following discussion is intended to assist you in understanding our business and results of operations together with our present financial condition and reflects summary results from continuing operations unless otherwise noted. However, the net income and net income per share discussions include the impact of discontinued operations. This section should be read in conjunction with our historical consolidated financial statements and notes, as well as the unaudited pro forma financial statements and selected financial data included elsewhere in this report.

During the second quarter of 2014, we engaged real estate brokers to sell the Cortlandt Manor Medical Center and the Fairfax Medical Center. The Cortlandt Manor Medical Center was acquired by Gyrodyne in 2008 and the neighboring lots were acquired by Gyrodyne in 2009 and 2010. The Fairfax Medical Center was acquired by Gyrodyne in 2009. These acquisitions were part of an overall strategy of reinvesting tax free under Section 1033 of the Code the \$26,315,000 payment received from New York State in 2006 which the Company elected under New York State's eminent domain law to treat as an advance payment while it pursued its claim for just compensation. In late 2013, these properties were contributed to a wholly owned subsidiary of Gyrodyne, GSD, and distributed to our shareholders as a non cash dividend with Gyrodyne retaining only a managing member interest (no ownership interest). As of April 1, 2014, all of the operations related to the Cortlandt Manor Medical Center and the Fairfax Medical Center are reported as discontinued operations, and are reported as such in the unaudited consolidated financial statements. The prior period operations related to these entities have also been recast as discontinued operations retrospectively for all periods presented (pro forma financial statements are presented – see financial statement index).

Nine Months Ended September 30, 2014 compared with the Nine Months Ended September 30, 2013

Rental revenues

Rental revenues are comprised solely of rental income and amounted to \$1,762,890 and \$1,902,907 for the nine months ended September 30, 2014 and 2013, respectively, a decrease of \$140,017 or 7%. The decrease in revenue was

mainly driven by the drop in occupancy at the Flowerfield Industrial Park to 72% at September 30, 2014 compared to approximately 83% at September 30, 2013. The drop in revenue was mainly driven by three tenants in the Flowerfield Industrial Park who terminated four of their leases and downsized a fifth lease by 2,170 square feet. The five terminations/downsides comprise approximately 18,000 square feet and rental revenue per month of approximately \$21,000. One of the tenants was Stony Brook University which terminated two of its three leases effective March 31, 2014, comprising approximately 9,000 square feet and approximately \$135,000 in annual revenue. Furthermore, we are continuing to work with the University on solutions to their real estate demands and believe that a portion of our available vacant space may meet some of their future needs. In addition, a second tenant terminated two of its leases in two stages, January and September of 2014, comprising approximately 7,000 square feet and approximately \$100,000 in annual revenue. In addition, there were two lease defaults comprising approximately 7,000 square feet and approximately \$87,000 in annual rental revenue plus tenant reimbursements. Both tenants were evicted in the third quarter. The Port Jefferson Professional Park also experienced net terminations resulting in a reduction in occupancy rate to approximately 70% at September 30, 2014 compared to 73% at September 30, 2013. The drop in occupancy rate was due to two terminations comprising 1,200 square feet and \$33,000 in annual revenue plus tenant reimbursements.

Table Of Contents

Tenant reimbursements represent expenses negotiated, managed and incurred directly by the Company on behalf of or for the benefit of the tenants. Tenant reimbursements were \$239,217 and \$284,008 for the nine months ended September 30, 2014 and 2013, respectively, a decrease of \$44,791 or approximately 16%. The tenant reimbursement decrease was mainly attributable to the reduction in occupancy rates at both the Flowerfield Industrial Park and the Port Jefferson Professional Park.

Rental expenses

Rental expenses for the nine months ended September 30, 2014 and 2013 were \$1,140,057 and \$1,051,013, respectively, an increase of \$89,044 or 8%. Approximately \$39,000 of the increase was due to major roof and pavement repairs from the prior year snow storms. In addition, the Company incurred an increase in insurance and real estate taxes for the period of \$19,000 and \$8,000, respectively, with the balance of the increase mainly comprised of an increase in annual maintenance costs.

General and administrative expenses

General and administrative expenses for the nine months ended September 30, 2014 and 2013 were \$1,676,938 and \$7,277,635, respectively, a decrease of \$5,600,697. The general and administrative expenses for the nine months ended September 30, 2013 include incentive compensation costs to directors, employees and former employees of approximately \$5,044,600 which were triggered under the incentive compensation plan by the dividend declared and paid in 2013. The Company did not incur any incentive compensation costs during 2014 and as a result this is a major contributing factor to achieving lower costs in the nine months ended September 30, 2014. Additionally, during the nine months ended September 30, 2013 the Company incurred mortgage prepayment penalties and related costs of approximately \$254,000 and approximately \$64,000 in restructuring charges. The remaining difference is mainly the reduction in pension expense of approximately \$242,000. The reductions were partially offset by an increase in compensation expense and benefit expenses of approximately \$69,000 mainly due to hiring a permanent Chief Executive Officer. In addition, the Company incurred an increase in accounting fees of \$60,000 stemming from the strategic alternative process and the associated fees to service the Variable Interest Entity, Gyrodyne Special Distribution Company, LLC. The company also incurred approximately \$27,000 in bad debt expense attributable to two lease defaults at the Flowerfield Industrial Park. Both tenants have been evicted.

Strategic alternative expenses

Strategic alternative expenses for the nine months ended September 30, 2014 and 2013 were \$1,246,096 and \$2,803,021, respectively, a decrease of \$1,556,925. The strategic alternative expenses for the nine months ended

September 30, 2014 are mainly attributable to the fees related to the preparation of the definitive proxy statement filed on July 1, 2014 with the SEC. The Company's transaction fees are mainly comprised of fees for counsel, financial advisors and other professional consultants to pursue the proposed merger /tax plan of liquidation which is further discussed in the amended proxy prospectus filed on July 1, 2014. On November 3, 2014, the Company announced that the special shareholders meeting originally scheduled for August 14, 2014 and previously postponed to August 27, 2014 and then again to December 5, 2014, has been further postponed until the first half of 2015. The Company may incur an increase in strategic alternative costs over the next 3 to 6 months to successfully complete the merger or in the event the merger is not approved by the shareholders, to implement an alternative strategy that will complete the tax plan of liquidation. The prior year fees are mainly attributable to the process of analyzing the values attributable to the strategic alternatives available to the company.

Table Of Contents

Depreciation expense

Depreciation expense for the nine months ended September 30, 2014 and 2013 was \$249,660 and \$264,321, respectively, a decrease of \$14,661 or 6%.

Insurance claim recoveries in excess of cost

Insurance claim recoveries in excess of cost for the nine months ended September 30, 2014 was \$184,339. The Company had no insured costs net of recoveries for 2013. The Company incurred storm related damages during 2013 that was covered under its insurance policy and received reimbursement in excess of the basis of the building damage. The costs to replace the damaged roof and related fixtures is capitalized and depreciated over its useful life.

Impairment charges

Impairment charges for the nine months ended September 30, 2014 and 2013 was \$200,000 and 2,100,000, respectively. During the third quarter of 2013, the Company recognized aggregate impairment charges of \$2,100,000 on real estate assets classified in continuing operations. The Company has explored the possible disposition of some of its medical properties and determined that the expected undiscounted cash flows based upon revised estimated holding periods of the Port Jefferson Professional Park are below the current carrying value. Accordingly, the Company reduced the carrying value of this property to its estimated fair value.

Interest income

Interest income was \$78,526 and \$188,066 for the nine months ended September 30, 2014 and 2013, respectively, a decrease of \$109,540. The decrease is mainly attributable to the significant reduction in our cash balances, and thereby related interest income, resulting from the Company's cash dividend of \$68,000,000 which was paid on December 30, 2013.

Interest expense

Interest expense for the nine months ended September 30, 2014 and 2013 was \$542,570 and \$5,748, respectively. The increase in interest expense is the result of the Company's issuance on January 31, 2014 of a global dividend note, payable in kind in the amount of \$16,150,000, bearing interest (PIK) at 5% payable semiannually (PIK) and the decision to issue a second global note in June 2014 to satisfy the semiannual interest payment due June 15, 2014.

Condemnation income and expenses

Condemnation income and expenses were not realized during the nine months ended September 30, 2014 compared to \$2,360 during the comparable period in 2013. The Company successfully concluded its condemnation case during the second quarter of 2012. The Company does not believe any remaining condemnation costs will be incurred as the case was settled with the State of New York in 2012.

Table Of Contents

Income taxes

The Company did not have a benefit or provision for income taxes for the nine months ended September 30, 2014. The Company had a benefit for income taxes for the nine months ended September 30, 2013 of \$58,182,122. The benefit for the nine months ended September 30, 2013 is comprised of the income tax benefit of \$61,649,000 derived from the dividend declared in September, 2013 offset by the excise tax costs of \$3,396,320 and income taxes of \$70,558.

Net (loss) income

The Company reported a net (loss) income from continuing operations of \$(2,790,349) and \$47,053,005 for the nine months ended September 30, 2014 and 2013, respectively. The primary factors driving the reduction in income from 2013 to 2014 was the income tax benefit of \$58,182,122 recognized in the nine months ended September 30, 2013 supplemented by the remaining items discussed above.

The Company reported net income from discontinued operations of \$562,866 and \$327,471, for the nine months ended September 30, 2014, and 2013, respectively. The increase in net income from discontinued operations is mainly attributable to an increase in the occupancy rate at the Fairfax Medical Center which was 93% at the end of September 2014 compared to 89% at September 2013 and an increase in occupancy rate at the Cortlandt Manor Medical park which was 88% at September 30, 2014 compared to 80% at September 30, 2013. This was further supplemented by the benefit of no depreciation expense in the third quarter for assets held for sale net of the increase in expenses attributable to the new leases.

The Company reported a net (loss) income of \$(2,227,483) and \$47,380,476 for the nine months ended September 30, 2014 and 2013, respectively. The primary factors driving the reduction in income from 2013 to 2014 was the income tax benefit of \$58,182,122 recognized in three months ended September 30, 2013 offset by the savings in 2014 achieved through lower strategic alternative costs, no impairment charges and lower incentive compensation expense supplemented by the remaining items discussed above.

The net loss from the non-controlling interest for the nine months ended September 30, 2014 was \$2,165,861. The Company did not have a non-controlling interest for the nine months ended September 30, 2013. The non-controlling interest is comprised of Gyrodyne Special Distribution LLC which represents the non-cash portion of the first special dividend in 2013.

The net (loss) income attributable to Gyrodyne Company of America for the nine months ended September 30, 2014 and 2013 was \$(61,622) and \$47,380,476, respectively.

Year ended December 31, 2013 compared with the year ended December 31, 2012

The Company reported net income attributable to the Company of \$46,063,206 for the twelve months ended December 31, 2013 compared to net income of \$99,048,253 for the twelve months ended December 31, 2012. Basic and diluted per share income amounted to \$31.07 for 2013 compared to per share income of \$66.80 for the prior year. The Company declared a special dividend of \$66.56 per share (approximately \$98,685,000) on September 12, 2013, payable on December 30, 2013 to shareholders of record on November 1, 2013. The dividend was comprised of cash of \$45.86 per share (approximately \$68,000,000) and a noncash interest in GSD of \$20.70 per share (approximately \$30,685,000). The Company had REIT taxable income in 2013. As a result, the Company issued on January 31, 2014 to shareholders of record on December 31, 2013 a special dividend of \$10.89 per share in the form of interests in a global dividend note with interest payable in kind or cash, which reflects a total distribution of \$16,144,614. In the prior year, the Company had REIT taxable income. As a result, the Company declared a special dividend of \$38.30 per share which was paid on December 14, 2012 to shareholders of record on December 1, 2012, which reflects a total distribution for 2012 of \$56,786,652.

Table Of Contents***Rental revenues***

Rental revenues are comprised solely of rental income and amounted to \$2,533,691 and \$2,418,005 for 2013 and 2012, respectively. The (decrease) and increase from 2012 results per property amounted to \$(24,616) and \$140,302 for Port Jefferson and Flowerfield, respectively. The reduction in revenue at Port Jefferson was mainly due to the reduction in occupancy rates that took place during 2012, which were partially offset by an increase in effective rate per square foot. The increase in revenue at Flowerfield was the result of an increase in the average occupancy rate offset by reductions in the effective rate per square foot.

The comparison of rental revenues for the years ended December 31, 2013 and 2012 are as follows:

Facility Rental Revenue	December 31, 2013	December 31, 2012
Port Jefferson Professional Park	\$773,564	\$798,180
Flowerfield Industrial Park	1,760,127	1,619,825
Total	\$2,533,691	\$2,418,005

Tenant reimbursements represent expenses negotiated, managed, and incurred directly by the Company on behalf of or for the benefit of the tenants. Tenant reimbursements were \$356,483 and \$306,978 for 2013 and 2012, respectively. The tenant reimbursements increase in Port Jefferson attributable to the successful real estate tax grievance, the benefit of which was passed on to our tenants in 2012. The increases in tenant reimbursements in Flowerfield were due to higher occupancy rates. Reimbursements changed by property but were attributable to changes in base years from renewals and changes in occupancy rates.

The comparison of tenant reimbursements for the years ended December 31, 2013 and 2012 are as follows:

Facility Tenant Reimbursements Rental Revenue	December 31, 2013	December 31, 2012
Port Jefferson Professional Park	\$122,111	\$100,536
Flowerfield Industrial Park	234,372	206,442
Total	\$356,483	\$306,978

Rental operation expenses

Rental expenses for the years ended December 31, 2013 and 2012 were \$1,401,297 and \$1,268,689, respectively, representing an increase of \$132,608 or approximately 10%. The Company continues to manage the operating expenses of its real estate portfolio to offset escalating insurance and energy costs. The increase in rental expenses was primarily driven by an increase in building and property maintenance, insurance, real estate taxes and utilities of approximately \$52,000, \$22,000, \$27,000 and \$38,000, respectively, which was mostly offset by benefits that would have been earned under the Company's defined benefit pension plan.

The rental expenses for the years ended December 31, 2013 and 2012 are as follows:

Facility Rental Expense	December 31, 2013	December 31, 2012
Port Jefferson Professional Park	\$443,913	\$396,954
Flowerfield Industrial Park	957,384	871,735
Total	\$1,401,297	\$1,268,689

Table Of Contents

General and administrative expenses

General and administrative expenses for the years ended December 31, 2013 and 2012 were \$11,551,674 and \$6,295,933, representing an increase of \$5,255,741. The net increase was mostly attributable to the Federal excise tax of \$3,521,320 and the 2013 distributions and related expenses under the Company's Incentive Compensation Plan exceeding those made in 2012 by \$846,600. The 2013 distributions to our directors, one former director, certain employees and former employees, were \$2,471,854, \$378,345, \$882,805 and \$1,311,596, respectively plus related payroll taxes of approximately \$52,000. The 2012 distributions under the Incentive Compensation Plan to each member of the board and a former Director, certain current employees and the retired but vested former CEO Mr. Maroney of \$2,380,345, \$1,053,250 and \$779,405, respectively, reflecting a total payout of \$4,213,000 plus related payroll taxes of approximately \$37,000.

Strategic alternative expenses

Strategic Alternative expenses for the years ended December 31, 2013 and 2012 were \$3,637,123 and \$1,013,043, respectively. The board established the Strategic Alternatives Committee in 2012, comprised of four of the then current seven members of the board. The Strategic Alternatives Committee was charged with leading the process of evaluating strategic alternatives which may have included one or more tax efficient liquidity events. Following the Strategic Alternatives Committee's recommendation of a tax efficient liquidation, the Strategic Alternatives Committee was dissolved into the board in 2014. Over 80% of the fees are related to investment banking and related legal fees to pursue and analyze such alternatives. The expenses do not include any costs associated with full time or part time personnel or overhead costs irrespective of the significant time being allocated to the process. The Company believes such costs are fixed and are appropriately allocated to General and Administrative expenses accordingly.

Impairment charges for the year ended December 31, 2013 were \$2,100,000. There were no impairment charges for the year ended December 31, 2012.

Depreciation expense

Depreciation expense increased by 4% or \$14,444, amounting to \$344,478 in 2013 compared to \$330,034 during the prior year. The increase in depreciation was mainly attributable to the Company's capital investment to improve occupancy and effective rental rates.

Interest income

Interest income not including condemnation related interest was \$236,954 and \$86,217 in 2013 and 2012, respectively, representing an increase of \$150,737. The increase was mainly attributable to the purchase of mortgage backed securities during February and March of 2012 which earned approximately 2% during 2013 and deposits into interest bearing accounts following the expiration of the unlimited FDIC insurance on non-interest bearing accounts.

Interest expense

Interest expense in 2013 and 2012 was \$5,748 and \$439,972, respectively, representing a decrease of \$434,224. The decrease was attributable primarily to the prepayment in full and related assumption of all of the Company's outstanding mortgages. Late in the fourth quarter of 2012, the Company prepaid in full the mortgage loans secured by the Flowerfield Industrial Park, and in early January 2013 the Company prepaid in full the outstanding mortgage on the Port Jefferson Professional Park.

Table Of Contents

The comparison of interest expense for the years ended December 31, 2013 and 2012 is as follows:

Facility Interest Expense	December 31, 2013	December 31, 2012
Port Jefferson Professional Park	\$ 4,874	\$ 260,447
Flowerfield Industrial Park	0	176,772
Other interest expense	874	2,753
Total	\$ 5,748	\$ 439,972

As a result of the changes in rental revenue, total operating expenses and other income (expense), the Company reported a loss before Condemnation Proceeds and Provision (benefit) for income taxes of \$(15,913,192) for 2013 as compared to a loss of \$(6,536,471) for 2012.

(Expense) income on Condemnation

Condemnation (expense) income for the years ended December 31, 2013 and 2012 were \$(2,360) and \$100,028,802, respectively. The Company successfully concluded its condemnation case during 2012 resulting in an additional \$98,685,000 for just compensation for the Property and reimbursement of condemnation costs of \$1,474,941. The Company also incurred condemnation costs in 2012 of \$131,139 to conclude pursuing its rights under this litigation.

Interest income on condemnation proceeds of \$67,341,716 resulted from the Company's successful conclusion of its condemnation case for just compensation. The interest income was received in 2012.

Income Taxes

The provision for income taxes for the year ended December 31, 2012 was \$61,649,000. The Company received a Private Letter Ruling in 2013 that enabled it to distribute the condemnation gain tax free. As a result, following the declaration of the dividend in 2013, the Company reversed to the 2012 income tax provision with the exception of alternative minimum taxes. The result was the tax benefit in 2013 of \$61,553,442.

Net income

The Company reported a net income from continuing operations of \$45,637,890 and \$99,185,047 for the years ended December 31, 2013 and 2012, respectively. The primary factors driving the reduction in income from 2012 to 2013 was the income tax benefit recognized in the year ended December 31, 2013 which was less than the total condemnation gain net of taxes for the year ended December 31, 2012 partially offset by the items discussed above.

The Company reported net income (loss) from discontinued operations of \$417,315 and \$(136,794), for the years ended December 31, 2013, and 2012, respectively. The increase in net income from discontinued operations is mainly attributable to a reduction in discontinued operation related interest expense of \$525,534, the amortization of prepaid loan origination fees and the prepayment penalty the Company incurred to prepay mortgages in full in December 2012 on its properties that are included in discontinued operations.

The Company reported net income of \$46,055,205 and \$99,048,253 for the years ended December 31, 2013 and 2012, respectively. The primary factors driving the reduction in income from 2012 to 2013 was the condemnation income net of the tax expense in 2012 was significantly greater than the income tax benefit recognized in 2013 supplemented by the remaining items discussed above.

The net loss from the non-controlling interest for the year ended December 31, 2013 was \$(8,001). The Company did not have a non-controlling interest for the year ended December 31, 2012. The non-controlling interest is comprised of GSD which represents the non-cash portion of the First Special Dividend in 2013.

The net income attributable to the Company for the year ended December 31, 2013 and 2012 was \$46,063,206 and \$99,048,253, respectively.

Table Of Contents**Year ended December 31, 2012 compared to the year ended December 31, 2011**

The Company is disclosing rental revenue, tenant reimbursements and rental expenses for 2012 and 2011 by property. The results of operations include pro forma adjustments for discontinued operations. The Company reported net income of \$99,048,253 for the twelve months ended December 31, 2012 compared to a net loss of \$(1,124,665) for the twelve months ended December 31, 2011. Basic and diluted per share income amounted to \$66.80 for 2012 compared to per share loss of \$(0.84) for the prior year. The additional weighted average shares outstanding in 2012 compared to 2011 diluted the income per share by \$7.08 from \$73.88 to \$66.80. The Company had REIT taxable income in 2012. As a result, the Company declared a special dividend of \$38.30 per share payable on December 14, 2012 to shareholders of record on December 1, 2012, which reflected a total distribution for 2012 of \$56,786,652. The Company did not have any REIT taxable income for 2011. The Company disclosed rental revenue, tenant reimbursements and rental expenses for 2012 and 2011 by property. However, there were no pro forma adjustments as there were no acquisitions during the comparative periods.

Rental revenues

Rental revenues were comprised solely of rental income and amounted to \$2,418,005 and \$2,602,080 for 2012 and 2011, respectively. The (decreases) from 2011 results per property amounted to \$(156,204) and \$(27,871) for Port Jefferson and Flowerfield, respectively. The reduction in revenue was mainly due to a reduction in occupancy rates at each of the properties and then further offset by a net decrease in rate per square foot for each property much of which was the byproduct of the negative square footage absorption rates in the real estate industry.

The comparison of rental revenues for the years ended December 31, 2012 and 2011 were as follows:

Facility Rental Revenue	December 31, 2012	December 31, 2011
Port Jefferson Professional Park	\$798,180	\$954,384
Flowerfield Industrial Park	1,619,825	1,647,696
Total	\$2,418,005	\$2,602,080

Tenant reimbursements

Tenant reimbursements represent expenses negotiated, managed, and incurred directly by the Company on behalf of or for the benefit of the tenants. Tenant reimbursements were \$306,978 and \$373,541 for 2012 and 2011, respectively,

a decrease of \$66,563 or 18%, most of which was attributable to the reduction in occupancy rates supplemented by new leases/renewals containing lower pass through charges resulting from a change in base years.

The comparison of tenant reimbursements for the years ended December 31, 2012 and 2011 were as follows:

Facility	Tenant Reimbursements	Rental Revenue	December 31, 2012	December 31, 2011
Port Jefferson Professional Park			\$ 100,536	\$ 167,403
Flowerfield Industrial Park			206,442	206,138
Total			\$ 306,978	\$ 373,541

Table Of Contents***Rental operation expenses***

Rental expenses for the years ended December 31, 2012 and 2011 were \$1,268,689 and \$1,316,886, respectively, representing a decrease of \$48,197 or 4%. The Company continued to manage the operating expenses of its real estate portfolio to offset escalating insurance and energy costs. While the Company has been successful in controlling costs, the impact of aging buildings will ultimately require additional capital expenditures to further reduce energy consumption and maintenance costs.

The rental expenses for the years ended December 31, 2012 and 2011 were as follows:

Facility Rental Expense	December 31, 2012	December 31, 2011
Port Jefferson Professional Park	\$396,954	\$414,782
Flowerfield Industrial Park	871,735	902,104
Total	\$1,268,689	\$1,316,886

General and administrative expenses

General and administrative expenses for the years ended December 31, 2012 and 2011 were \$6,295,933 and \$1,862,466, representing an increase of \$4,433,467. The net increase was mostly attributable to the distributions under the Incentive Compensation Plan to each member of the board, certain current employees and the retired but vested former CEO, Mr. Maroney of \$2,380,345, \$1,053,250 and \$779,405, respectively, reflecting a total payout of \$4,213,000 plus related payroll taxes of approximately \$37,000. Additionally, the Company incurred approximately \$150,000 in costs to prepay the mortgage secured by the Flowerfield Industrial Park. These costs were non-cash write-offs of the balance of the unamortized loan origination fees.

Strategic alternative expenses

Strategic Alternative expenses for the years ended December 31, 2012 and 2011 were \$1,013,043 and \$29,383, respectively. The board established the Strategic Alternatives Committee in 2012, comprised of four of the then current seven members of the board. The committee was charged with leading the process of evaluating strategic alternatives which may include one or more tax efficient liquidity events. Following the Strategic Alternatives Committee's recommendation of a tax efficient liquidation, the Strategic Alternatives Committee was dissolved into the board in 2014. Over 80% of the fees are related to investment banking and related legal fees to pursue and analyze

such alternatives. The expenses do not include any costs associated with full time or part time personnel or overhead costs irrespective of the significant time being allocated to the process. The Company believes such costs are fixed and are appropriately allocated to General and Administrative expenses accordingly.

Depreciation expense

Depreciation expense increased by 2% or \$6,496, amounting to \$330,034 in 2012 compared to \$323,538 during the prior year. The increase in depreciation was mainly attributable to the Company's capital investment to improve occupancy and effective rental rates.

Interest income

Interest income not including condemnation related interest, was \$86,217 and \$1,696 in 2012 and 2011, respectively, an increase of \$84,521. The increase was mainly attributable to the purchase of mortgage backed securities during February and March which earned approximately 2% during 2012.

Interest expense

Interest expense in 2012 and 2011 was \$439,972 and \$500,424, respectively, a decrease of \$60,452. The company negotiated the rate on the Port Jefferson Professional Park mortgage effective March 1, 2012, reducing the rate over the next 5 years from 5.75% to 5%. In addition to cutting rates for 2012, late in the fourth quarter, the Company prepaid in full the mortgage loans.

Table Of Contents

The comparison of interest expense for the years ended December 31, 2012 and 2011 was as follows:

	December 31, 2012	December 31, 2011
Facility Interest Expense		
Port Jefferson Professional Park Center	\$260,447	\$297,766
Flowerfield Industrial Park	176,772	199,127
Other interest expense	2,753	3,531
Total	\$439,972	\$500,424

As a result of the changes in rental revenue, total operating expenses and other income (expense), the Company reported a loss before Condemnation Proceeds and Provision (benefit) for income taxes of \$(6,536,471) for 2012 as compared to a loss of \$(1,055,380) for 2011.

Income (expense) on Condemnation

Condemnation income (expenses) for the years ended December 31, 2012 and 2011 were \$100,028,802 and \$(333,308), respectively. The Company successfully concluded its condemnation case during 2012 resulting in an additional \$98,685,000 for just compensation for the Property and reimbursement of condemnation costs of \$1,474,941. The expenses in 2011 were attributable to legal fees and related expenses associated with the Company's response to New York State's request for appeal. The Company incurred additional condemnation costs in 2012 of \$131,138 to conclude pursuing its rights under this litigation.

Interest income on condemnation proceeds of \$67,341,716 resulted from the Company's successful conclusion of its condemnation case for just compensation. The interest income was received in 2012.

Income Taxes

The provision for income taxes for the year ended December 31, 2012 was \$61,649,000. The Company did not have a tax expense during 2011.

Net income (loss)

The Company reported net income from continuing operations of \$99,185,047 and \$1,388,688 for the year ended December 31, 2012 and 2011, respectively. The primary factors driving the increase in income from 2011 to 2012 was the total condemnation gain net of taxes for the year ended December 31, 2012 partially offset by the items discussed above.

The Company reported net (loss) income from discontinued operations of \$(136,794) and \$264,023, for the year ended December 31, 2012, and 2011, respectively. The decrease in net income from discontinued operations is mainly attributable to a reduction in rental revenue at the Cortlandt Manor Medical Center and the Fairfax Medical Center from \$986,760 and \$1,297,983 to \$803,913 and \$1,226,484, respectively from 2011 to 2012, most of which was attributable to a reduction in occupancy rates, and approximately \$265,000 in costs were incurred in 2012 to prepay the mortgages secured by properties held for sale. Approximately \$100,000 of the costs were non-cash write-offs of the balance of the unamortized loan origination fees.

Table Of Contents

The Company reported net income (loss) of \$99,048,253 and \$(1,124,665) for the year ended December 31, 2012 and 2011, respectively. The primary factors driving the increase in income from 2011 to 2012 was the total condemnation income net of the tax expense in 2012 supplemented by the remaining items discussed above.

The Company did not have a non-controlling interest for the year ended December 31, 2012. The non-controlling interest is comprised of GSD which represents the non-cash portion of the First Special Dividend in 2013.

The net income (loss) attributable to the Company for the year ended December 31, 2013 and 2012 was \$99,048,253 and \$(1,124,665), respectively.

LIQUIDITY AND CAPITAL RESOURCES

Variable Interest Entities

On December 30, 2013, the Company distributed GSD membership interests directly to the Company's shareholders with the Company retaining a management interest. Pursuant to the limited liability company agreement of GSD, the Company has unilateral control over the management of GSD including the ability to sell GSD or its assets, sign leases, make capital improvements and pursue the rezoning effort on the Flowerfield Industrial Park and its undeveloped land. In addition, the Company is providing GSD with a financing facility of up to \$5.5 million. GSD does not have any working capital or management to support its operations, and therefore relies 100% on the services and working capital of the Company to manage and finance the operations of GSD.

In general, a reporting company must include in its consolidated financial statements the financial position and results of any entity in which the reporting company has a controlling financial interest. The Company has no equity ownership in GSD, but through its management interest it has the unilateral authority over GSD's real estate assets, including negotiating leases, making decisions regarding capital improvements, financing, acquisitions and dispositions, the rezoning strategy on undeveloped property, negotiating management agreements, changing governance documents and timing of dissolution or liquidation. Based on the foregoing, and in accordance with ASC Topic 810-10, paragraph 15-14, the Company believes that it controls GSD. GSD is therefore a variable interest entity.

The Company has consolidated GSD's financial statements with the Company's because the Company is considered to be the primary beneficiary of GSD. The Company does not have any other variable interest entities. The consolidated

variable interest entity assets and liabilities at September 30, 2014 and December 31, 2013 were \$33,811,227 and \$16,918,621 and \$33,730,130 and \$14,671,663, respectively. The Company monitors the credit quality of the mortgage obligations of GSD which are securitized by the underlying related medical property each of which resides in a single asset LLC. The discussion of the liquidity and capital resources is on a consolidated basis including the variable interest entity, GSD.

Cash Flows

As we pursue strategic alternatives, we believe that a main focus of management is to effectively manage our balance sheet through cash flow management of our tenant leases, maintaining or improving occupancy, and pursuing and recycling capital.

We generally finance our operations and acquisitions through cash on hand. On November 3, 2014, the Company announced that the Company's special meeting originally scheduled for August 14, 2014 and previously postponed to August 27, 2014 and then again to December 5, 2014, has been further postponed until the first half of 2015. At the special meeting, the Company will ask the shareholders as of the record date to authorize the plan of merger and the transactions contemplated thereby, including the merger of the Company and GSD with and into a limited liability company, Gyrodyne, LLC.

Table Of Contents

The Company filed definitive proxy materials with the SEC on July 1, 2014, which included a plan of liquidation via a downstream merger into Gyrodyne, LLC (a newly formed wholly-owned subsidiary) which will be owned post-merger by the former shareholders of the Company, shareholders of GSD and interest holders of dividend notes. If the shareholders approve the proposed merger, the Company will be reporting under the Liquidation Basis of Accounting and expects to complete the sale of its assets and related distributions to shareholders by December 31, 2016.

As of September 30, 2014, the Company had cash and cash equivalents totaling approximately \$4.4 million and investments in U.S. guaranteed hybrid mortgage backed securities of approximately \$6.0 million. The Company anticipates that the combination of its current cash balance and cash flow from continuing operations will be adequate to fund business operations and the pursuit of the merger/tax plan of liquidation over the next twelve months. The Company intends to use the net proceeds received from the rights offering to pay accrued interest on the 2014 Dividend Note and two payment-in-kind notes, to meet current funding obligations of the pension plan resulting from its termination, to provide funding to GSD under the liquidity facility established pursuant to GSD's operating agreement, for pursuing development rights for the Flowerfield property through GSD, for necessary capital improvements in GSD's real estate portfolio which we manage and for general working capital.

The proposed Merger requires the approval by holders of two-thirds of all outstanding shares under New York law. On June 5, 2014, Gyrodyne announced that a special meeting of Gyrodyne shareholders would be held on August 14, 2014 to authorize the Merger. Gyrodyne postponed the special meeting, first to August 27, 2014 and then to December 5, 2014, to allow additional time for shareholders to vote on the Merger. Although the shares that were voted in these previous attempts to conduct the special meeting were overwhelmingly voted in favor of the Merger, not enough shares were voted to achieve the two-thirds of the outstanding shares vote requirement. Accordingly, on November 4, 2014, the Company announced that the Company's special meeting originally scheduled for August 14, 2014 and previously postponed to August 27, 2014 and then again to December 5, 2014, has been further postponed until the first half of 2015. The Company and its advisors will continue to analyze potential options in the best interests of the Company and its shareholders, which includes this rights offering and may include other enhancements designed to facilitate the ability to complete the Merger.

This prospectus is not to be considered material to solicit proxies or deemed an offer to sell the Gyrodyne, LLC equity interests ("Gyrodyne, LLC Shares"), which solicitation and offer will only be made through a definitive proxy statement/prospectus relating to the Merger and the issuance of the Gyrodyne, LLC Shares. Gyrodyne filed definitive proxy materials with the SEC on July 1, 2014 with respect to the Plan of Merger. If our board determines to try again to hold the special meeting to authorize the Plan of Merger, which is our current intention, Gyrodyne will solicit proxies through such definitive proxy statement or, if necessary, a post-effective amendment thereto.

The Company believes that the Merger, which our shareholders have voted overwhelmingly in favor of in our previous attempts to conduct the special meeting, will preserve the tax benefits from distributions under a tax plan of

liquidation and simultaneously mitigate potential information reporting penalties from any failure to achieve a tax liquidation in the 2 year period ending September 2015. The Company has approximately \$10.4 million comprised of cash and investments in mortgage backed securities which will be partially used to fund the strategic alternative expenses in pursuit of the merger/tax plan of liquidation. The Company estimated and reported in the proxy statement/prospectus filed on July 1, 2014, under the heading "Estimated Cash Proceeds and Outlays: Indicated Distribution Range" total gross cash proceeds from the sale of its assets of approximately \$45.0 million. Based on the Company's current cash balance and the above forecast, the Company estimates distributable cash stemming from the liquidation of the Company of approximately \$43.6 million.

In addition to these ongoing requirements, the continued economic challenges for small businesses, including the lack of available credit to many of our tenant classes who are small businesses and the uncertainty facing medical tenants brought about by the 2010 Federal health care reform legislation, could adversely affect our operating results and accordingly the estimated cash proceeds from the plan of liquidation.

Table Of Contents

Net cash used in operating activities was \$5,165,124 and \$4,225,938 during the nine months ended September 30, 2014 and 2013, respectively. The underlying factors that impact working capital and therefore cash flows from operations are the timing of collections of rents and related tenant reimbursements and the payment of operating and general and administrative expenses including the strategic alternative expenses to execute on the tax plan of liquidation. The cash used in the nine months ended September 30, 2014 was primarily related to the payment of \$2,850,199 in Incentive Compensation Plan payments to current directors and a former director that became payable on December 30, 2013, the payment date of the cash portion of the First Special Dividend of \$68 million. In addition, the Company paid approximately \$970,000 to Rothschild in full satisfaction of the Company's obligations under its engagement letter with Rothschild. The operating cash flow included net income from discontinued operations of \$562,866 and \$327,471, respectively which are net of depreciation expense for the periods of \$314,935 and \$449,234, respectively. Looking forward, cash flows from operations will be adversely affected following the sale of real estate included in discontinued operations as the Company will continue to incur substantial costs to complete the tax plan of liquidation while simultaneously taking steps to maximize the value of its remaining real estate.

Net cash (used in) provided by investing activities was \$(3,506,610) and \$285,207 during the nine months ended September 30, 2014 and 2013, respectively. Cash used in investing activities in the nine months ended September 30, 2014 was primarily the acquisition of mortgage backed securities of \$3,138,943 by \$712,473 in capital improvements to its real estate portfolio and land development costs of \$102,925, partially offset by the receipt of principal repayments of \$447,731 on the investments in mortgage backed securities. Cash provided by investing activities in the prior period was primarily related to the receipt of principal repayments of approximately \$865,941 on the investment made in 2012 partially offset by \$499,983 of capital improvements to its real estate portfolio and land development costs of \$80,751. The Company continues to explore various alternatives to maximize the value of its undeveloped land which may result in an increase in land development costs to achieve certain, but yet to be decided rezoning initiatives.

There was no cash provided by or used in financing activities in the nine months ended September 30, 2014. Net cash used in financing activities in the prior period was \$5,013,415 and related to the principal prepayment and the prepayment penalties on the mortgage secured by the Port Jefferson Professional Park.

Beginning in the second half of 2007, the residential mortgage and capital markets began showing signs of stress, primarily in the form of escalating default rates on sub-prime mortgages, declining residential home values and increasing inventory nationwide. This "credit crisis" spread to the broader commercial credit markets and has reduced the availability of financing. During 2013 interest rates on residential and commercial mortgages began to show signs of rising; however volatility in the economic recovery has generated mixed signals on when long term rates will settle on an upward trajectory and in recent months have actually reversed direction. The inability for the economy to escape from the prior recession reflecting the fragile underpinnings of the economy, combined with the impact of the Healthcare Legislation has resulted in an extensive reduction in occupancy rates and related rental rates across residential, commercial and medical office properties. In certain cases the Company has addressed these challenges to date through various tenant incentives which resulted in the Company's current market rents and related occupancy rates.

The Company has invested in medical office buildings, an asset class that has been facing challenges, partially attributable to the Patient Protection and Affordable Care Act and the Healthcare and Education Reconciliation Act of 2010 (together, the “Healthcare Legislation”). If the conditions triggered by the Healthcare Legislation continue, our portfolio may experience lower occupancy and effective rents, which would result in a corresponding decrease in net income, funds from operations and cash flows. The Company successfully increased its lease commitments to \$15.7 million at September 30, 2014 compared to \$15.5 million at December 31, 2013, which is mainly attributable to signing new long term leases and migrating existing tenants to long term leases. However, the Company continues to face a competitive leasing environment which may adversely impact its ability to grow its lease commitments.

Table Of Contents

BUSINESS

Gyrodyne Company of America, Inc.

Gyrodyne, a self-managed and self-administered real estate investment trust formed under the laws of the State of New York, manages a diversified portfolio of real estate properties comprising office, industrial and service-oriented properties primarily in the New York metropolitan area. Prior to the payment of the First Special Dividend described below, Gyrodyne owned a 68 acre site approximately 50 miles east of New York City on the north shore of Long Island, which includes industrial and office buildings and undeveloped property that is the subject of development plans and is referred to in this prospectus as “Flowerfield.” Prior to payment of the First Special Dividend described below, Gyrodyne also owned medical office buildings in Port Jefferson Station, New York, Cortlandt Manor, New York and Fairfax, Virginia. Gyrodyne is also a limited partner in the Grove, which in September 2013 sold its only asset, an undeveloped 3,700 plus acre property in Palm Beach County, Florida.

Gyrodyne’s common stock is traded on NASDAQ under the symbol GYRO. Gyrodyne’s principal executive offices are located at One Flowerfield, Suite 24, Saint James, New York 11780 and its telephone number is (631) 584-5400.

Business History: Manufacturing to REIT

Following its inception in 1946 and for the next 25 years, Gyrodyne engaged in design, testing, development, and production of coaxial helicopters primarily for the U.S. Navy. Following a sharp reduction in Gyrodyne’s helicopter manufacturing business and its elimination by 1975, Gyrodyne began converting its vacant manufacturing facilities and established its rental property operation at its principal location, Flowerfield. The Company has since concentrated its efforts on the management and development of real estate. The Company subsequently completed its conversion to a REIT, effective May 1, 2006. As a REIT that converted from a regular C corporation, Gyrodyne was subject to a federal corporate level tax at the highest regular corporate rate (currently 35%) on all or a portion of any gain recognized from a sale of assets occurring during a specified period after the date of its conversion (the “recognition period,” and such tax, the “built-in gain tax”), to the extent of the built-in gain in those assets on the date of the conversion. The recognition period is generally 10 years.

Condemnation; Acquisition of Properties

On November 2, 2005, the State University of New York at Stony Brook (the “University”) filed an acquisition map with the Suffolk County Clerk’s office and vested title in approximately 245.5 acres of property at Flowerfield pursuant to the New York Eminent Domain Procedure Law (the “EDPL”). On March 27, 2006, Gyrodyne received payment from the State of New York in the amount of \$26,315,000, which Gyrodyne had previously elected under the EDPL to accept as an advance payment for such property.

On May 1, 2006, Gyrodyne filed a Notice of Claim with the Court of Claims of the State of New York seeking \$158 million in damages from the State of New York resulting from the eminent domain taking by the University of the 245.5 acres of the Flowerfield property (the “Condemnation Litigation”).

Thereafter, Gyrodyne acquired ten buildings in the Port Jefferson Professional Park, Port Jefferson Station, New York in June 2007, Cortlandt Medical Center in Cortlandt Manor, New York in July 2008 (and additional properties in Cortlandt Manor in August 2008 and May 2010), and the Fairfax Medical Center, Fairfax City, Virginia in 2009 with proceeds from the \$26,315,000 advance payment.

Table Of Contents

In July 2012, Gyrodyne received \$167,501,656.95 from New York State pursuant to judgments in Gyrodyne's favor in the Condemnation Litigation, which consisted of \$98,685,000 in additional damages (the "2012 Proceeds"), \$1,474,940.67 in costs, disbursements and expenses, and \$67,341,716.28 in interest. As the interest portion was considered REIT taxable income for the 2012 taxable year (although not for purposes of the REIT gross income tests, pursuant to a private letter ruling received by Gyrodyne in 2011), our board of directors determined that it was in the best interests of shareholders to distribute \$56,786,644 in the form of a cash dividend. On November 19, 2012, our board of directors declared a special cash dividend of \$38.30 per share, which was paid on December 14, 2012. The declaration of the dividend also required a cash payment to participants of Gyrodyne's Incentive Compensation Plan ("ICP") in the aggregate amount of \$4,213,000 to be allocated and paid to ICP participants in accordance with ICP rules. As of December 31, 2012, Gyrodyne intended to defer, for federal income tax purposes, recognition of the \$98,685,000 gain on receipt of the 2012 Proceeds by investing this amount in qualifying REIT properties.

Strategic Process

Strategic Review. In December 2005, we announced our corporate strategy to position Gyrodyne so that we are best able to achieve one or more shareholder liquidity events in a reasonable period of time that would put the maximum amount of cash or marketable securities in the hands of our shareholders in a tax efficient manner. In pursuit of that strategy, we set out and accomplished the following: conversion to a REIT, diligent management of the condemnation lawsuit, active management of our real estate portfolio to improve our operating cash flow, active pursuit of the re-zoning effort of our Flowerfield property to maximize its value, efficient use of our capital to support the value of our real estate portfolio and increase of our working capital without materially increasing our debt service requirements.

In August 2012, Gyrodyne announced that it was undertaking a strategic review, which was designed to maximize shareholder value through one or more potential cash distributions and/or through a potential sale, merger or other strategic combination, consistent with Gyrodyne's stated goal of providing one or more tax efficient liquidity events to its shareholders. In August 2012, Gyrodyne retained Rothschild Inc. ("Rothschild"), as financial advisor, and Skadden, Arps, Slate, Meagher & Flom LLP, as legal advisor, and created a committee of its board of directors composed of four directors to lead the strategic review process. Rothschild's mandate did not include certain services in connection with the Merger and Plan of Liquidation. Commencing in October 2012, Gyrodyne solicited interest in proposals to acquire Gyrodyne from over 260 entities, and, in March 2013, an information memorandum was circulated to over 30 entities who had executed nondisclosure agreements. In the several months thereafter, members of our board of directors and management met with several bidders, permitted such bidders to conduct due diligence and indicative bids were received from a number of parties. Some of such indicative bids were for the whole Company and others contemplated the sale of a partial interest to a bidder who would assume control, but none of such bids were fully developed or contained value parameters and other terms acceptable to our board of directors and the Strategic Alternatives Committee.

On March 12, 2014, Gyrodyne and Rothschild entered into an amendment to the Rothschild engagement letter, pursuant to which the engagement of Rothschild was terminated and Gyrodyne agreed to pay Rothschild \$970,967.14 in full satisfaction of any and all amounts due or alleged to be due under the engagement letter by reason of the First Special Dividend, the Second Special Dividend, any other corporate transaction publicly announced prior to March 12, 2014 or any amount that might have otherwise become due by reason of our obligation to pay Rothschild a success fee in connection with certain transactions that may be consummated during a specified period following a termination. Under the engagement letter, approximately \$850,000 of the fee was recognized in 2013 as a result of the special cash dividend and the balance of approximately \$120,000 was recorded as an expense in the first quarter of 2014. Gyrodyne had previously paid Rothschild a total of \$629,032.26, exclusive of reimbursed expenses, pursuant to the engagement letter. Strategic alternative expenses incurred for the nine months ended September 30, 2014 and the years ended December 31, 2013, 2012, and 2011 were \$1,246,096, \$3,637,123, \$1,013,043 and \$29,383, respectively.

Table Of Contents

2013 Private Letter Ruling. Following a change in tax law in January 2013 reducing the recognition period applicable for the 2012 taxable year to 5 years, Gyrodyne applied for a private letter ruling, which we call the “2013 PLR” in this prospectus, from the IRS in March 2013, concluding that Gyrodyne’s receipt of the 2012 Proceeds occurred outside of the applicable recognition period for 2012, and therefore permitting Gyrodyne to distribute, by means of a dividend such as the First Special Dividend described below, the gains realized from its receipt of the 2012 Proceeds, subject to a 4% excise tax but without incurring the built-in gains tax. On September 12, 2013, Gyrodyne received the 2013 PLR, which provides a favorable ruling from the IRS.

Strategic Alternatives. In the informal session held on September 6, 2013, our board of directors considered the financial effects of a range of distribution scenarios, ranging from no distribution and reinvestment in REIT qualified assets to a full distribution of the \$98.7 million using funded debt. In doing so, it considered the impact of the 4% excise tax applicable to a 2013 distribution of the 2012 Proceeds, transaction costs and payments required to be made to the Incentive Compensation Plan (“ICP”) participants as a result of a special dividend. At the September 6 meeting, Rothschild presented materials designed to facilitate a discussion with respect to the sizing of a potential cash distribution to shareholders, focusing on three alternative scenarios for distributing cash to shareholders: (i) distribute \$45.0 million in cash to shareholders in 2013 and reinvest \$53.7 million in replacement properties; (ii) distribute \$98.7 million in a combination of cash and dividend notes in 2013; and (iii) distribute \$98.7 million in a combination of cash and interests in a liquidating trust or a newly formed limited liability company into which Gyrodyne would transfer its remaining assets. The presentation also discussed the possibility of a plan of liquidation, and considerations with respect to a partial cash distribution and a full cash distribution of the entire \$98.7 million.

At its September 9, 2013 meeting, our board of directors discussed that, in light of the receipt of the 2013 PLR and the timeframe necessary to achieve the benefits thereof, and given the lack of any developed acceptable third party acquisition or other control transaction with a third party with respect to Gyrodyne, that it appeared unlikely any such transaction would be developed on a basis more favorable to shareholders than the distribution permitted by the 2013 PLR. Our board of directors continued to review the issues related to a significant distribution of cash to its shareholders, including whether such distribution should be as part of a plan of liquidation.

Tax Liquidation; Adoption of Plan of Liquidation Further to Gyrodyne’s previously stated goal of providing one or more tax efficient liquidity events to our shareholders and taking into account, among other factors, Gyrodyne’s receipt of the 2013 PLR, on September 12, 2013, our board of directors concluded that it was in the best interests of Gyrodyne and its shareholders to liquidate Gyrodyne for federal income tax purposes. In adopting the Plan of Liquidation for federal income tax purposes, our board of directors also determined to pursue the actual disposition of our remaining assets in an orderly manner designed to obtain the best value reasonably available for such assets. The completion of the merger into Gyrodyne, LLC within two years following the adoption of the Plan of Liquidation would complete the Tax Liquidation even though the actual disposition of the properties within the same period had not necessarily occurred. Our board of directors believed that the prompt completion of the Tax Liquidation by means of the Merger while permitting a longer period to dispose of the remaining assets would help obtain better values by enabling the sales to take place without the potential timing constraints created by completing the Merger as promptly as practicable. In addition, the ability to extend the time of holding the properties would permit Gyrodyne to seek enhancements of the value of Flowerfield including by pursuing various development or zoning opportunities.

First Special Dividend. On September 13, 2013, our board of directors declared the First Special Dividend, in the amount of \$98,685,000, or \$66.56 per Gyrodyne share, of which approximately \$68,000,000, or \$45.86 per share, was to be paid in cash. On such date, Gyrodyne announced that the non-cash balance of the First Special Dividend (\$30,685,000) would be payable in the form of cash proceeds from any further asset dispositions effected prior to payment of the dividend, dividend notes, interests in Gyrodyne, LLC or any other limited liability company to which Gyrodyne might transfer its remaining assets (or into which it might merge), or a combination of such forms at the discretion of our board of directors. Distribution of non-cash consideration was necessary because Gyrodyne did not have sufficient cash on hand to cover the full amount of the First Special Dividend.

Table Of Contents

On December 19, 2013, our board of directors determined that the non-cash portion of the First Special Dividend would be paid by distribution of all of the equity interests in GSD, a subsidiary of Gyrodyne into which Gyrodyne transferred its properties, and determined that, after consideration of a management presentation regarding the estimated fair market value of the properties to be transferred to GSD, the aggregate estimated fair value of the equity interests in GSD (the “GSD Interests”) to be distributed in the First Special Dividend was \$30,685,000 (an amount determined by our board of directors to be equal to the estimated fair market value of the properties, net of all liabilities encumbering such properties, including mortgage loans of \$13,840,889 as of December 31, 2013 payable to a subsidiary of Gyrodyne). Gyrodyne contributed to GSD 100% of the economic interest in all of Gyrodyne’s real estate properties: Flowerfield and the medical office buildings in Port Jefferson Station, New York, Cortlandt Manor, New York and Fairfax, Virginia. We refer to such properties as the Contributed Properties. The board determined to transfer the Contributed Properties to GSD and to make the non-cash portion of the First Special Dividend in GSD Interests in order to facilitate its ability to maximize recognition of built-in gains in the Contributed Properties while minimizing built-in gains tax at the corporate level.

The First Special Dividend was paid on December 30, 2013 to shareholders of record as of November 1, 2013. As required by NASDAQ rules governing special dividends of this magnitude, the ex-dividend date was set one business day following the payment date.

Payment of the First Special Dividend was not conditioned on the approval of the proposal to authorize the Plan of Merger. However, failure to complete the Tax Liquidation of Gyrodyne by the second anniversary of the adoption date of the Plan of Liquidation will impact the tax characteristics of the First Special Dividend to the recipients. See “Material U.S. Federal Income Tax Consequences.”

In connection with the First Special Dividend, Gyrodyne incurred costs of \$3.4 million for the 4% excise tax, \$1.6 million for transaction costs and approximately \$5.0 million for ICP payments.

Solvency Opinion. In connection with the First Special Dividend, our board of directors requested the opinion of Valuation Research Corporation, a nationally recognized provider of solvency opinions, as to the solvency of Gyrodyne after giving effect to the First Special Dividend. On September 13, 2013, at a meeting of our board of directors, Valuation Research delivered its opinion that, immediately after the completion of the First Special Dividend, (i) the aggregate fair value and present fair saleable value of our assets exceed the sum of our total liabilities; (ii) we will be able to pay our debts as such debts mature or otherwise become absolute or due; and (iii) we do not have unreasonably small capital.

Initial Adoption of the Plan of Merger; Changes to Internal Structure. On October 9, 2013, our board determined that in order to most clearly and directly accomplish its goal of distribution of the \$98.7 million as a return of capital to shareholders, and in light of relevant consideration of issues of business continuity, shareholder liquidity and

timeliness of execution, Gyrodyne would pursue the Tax Liquidation by means of a merger of Gyrodyne into Gyrodyne, LLC. The board determined that accomplishing the Tax Liquidation by means of the Merger would allow continuation of Gyrodyne's operations as Gyrodyne, LLC, thereby allowing the actual disposition of the medical office properties and steps related to the actual development or disposition of the Flowerfield property to be undertaken in an orderly manner designed to obtain the best value reasonably available for the assets. Our board also believed that the Merger was more readily understandable to our shareholders, while avoiding the potential negative inferences that could be drawn by prospective counterparties who could seek to take advantage of Gyrodyne had it been operating under a plan of dissolution. Our board also determined that, if the merger into Gyrodyne, LLC was not completed by December 31, 2013, the most likely in-kind distribution in the First Special Dividend would be of nontransferable interests in GSD. In order to achieve the full benefits of the First Special Dividend, Gyrodyne needed to make a distribution of in-kind assets with a value of at least \$30,685,000 in the aggregate. In order to facilitate the First Special Dividend and the Merger pursuant to the Plan of Merger, in October 2013 Gyrodyne determined to contribute all of its interests in the Contributed Properties to a new subsidiary entity, GSD, a limited liability company, of which Gyrodyne was the sole member prior to the issuance of interests to Gyrodyne shareholders in the First Special Dividend.

Table Of Contents

Second Special Dividend. The transfer of the Contributed Properties by Gyrodyne to GSD resulted in the recognition of approximately \$28.4 million of capital gain income by Gyrodyne in 2013. Giving effect to offsetting deductions, Gyrodyne determined that it would have approximately \$18 million in REIT income for 2013. In order to satisfy applicable REIT distribution requirements, on December 20, 2013, Gyrodyne declared an additional dividend (the “Second Special Dividend”), payable on January 31, 2014 to Gyrodyne shareholders of record as of December 31, 2013. The Second Special Dividend was paid in the form of non-transferrable uncertificated interests in a global dividend note due June 30, 2017 (the “Dividend Note”) aggregating \$16,150,000 (\$10.89 per share) in principal amount. The Dividend Note bears interest at 5.0% per annum, payable semi-annually on June 15 and December 15 of each year, commencing June 15, 2014, and may be payable in cash or in the form of additional notes. On June 16, 2014, the initial semi-annual interest payment on the Dividend Note was paid in kind in the form of non-transferrable uncertificated interests in a global 5% subordinated note due June 30, 2017 in the principal amount of \$302,813 that otherwise is identical to the Dividend Note other than as to the initial semi-annual interest payment date thereunder. Payment of the Second Special Dividend was not conditioned on the approval by Gyrodyne’s shareholders of the Plan of Merger. However, failure to complete the Tax Liquidation of Gyrodyne by the second anniversary of the adoption date of the Plan of Liquidation will impact the tax characteristics of the Second Special Dividend to the recipients. See “Material U.S. Federal Income Tax Consequences.”

2013 Revisions to the Plan of Merger. On December 19, 2013, our board of directors determined that, having declared the First Special Dividend to achieve the benefits of the 2013 PLR and the Second Special Dividend to make the required distribution of 2013 REIT income, that the entire non-cash portion of the First Special Dividend would be satisfied by issuance of all of the GSD Interests and that the Second Special Dividend would be paid in the form of Dividend Notes. The board also determined to amend the Plan of Merger to provide that both Gyrodyne and GSD would merge into Gyrodyne, LLC and that in such merger the GSD Interests distributed in the First Special Dividend and the common shares of Gyrodyne would be converted into, and the Dividend Notes issued as the Second Special Dividend would be redeemed for, Gyrodyne, LLC Shares, thereby resulting in a simplified capital structure and permitting holders of GSD Interests and holders of Dividend Notes as well as Gyrodyne shareholders to receive freely transferable Gyrodyne, LLC Shares. The board also authorized the approval of the Merger by Gyrodyne in its capacity as the sole member of GSD and Gyrodyne, LLC. The Plan of Merger provides that holders of common stock of Gyrodyne will receive approximately 15.2% of the Gyrodyne, LLC Shares in the aggregate, holders of the Dividend Notes (\$16,150,000 initial aggregate principal amount and accrued interest thereon) would receive approximately 29.2% of the Gyrodyne, LLC Shares in the aggregate, and holders of GSD Interests would receive approximately 55.6% of the Gyrodyne, LLC Shares in the aggregate. The board of directors determined these allocations based on the relative values it attributed to the three categories of securities that will be exchanged or redeemed for Gyrodyne, LLC Shares, namely the assumed pro forma book value of Gyrodyne of \$8,450,000 (approximately \$5.70 per share), the principal amount of the Dividend Note (\$16,150,000 or \$10.89 per share) and the fair market value of GSD Interests as determined by our board (\$30,685,000 or \$20.70 per share). (Our board of directors recognized that the GSD Interests and Dividend Notes were not transferrable, and the holders would not be able to readily realize value, but as the board of directors intended that such restrictions would be eliminated with the registration of interests and Dividend Notes either pursuant to the Merger or otherwise, that it was appropriate not to apply a valuation discount based on such temporary liquidity factors.)

Adjustment to Plan of Merger Allocations

The Plan of Merger as revised provides that each of the allocations set forth therein (collectively, the “Initial Allocations”) of Gyrodyne LLC equity interests to be issued in the Merger in exchange for Gyrodyne common shares, GSD equity interests and interests in the Dividend Note are subject to adjustment in the discretion of the Gyrodyne board of directors. The Plan of Merger provides that any changes made to the Initial Allocations will be announced at least ten days prior to the meeting of shareholders at which shareholders of Gyrodyne will be asked to consider and vote upon the Plan of Merger.

Table Of Contents

It is anticipated that our board will exercise its discretion to adjust the Initial Allocations under the authority granted to it under the Plan of Merger to reflect material changes in the relative valuations of Gyrodyne shares, GSD Interests and the Dividend Note interests resulting from certain developments since the determination of the Initial Allocations in December 2013. These subsequent developments include without limitation the following:

- consummation of the rights offering;
- any new appraisals on the Contributed Properties indicating an aggregate valuation materially different from the aggregate value for such properties reflected in the 2013 appraisal;
- valuations of the GSD Interests and the Dividend Note indicating a material change from the valuations for such assets determined in December 2013;
- accrual and/or payment of interest and/or principal on the Dividend Note;
- the liquidity facility provided by Gyrodyne to GSD;
- adoption of our retention bonus plan;
- the financial performance of Gyrodyne and GSD; and
- any increase in Gyrodyne's funding obligation with respect to the Pension Plan.

In addition, on September 15, 2014, our board declared a special supplemental dividend in the amount of \$682,033, paid in the form of non-transferrable uncertificated interests in a dividend note issued on December 31, 2014 to all shareholders of record as of September 26, 2014 (the "2014 Dividend Note", and together with the Dividend Note, the "Dividend Notes"). Accordingly, the allocation of Gyrodyne, LLC Shares previously designated for holders of interests in the Dividend Note will now include as well holders of interests in the 2014 Dividend Note, unless otherwise paid, and the percentage so allocated will be adjusted to reflect the addition of the \$682,033 principal amount of the 2014 Dividend Note, unless otherwise paid.

The decision of whether and to what extent to make any adjustments to the Initial Allocations will be made by our directors. As directors of Gyrodyne, they have fiduciary obligations to act in the best interests of Gyrodyne and our shareholders. Our directors will also be acting on behalf of Gyrodyne in its capacity as the managing member of GSD, and in such capacity has sole and absolute discretion regarding the management of the affairs of GSD, including with respect to the Merger. See "Risk Factors-- *If the Merger is consummated, the allocation of Gyrodyne, LLC Shares to be issued to Gyrodyne shareholders, GSD shareholders and holders of interests in the Dividend Note is subject to adjustment in the discretion of the Gyrodyne board of directors*", and "--*We no longer own our properties, and there could be conflicts between our shareholders and holders of GSD Interests*".

The final determination of our board of directors as to any adjustments to the Initial Allocations will be announced via press release, a copy of which will be filed with the SEC under cover of a Current Report on Form 8-K, issued and filed at least ten days prior to the shareholders meeting at which shareholders will be asked to vote on the Merger.

Managed Properties

On December 30, 2013, as part of the First Special Dividend we distributed to our shareholders, as the non-cash portion of the special dividend announced on September 12, 2013, all of the equity interests of GSD, which owned 100% of the interests in our four real properties, subject to related mortgage debt in favor of Flowerfield Mortgage Inc., a subsidiary of Gyrodyne, with Gyrodyne having the contractual right to manage the business and properties of GSD. Based on management provisions set forth in GSD's limited liability company agreement which designates sole management authority in Gyrodyne, we concluded that GSD is a variable interest entity and that GSD's financial statements should be consolidated with Gyrodyne's. Accordingly, we may use references to "we" or "our" to refer to Gyrodyne and GSD and "Gyrodyne's properties" or "GSD's properties" (or derivations thereof) interchangeably in this prospectus. In this regard, however, it should be noted that GSD has legal title to the properties and will incur any operating or capital losses resulting from the properties, due to risks as outlined below or otherwise. However, such losses may adversely impact GSD's ability to meet debt service obligations to Gyrodyne, repayments of mortgages to Flowerfield Mortgage, Inc., or payment of management fees to Gyrodyne, or may result in capital needs at GSD that might require additional capital from Gyrodyne or external sources, and in fact has required additional working capital from Gyrodyne.

Table Of Contents

GSD has 100% ownership in two medical office parks comprising 91,581 rentable square feet, ten of fourteen buildings in another medical office park comprising 39,329 rentable square feet and a 68 acre site consisting of a 130,426 rentable square foot multitenant industrial park and undeveloped property that is the subject of development plans. The medical offices properties are subject to mortgages owned indirectly by Gyrodyne. As the owner of the properties previously held by Gyrodyne, GSD has all the attributes of ownership with respect to such properties, including the right to receive rental income.

Substantially all of GSD's properties are subject to net leases in which the tenant must reimburse GSD for a portion, or substantially all, of the costs and/or cost increases for utilities, insurance, repairs and maintenance, and real estate taxes. However, certain leases provide that GSD is responsible for certain operating expenses.

Following the distribution of all of the common membership interests of GSD to our shareholders in the First Special Dividend, Gyrodyne has been managing GSD pursuant to the terms of GSD's limited liability company agreement (the "LLC Agreement") which provides that Gyrodyne has sole and absolute discretion regarding the management and affairs of GSD. On December 24, 2014, Gyrodyne and GSD entered into a management services agreement (the "Management Services Agreement") pursuant to which Gyrodyne agreed to continue providing management services to GSD under substantially the same terms previously provided under the management provisions contained in the LLC Agreement. In our capacity as GSD's managing member, we have unilateral authority, without seeking GSD shareholder approval, over the management of the real estate assets, including leasing and sale of GSD's real estate holdings and the execution of any agency and brokerage agreements to facilitate such leases and sales, investing in GSD's real estate holdings through capital improvements and proceeding strategically with seeking to maximize the value of the undeveloped Flowerfield property. Under the LLC Agreement, Gyrodyne is entitled to be paid market-rate compensation for its services as well as reimbursement for any costs and expenses incurred by and properly allocable to GSD. In connection with such management services, Gyrodyne was obligated to provide an initial liquidity facility to GSD in an amount up to \$2.5 million as Gyrodyne may determine, as GSD's managing member, from time to time. During the third quarter of 2014, our board authorized an increase in the liquidity facility to \$3.5 million, and in January 2015 our board authorized a further increase to \$5.5 million. The foregoing income earned by Gyrodyne for managing GSD is not deemed to be REIT qualified income and therefore is appropriately payable to Gyrodyne's taxable REIT subsidiary, Flowerfield Properties, Inc. ("FPI").

Flowerfield. Effective December 30, 2013, GSD owns a 68 acre site approximately 50 miles east of New York City on the north shore of Long Island, which includes industrial and office buildings and undeveloped property that is the subject of development plans and is referred to in this proxy statement/prospectus as "Flowerfield." Flowerfield's location also places it in hydrological zone VIII, one of the most liberal with respect to effluent discharge rates. GSD currently has 130,426 square feet of rentable space located on approximately 10 acres of developed property at Flowerfield. As of September 30, 2014, there were 41 tenants, comprising 47 leases and 7 long-term tenants under month-to-month commitments. The annual base rent at Flowerfield based on the rates in effect as of September 30, 2014 is \$1,586,000 which included month-to-month annualized base rent of \$102,000 on approximately 8,470 square feet. The occupancy rate is 72% as of September 30, 2014. The Flowerfield property is located in Smithtown Township. Studies including environmental, archeological, ecological and traffic have been conducted in connection with development plans -- all with no significant adverse findings. The Company believes that material costs will not

be incurred in connection with compliance with environmental laws. During the years ended December 31, 2014, December 31, 2013 and December 31, 2012, Gyrodyne had no material expenses related to environmental issues.

Table Of Contents

In June 2007, Gyrodyne filed an application with the Town of Smithtown, New York to develop a gated, age restricted community on the remaining Flowerfield property that includes 39 single-family homes, 60 townhouses and 210 condominiums. The residential mix and total number of residential units could change prior to or upon approval by local government agencies. Living space would range from 1,600 square feet for the smallest condominiums to 2,800 square feet for detached single-family homes. Amenities would include a clubhouse with recreation facilities, pedestrian and bicycle paths, and extensive landscaping. The application requires a change of zone of approximately 62.4 acres from "light industrial" (approx. 55.5 acres) and "residential" (approx. 6.9 acres) to "planned residential". The costs associated with the ownership and development of the property through September 30, 2014 consisted of architectural and engineering costs, legal expenses, economic analysis, soil management and real estate taxes totaling approximately \$1,924,000. We cannot predict the outcome of the application and the Company has not aggressively pursued it as other options are being evaluated. Gyrodyne has an additional 5.2 acres bordering our industrial park that is currently zoned residential and is not part of the application for planned residential.

Port Jefferson. On June 27, 2007, Gyrodyne acquired ten of the fourteen buildings in the Port Jefferson Professional Park in Port Jefferson Station, New York, which as of December 30, 2013 is owned by GSD, subject to a mortgage obligation to a Gyrodyne subsidiary of \$3,829,051 as of September 30, 2014. The buildings were acquired for an aggregate purchase price of \$8,850,000 or \$225 per square foot. The buildings, located at 1-6, 8, 9 and 11 Medical Drive and 5380 Nesconset Highway in Port Jefferson Station, are situated on 5.16 acres with 39,329 square feet of rentable space. As of September 30, 2014, there were 15 tenants, comprising 14 leases; the difference reflects one long-term tenant under a month to month agreement. The annual base rent based on the rates in effect as of September 30, 2014 is \$740,000 which included month-to-month annualized base rent of \$21,000 on approximately 800 square feet. The occupancy rate was 70% as of September 30, 2014. Gyrodyne funded \$5,551,191 of the purchase price by the assumption of the existing mortgage debt on the property and the remainder in cash after adjustments. The balance of the mortgage loan was prepaid in full in January 2013 by a subsidiary of Gyrodyne which took an assignment of the loan and mortgage. The acquisition of this property qualified for the deferral treatment under Section 1033 of the Internal Revenue Code.

Cortlandt Manor. On June 2, 2008, Gyrodyne acquired the Cortlandt Medical Center in Cortlandt Manor, New York, which as of December 30, 2013 is owned by GSD, subject to a mortgage obligation to a Gyrodyne subsidiary of approximately \$3,512,000. As of September 30, 2014 the mortgage obligation is approximately \$3,355,000. The property consists of five office buildings which are situated on 5.01 acres with 31,198 square feet of rentable space on the date of acquisition. The purchase price was \$7 million or \$231 per square foot. As of September 30, 2014, there were 14 tenants, comprising 14 leases, renting space with an annual base rent of approximately \$717,180, based on the tenant base and rates in effect as of September 30, 2014. The property was 87% occupied as of September 30, 2014. Of the \$7 million purchase price for the property, Gyrodyne paid \$1,750,000 in cash and received financing in the amount of \$5,250,000. The balance of the mortgage loan was prepaid in full in November 2012 by a subsidiary of Gyrodyne which took an assignment of the loan and mortgage. The acquisition of this property qualified for the deferral treatment under Section 1033 of the Internal Revenue Code. Following certain capital improvements, the rentable square feet currently is 31,421 square feet.

On August 29, 2008, Gyrodyne acquired a 1,600 square foot single-family residential dwelling located on 1.43 acres at 1987 Crompond Road, Cortlandt Manor, New York, which as of December 2013 is owned by GSD. The purchase price was \$305,000. Gyrodyne was able to take advantage of a distressed sale by the seller as the property is located directly across the street from the Hudson Valley Hospital Center and adjoins the Cortlandt Medical Center. The property is zoned for medical office use by special permit and is potentially a future development site for expansion of the Cortlandt Medical Center. This property has not been mortgaged.

Table Of Contents

On May 20, 2010, Gyrodyne acquired the building located at 1989 Crompond Road, Cortlandt Manor, New York, which as of December 30, 2013 is owned by GSD. The property consists of 2,450 square feet of rentable space on 1.6 acres. The purchase price for the property was approximately \$720,000. Gyrodyne financed approximately 90% of the purchase price utilizing its then revolving credit facility, which was prepaid in full in December 2012. The property was 100% occupied as of September 30, 2014 by two tenants with a total annual base rent of \$35,400. This property is adjacent to the 1.43 acre property acquired by Gyrodyne in August 2008, and these two properties combined with the 5.01 acre Cortlandt Medical Center site result in Gyrodyne owning approximately eight acres across Crompond Road from the Hudson Valley Hospital Center.

During the second quarter of 2014, our board of directors approved the hiring of real estate brokers to facilitate the sale of the Cortlandt Manor Medical Center. FASB ASC Topic 360-10, Property, Plant and Equipment – Overall requires a long-lived asset to be classified as “held for sale” in the period in which certain criteria are met. Gyrodyne classifies real estate assets and their related liabilities as held for sale after the following conditions have been satisfied: (1) the receipt of approval from its board of directors to sell the asset, (2) the initiation of an active program to sell the asset, and (3) the asset is available for immediate sale and it is probable that the sale of the asset will be completed within one year. When assets are classified as held for sale, they are recorded at the lower of the assets’ carrying amount or fair value, less the estimated selling costs. Gyrodyne and GSD, which we recognize as a consolidated variable interest entity, periodically classify real estate assets as held for sale. Accordingly, the Cortlandt Manor Medical Center and its related liabilities are stated separately on Gyrodyne’s condensed consolidated balance sheets.

Fairfax. On March 31, 2009, Gyrodyne acquired the Fairfax Medical Center in Fairfax City, Virginia, which as of December 30, 2013 is owned by GSD, subject to a mortgage obligation to a Gyrodyne subsidiary of approximately \$6,181,000. As of September 30, 2014 the mortgage obligation is approximately \$5,947,000. The property consists of two office buildings which are situated on 3.5 acres with 57,621 square feet of rentable space at date of acquisition. The purchase price was \$12,891,000 or \$224 per square foot. As of September 30, 2014, there were 29 tenants, comprising 30 leases, renting space with an annual base rent of \$1,450,000, based on the rates in effect as of September 30, 2014. The occupancy rate as of September 30, 2014 was 93%. Of the \$12,891,000 purchase price, Gyrodyne paid \$4,891,000 in cash and received financing in the amount of \$8,000,000. The acquisition of this property qualified for the deferral treatment under Section 1033 of the Internal Revenue Code and completed the tax-efficient reinvestment program of the \$26.3 million advance payment received in connection with the condemnation of the 245.5 acres of the Flowerfield property. The balance of the mortgage loan was prepaid in full in December 2012 by a subsidiary of Gyrodyne, which took an assignment of the loan and mortgage.

During the second quarter of 2014, our board of directors approved the hiring of real estate brokers to facilitate the sale of Fairfax Manor Medical Center. FASB ASC Topic 360-10, Property, Plant and Equipment – Overall requires a long-lived asset to be classified as “held for sale” in the period in which certain criteria are met. Gyrodyne classifies real estate assets and their related liabilities as held for sale after the following conditions have been satisfied: (1) the receipt of approval from its board of directors to sell an asset, that is material to the business, (2) the initiation of an active program to sell the asset, and (3) the asset is available for immediate sale and it is probable that the sale of the asset will be completed within one year. When assets are classified as held for sale, they are recorded at the lower of

the assets' carrying amount or fair value, less the estimated selling costs. Gyrodyne and GSD, which we recognize as a consolidated variable interest entity, periodically classify real estate assets as held for sale. Accordingly, Fairfax Medical Center and its related liabilities are stated separately on Gyrodyne's condensed consolidated balance sheets.

Management Services Agreement

On December 24, 2014, Gyrodyne entered into the Management Services Agreement with GSD, pursuant to which we agreed to continue providing certain management services to GSD, including acquisition and disposition services, asset management services, accounting and other administrative services, property management services and shareholder services.

Table Of Contents

Pursuant to the Management Services Agreement, in consideration for these services GSD will:

reimburse Gyrodyne for 85% of Gyrodyne's general and administrative expenses and pay a fee to Gyrodyne equal to 8.5% of such reimbursed amount;

reimburse Gyrodyne for all rental expenses, whether value added (such as contractor and consultant expenses) or non-value added (such as utilities and taxes) paid by Gyrodyne in respect of the Properties;

pay a fee to Gyrodyne equal to 8.5% of all value added rental expenses paid by Gyrodyne in respect of the Properties (but no fee in respect of non-value added rental expenses);

reimburse Gyrodyne for 100% (without mark-up) of any bonuses paid by Gyrodyne to its employees and directors and related payroll taxes on account of any sales of GSD's properties; and

pay interest to Gyrodyne at the rate of 5.0% per annum on any funds advanced by Gyrodyne to GSD pursuant to the liquidity facility made available to GSD by Gyrodyne.

Gyrodyne believes the foregoing fees are fair to both Gyrodyne and GSD based upon a number of factors, including a management services benchmarking study commissioned by Gyrodyne and a market analysis conducted by Management to determine whether or not the fee arrangement with GSD was "market".

Before approving the Management Services Agreement, our board of directors carefully considered and ultimately determined that the management fees payable by GSD to Gyrodyne are fair to both Gyrodyne and GSD. In this regard, the directors discussed the fact that the management services arrangement was originally expected to be in effect for a relatively short period of time (i.e., between January 2014 (after the distribution of the GSD Interests to our shareholders) and consummation of the Merger), and that it has become understood that the Merger will not be consummated until the end of the second quarter or the third quarter of 2015, if at all. The directors considered the fairness issues from several different angles, including the fact that Gyrodyne does not receive any fees for providing GSD a line of credit, currently of up to \$5.5 million. In concluding that the fee structure was fair to both Gyrodyne and GSD when viewed in its totality, the directors also took into consideration a management services benchmarking study commissioned by Gyrodyne and a market analysis conducted by Management which indicated that the fee arrangement with GSD is "market".

Callery Judge Grove, L.P.

Gyrodyne, through a separate taxable REIT subsidiary, owns an approximate 9.32% limited partnership interest in Callery Judge Grove, L.P. (the "Grove"), a limited partnership, which in September 2013 sold its only asset, an undeveloped Florida property (the "Grove Property"). Gyrodyne's interest in the Grove originally represented a 20% limited partnership interest. Based on four subsequent capital raises through 2009, each of which Gyrodyne chose not to participate in, Gyrodyne's share was approximately 9.99% as of December 31, 2010, and has since been diluted to 9.32%. On March 18, 2011, the Grove's lender, Prudential Industrial Properties, LLC ("Prudential"), commenced a

foreclosure action against the Grove by filing a complaint in the Circuit Court of Palm Beach County to foreclose upon the Grove property, alleging that the Grove had defaulted on its loan from Prudential and that the Grove was indebted to Prudential in the amount of over \$37 million in principal and over \$8 million in interest and fees. On September 19, 2013, the Grove property was sold, the foreclosure lawsuit was dismissed and the Grove property was conveyed to Minto, a family-owned real estate development, construction and management company, and the Grove's debt to Prudential was repaid. The investment is held in a taxable REIT subsidiary of Gyrodyne with \$0 carrying value. Gyrodyne has a \$1,315,000 deferred tax liability related to the Grove, which represents taxable losses not yet recorded pursuant to the equity method of accounting. Gyrodyne did not receive any distribution in connection with the sale of the Grove property. Under the agreement with Minto, however, the Grove may receive certain additional payments if certain development benchmarks are achieved by Minto, which could enable future distributions to Gyrodyne. Gyrodyne cannot predict whether these benchmarks will be achieved or as to the timing or amount of any further distributions by the Grove. Gyrodyne does anticipate it will be required to recognize its deferred tax liability during 2014.

Table Of Contents

Market Outlook

Real estate pricing is generally influenced by market interest rates. However, the movements are not simultaneous and pricing generally lags behind interest rate adjustments for a period of time.

Today's economic environment remains characterized by historically low interest rates which continues to compress capitalization rates for commercial properties. Commercial property prices have nearly recovered to 2007 pre-recession values in many sectors. Analysts believe that the economy is slowly moving from recovery status toward an expansionary cycle. Demographic trends are also favorable. In the past few years the population of the United States has grown, but new real estate development during this period has been low relative to population growth.

Regulators and U.S. government bodies can have a major impact on our business. The U.S. Federal Reserve is a major participant in, and its actions significantly impact, the commercial real estate debt markets. For example, quantitative easing, a bond buying program implemented by the U.S. Federal Reserve to keep long-term interest rates low and stimulate the U.S. economy, has had the effect of reducing the difference between short-term and long-term interest rates. On October 29, 2014, however, the Federal Open Market Committee of the Federal Reserve Board announced an end to quantitative easing signaling that the Federal Reserve believes the U.S. economy is growing at a measured but sustained pace and that the need for continued stimulus has diminished. These actions and comments suggest that the Federal Reserve will eventually return to a normalized monetary policy. However, the Federal Reserve has provided no clear indication as to when it will raise interest rates. In addition, in as much as commercial lending rates could increase irrespective of whether the Federal Reserve raises rates, it is difficult to determine whether, when and at what pace commercial lending rates and available liquidity will change. Any increase in real time rates could cause a disruption in the commercial lending market which could adversely affect the real estate industry, our real estate operations and or the value of any achievable real estate sales proceeds.

The property management industry is directly affected by the overall economy in general and the commercial real estate market in particular. Our business may be affected by the market for medical office, residential and industrial properties as well as the general financial and credit markets and other market or economic challenges experienced by the U.S. economy or real estate industry as a whole. As a result, our business could be impacted by general economic, financial and industry conditions, including (1) obtaining financing to renovate our current real estate holdings and or pursue the rezoning efforts on the undeveloped property, (2) difficulty in consummating property transactions, (3) increased challenges in re-leasing space, and (4) potential risks stemming from late rental receipts, tenant defaults, or bankruptcies.

As a result of the economic downturn that began in the second half of 2007, demand for medical office, industrial, retail space and undeveloped property declined nationwide due to bankruptcies, downsizing, layoffs and cost cutting.

Real estate transactions and development opportunities remain lessened compared to the period prior to the current economic downturn and capitalization rates rose. While the economy has improved, particularly the real estate industry, the recovery has been slow and not equally experienced across the United States. As a result, the cost and availability of credit during the downturn was, and if down markets return will continue to be, adversely affected by illiquid credit markets and wider credit spreads. Economic weakness and uncertainty during the prior downturn has led many lenders and institutional investors to reduce and, in some cases, cease to provide funding to borrowers. In light of the weak recovery, the adverse impact on commercial lending may continue which could adversely affect the net proceeds from the sale of any properties we currently manage.

The aforementioned economic and industry trends may adversely impact our financial condition and results of operations because of the adverse impact they may have on the liquidity and financial condition of tenants and on the perception of investment opportunity on the part of potential real estate property purchasers. Our business may also be adversely affected by local economic conditions, as substantially all of our revenues are derived from GSD's properties located in Westchester and Suffolk Counties in New York and Fairfax County in Virginia. GSD's current portfolio consists primarily of medical office and industrial buildings comprising approximately 260,000 rentable square feet, and lacks the diversity of larger portfolios. If negative economic conditions persist or even deteriorate, GSD's results of operations, financial condition and ability to attract debt, may be negatively impacted, and result in decreased management fees and mortgage payments to Gyrodyne, which could reduce our ability to repay the Dividend Notes or pay dividends to Gyrodyne's shareholders.

Table Of Contents

Health Care Industry

In March 2010, the Patient Protection and Affordable Care Act and the Healthcare and Education Reconciliation Act of 2010 (together, the “Healthcare Legislation”) were signed into law. The complexities and ramifications of the Healthcare Legislation are significant, and will be implemented in a phased approach beginning in 2010 and concluding in 2018.

The Healthcare Legislation has affected medical office real estate due to the direct impact on the tenant base. At this time, the full effects of the Healthcare Legislation and its impact on our business, our revenues and financial condition and those of GSD’s tenants are not yet known. We believe that the Healthcare Legislation is causing medical practices to review their real estate options which include maintaining status quo, increasing space to accommodate a higher volume of patients, combining practices with other professionals and being acquired by hospitals with the professionals becoming hospital employees rather than continuing independent practices of medicine. Our business is being impacted by factors including (1) difficulty transitioning doctors to longer term leases, (2) difficulty maintaining or raising rental rates, (3) increased challenges in re-leasing space and (4) difficulty transitioning tenants into larger spaces.

As of September 30, 2014, the average effective rental revenue per square foot adjusted for tenant improvements was \$19.79 and is comprised of an average effective rental rate from the medical properties and industrial park of \$24.20 and \$14.57, respectively. As of December 31, 2013, the average effective rental revenue per square foot adjusted for tenant improvements was \$18.71 and was comprised of an average effective rental rate from the medical properties and industrial park of \$23.56 and \$13.87, respectively. The Company defines the average effective revenue per square foot as the annual rate per square foot stated in the lease reduced by the average annual tenant improvement allowance provided for in such leases.

The above discussed risks from the Healthcare Legislation and the slow recovery from the global credit and financial crisis adversely impacted our average rental rate in 2014 compared to the 12 months ended December 31, 2013. GSD has approximately 24% of its leases, based on rent, up for renewal during the 12 months ending September 30, 2015 which is compared with 28% up for renewal for the 12 months ending December 31, 2014. During the first three quarters of 2012, Gyrodyne incurred lease terminations and rental rate degradation. Late in the third quarter of 2012, Gyrodyne developed and implemented a new and more aggressive leasing strategy inclusive of rent abatements and incentives along with improvements to the common areas of its properties. The leasing activity in the fourth quarter of 2012 through September 30, 2013 indicate that the new leasing strategy improved building occupancy in Fairfax but Gyrodyne did not experience similar improvement from the strategy at its remaining properties. Approximately 43% of our 2012 lease terminations were due to migration of tenants from our Cortlandt Medical Center to the neighboring hospital following the completion of a major hospital renovation and expansion. The hospital is now full and we believe the long term impact of the expanded and growing hospital will be beneficial to the Cortlandt Medical Center which is the closest professional medical center in the immediate vicinity of the hospital. Although Gyrodyne has managed to increase the occupancy rate at the Cortlandt Medical Center, it has done so by lowering rent as a result of

challenges in the local market. While the economy improved between 2012 and 2014, it may not be an accurate predictor of conditions in 2015. General economic conditions and a rising interest rate environment, coupled with rental markets in which we operate, will dictate how rental rates on new leases and renewals will compare, favorably or unfavorably, to those leases that were signed in 2014 and 2013. During the first three quarters of 2014, Gyrodyne incurred brokerage commissions of approximately \$47,000 on new leases and renewals and provided approximately \$90,000 in related tenant improvements. Additionally, Gyrodyne provided approximately \$125,000 of tenant concessions in the form of rent abatements. The commissions, tenant improvements and concessions resulted in \$2.3 million of total lease commitments over the term of the respective leases, with a total of \$3,089,230 additional commitments in all. The Company believes any significant long-term leases signed in 2015 may be accompanied by tenant incentives and/or rent concessions that will equal or exceed those made in 2014.

Table Of Contents

Business Strategy

On December 30, 2013, Gyrodyne distributed to its shareholders all of the equity interests of GSD, which owned 100% of the interests in our four real properties, subject to related mortgage debt in favor of Flowerfield Mortgage Inc., also a subsidiary of Gyrodyne, with Gyrodyne having the contractual right to manage the business and properties of GSD. The board has also approved the Plan of Merger, subject to the approval of shareholders of Gyrodyne holding at least two-thirds of the outstanding shares, pursuant to which Gyrodyne and GSD will be merged with and into Gyrodyne, LLC with Gyrodyne's shareholders, holders of GSD equity interests and holders of interests in dividend and payment-in-kind note all exchanging their respective interests for Gyrodyne, LLC Shares. Under New York law, the Plan of Merger requires the approval of shareholders of Gyrodyne holding at least two-thirds of the outstanding shares.

On June 5, 2014, Gyrodyne announced that a special meeting of Gyrodyne shareholders would be held on August 14, 2014 to authorize the Merger. Gyrodyne postponed the special meeting, first to August 27, 2014 and then to December 5, 2014, to allow additional time for shareholders to vote on the Merger. Although the shares that were voted in these previous attempts to conduct the special meeting were overwhelmingly voted in favor of the Merger, not enough shares were voted to achieve the two-thirds of the outstanding shares vote requirement. Accordingly, on November 4, 2014, Gyrodyne announced a further postponement of the special meeting until the first half of 2015. Given the small size of holdings of many Gyrodyne shareholders and the nature of various holders, we believe many holders may not have paid enough attention to the Merger to exercise their right to vote. The board believes, however, that shareholders who would exercise their subscription rights in the rights offering may be more interested in the current structure of Gyrodyne and thus more likely to desire completion of the Merger. If all rights in the rights offering are exercised and all of the shares issuable upon exercise of the rights are sold in this offering, there will be [] shares outstanding and holders of at least [] shares will need to vote in favor of the Merger to satisfy the requirement that holders of two-thirds of the outstanding shares vote in favor of the Merger. Gyrodyne intends to conduct the special meeting to authorize the Merger as soon as reasonably possible time after the consummation of the rights offering.

This prospectus is not to be considered material to solicit proxies or deemed an offer to sell the Gyrodyne, LLC equity interests ("Gyrodyne, LLC Shares"), which solicitation and offer will only be made through a definitive proxy statement/prospectus relating to the Merger and the issuance of the Gyrodyne, LLC Shares. Gyrodyne filed definitive proxy materials with the SEC on July 1, 2014 with respect to the Plan of Merger. If our board determines to try again to hold the special meeting to authorize the Plan of Merger, which is our current intention, Gyrodyne will solicit proxies through such definitive proxy statement or, if necessary, a post-effective amendment thereto.

Although the consummation of the Merger will complete the Tax Liquidation, the board currently intends that, following the Merger, Gyrodyne, LLC will operate with a business plan to dispose of its current real property assets in an orderly manner designed to obtain the best value reasonably available for such assets. Proceeds of such dispositions will be used to settle any claims, pending or otherwise, against Gyrodyne, LLC and to make distributions to holders of

Gyrodyne, LLC Shares. When all properties of Gyrodyne, LLC are disposed of, it is intended that Gyrodyne, LLC will dissolve and a final distribution will be made.

Sales of properties, either by GSD or by Gyrodyne, LLC if the Merger is consummated, could take the form of individual sales of assets, sales of groups of assets organized by business, type of asset or otherwise, a single sale of all or substantially all of the assets or some other form of sale (including the sale of GSD itself prior to the Merger). The assets may be sold to one or more purchasers in one or more transactions over a period of time. It is not anticipated that any shareholder votes will be solicited with respect to the approval of the specific terms of any particular sale of assets approved by Gyrodyne's board, or if after the Merger by Gyrodyne, LLC's board. The prices at which the various assets may be sold depend largely on factors beyond our control, including without limitation the condition of financial markets, the availability of financing to prospective purchasers of the assets, regulatory approvals, public market perceptions and limitations on transferability of certain assets.

Table Of Contents

We focus our business strategy on maximizing the intrinsic value per share through aligning our operating and investment strategy with our goal of executing on a tax efficient liquidity event or series of tax efficient liquidity events. This strategy involves a balance between preserving capital and improving the market value of the real estate portfolio which we currently manage for GSD. Our objectives are as follows:

managing the real estate portfolio currently held by GSD to improve operating cash flow while simultaneously increasing the market values of the underlying operating properties;

pursuing the re-zoning effort of the Flowerfield property on behalf of GSD to maximize its value;

Manage the sale of properties

focusing use of capital by Gyrodyne or GSD to that which preserves or improves the market value of GSD's real estate portfolio;

maximizing funds from operations (“FFO”) and company adjusted FFO (“AFFO”);

managing the Merger and liquidation process.

We believe pursuing these objectives help us achieve our strategic goal in the long term, strengthen our business and enhance the value of our underlying real estate portfolio in the short term.

Uncertainties as to the precise value of our non-cash assets and the ultimate amount of our liabilities make it impractical to predict the aggregate net value ultimately distributable to shareholders in a liquidation. Claims, liabilities and expenses from operations, including operating costs, salaries, income taxes, payroll and local taxes, legal, accounting and consulting fees and miscellaneous office expenses will continue to be incurred following shareholder approval of the Plan of Merger. However, certain professional fees, such as legal expenses and the fees of outside financial advisors have recently increased, as a result of our strategic review, the 2013 PLR, the rights offering, the liquidation process and the shareholder litigation. These expenses will reduce the amount of assets available for ultimate distribution to shareholders, and, while a precise estimate of those expenses cannot currently be made, management and our board believe that available cash and amounts received on the sale of assets will be adequate to provide for our obligations, liabilities, expenses and claims (including contingent liabilities) and to make cash distributions to shareholders. However, no assurances can be given that available cash and amounts received on the sale of assets will be adequate to provide for our obligations, liabilities, expenses and claims and to make cash distributions to shareholders. If such available cash and amounts received on the sale of assets are not adequate to provide for our obligations, liabilities, expenses and claims, distributions of cash and other assets to our shareholders will be reduced and could be eliminated.

Tax Status

Gyrodyne has qualified, and expects to continue to qualify in the current fiscal year, as a real estate investment trust (REIT) for federal and state income tax purposes under section 856(c)(1) of the Internal Revenue Code (the "Code"). As long as Gyrodyne qualifies for taxation as a REIT, it generally will not be subject to federal and state income tax. If Gyrodyne fails to qualify as a REIT in any taxable year, it will be subject to federal and state income tax on its taxable income at regular corporate rates. Unless entitled to relief under specific statutory provisions, Gyrodyne will also be disqualified for taxation as a REIT for the four taxable years following the year in which it loses its qualification. Even if Gyrodyne qualifies as a REIT, it may be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed income.

Table Of Contents

On September 15, 2014, our board declared a special supplemental dividend in the amount of \$682,033 or \$0.46 per share of Gyrodyne common stock. The dividend was paid in the form of non-transferrable uncertificated interests in a dividend note on December 31, 2014 to all shareholders of record on September 26, 2014 (the “2014 Dividend Note”). The dividend is intended to distribute Gyrodyne’s undistributed 2013 REIT taxable income.

If the Merger is completed, Gyrodyne, LLC, the surviving company in the Merger, will not qualify as a REIT but will be structured as a limited liability company which will be treated as a partnership, which is a pass-through entity for Federal income tax purposes. Gyrodyne, LLC will generally be treated as a partnership for federal income tax purposes so long as 90 percent of its gross income is “qualifying income” under Section 7704(d) of the Internal Revenue Code. “Qualifying income” includes real property rents and gain from the sale or other disposition of real property (including property held for sale to customers as described in section 1221 (a)(1)). If Gyrodyne, LLC fails to meet this requirement it may be taxable as a corporation.

Competition

The rental properties managed by Gyrodyne (owned by subsidiaries of GSD, a consolidated variable interest entity) are located in St. James, Port Jefferson Station, and Cortlandt Manor, New York and Fairfax, Virginia. Gyrodyne competes in the leasing of medical, professional and general office space and engineering, manufacturing and warehouse space with a considerable number of other real estate companies, some of which may have greater marketing and financial resources than Gyrodyne and may generally be able to accept more risk than we can prudently manage, including risk with respect to creditworthiness of tenants. Principal factors of competition in our rental property business are: the quality of properties, leasing terms (including rent and other charges and allowances for tenant improvements), attractiveness and convenience of location, financial strength of its competitors, the quality and breadth of tenant services provided and reputation as an owner and operator of quality office properties in its relevant market. Additionally, our ability to compete depends upon, among other factors, trends in the national and local economies, investment alternatives, financial condition and operating results of current and prospective tenants, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends.

In seeking new opportunities and the sale of properties, Gyrodyne competes with other real estate investors, including pension funds, insurance companies, foreign investors, real estate partnerships, other public and private real estate investment trusts, private individuals and other domestic real estate companies, many of which have greater financial and other resources than Gyrodyne. Competition among industrial and medical office rental properties on Long Island, Cortlandt Manor, New York and Fairfax, Virginia is intense. Furthermore, Gyrodyne also competes in the development of industrial, medical office and residential property where the competition is equally intense, and where our competitors often are substantially larger and have significantly greater resources than Gyrodyne.

Bankruptcy

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

Internal Growth and Effective Asset Management

Tenant Relations and Lease Compliance. We strive to maintain strong contacts with our tenants in order to understand their current and future real estate rental and development needs. We directly monitor each of our rental properties to ensure they are properly maintained and meet the needs of our tenants.

Table Of Contents

Extending Lease Maturities. We seek to extend leases in advance of expirations to achieve high occupancy levels. Additionally, our renewal efforts focus on converting our leases to longer terms at each of our properties, to achieve a multitenant portfolio with a balanced rollover risk.

Financing Strategy

Debt Financing. Historically, our principal source of financing had been cash on hand, cash flow from operations and property specific debt in order to leverage specific acquisitions. In 2010, we used a revolving line of credit to finance the acquisition of property in Cortlandt Manor, New York, support capital improvements and general working capital. The economic uncertainty made it challenging to negotiate debt at acceptable terms during 2011. As a result, during 2011, Gyrodyne raised capital through a sale of additional common stock – see Equity Financing. Following our receipt of condemnation proceeds in July 2012, our principal source of financing became cash on hand and cash flow from operations. Gyrodyne believes it is currently well capitalized with adequate cash levels to operate the business.

In accordance with REIT distribution requirements, on December 20, 2013, Gyrodyne announced a dividend of \$10.89 per share which was paid on January 31, 2014 to shareholders of record on December 31, 2013. The dividend was paid in the form of non-transferrable uncertificated interests in a global dividend note payable in kind or cash that matures on June 30, 2017. The annual interest rate is 5% payable semiannually in kind or cash on June 15th and December 15th.

Dividend note. The transfer of the properties by Gyrodyne to GSD resulted in the recognition of approximately \$28.4 million of capital gain income by Gyrodyne in 2013. Giving effect to offsetting deductions, we determined that Gyrodyne would have approximately \$18 million in REIT income for 2013. In order to satisfy applicable REIT distribution requirements, on December 20, 2013 we declared an additional dividend, payable on January 31, 2014 to the Company's shareholders of record as of December 31, 2013. This dividend was paid in the form of non-transferrable uncertificated interests in a global subordinated dividend note due June 30, 2017 (the "Dividend Note") aggregating \$16,150,000 (\$10.89 per share) in principal amount. The Dividend Note bears interest at 5.0% per annum, payable semi-annually on June 15 and December 15 of each year, commencing June 15, 2014, and may be payable in cash or in the form of additional notes.

On June 16, 2014, the initial semi-annual interest payment on the Dividend Note was paid in kind in the form of non-transferrable uncertificated interests in a global 5% subordinated note due June 30, 2017 in the principal amount of \$302,813 that otherwise is identical to the Dividend Note other than as to the initial semi-annual interest payment date thereunder.

On December 15, 2014, the second semi-annual interest payment on the original Dividend Note was paid in kind in the form of non-transferrable uncertificated interests in a global 5% subordinated note due June 30, 2017 in the principal amount of \$403,750 that otherwise is identical to the Dividend Note other than as to the initial semi-annual interest payment date thereunder. The initial interest due of \$7,570 on the note issued on June 16, 2014 was paid in cash on December 15, 2014.

On September 15, 2014, our board declared a special supplemental dividend in the amount of \$682,033 or \$0.46 per share of Gyrodyne common stock. The dividend was paid in the form of non-transferrable uncertificated interests in a dividend note on December 31, 2014 to all shareholders of record as of September 26, 2014. The dividend is intended to prevent the imposition of federal corporate income tax on Gyrodyne's undistributed 2013 REIT taxable income.

Equity Financing. During 2011, Gyrodyne filed a registration statement on Form S-3 with the Securities and Exchange Commission to register a number of shares of Gyrodyne's common stock to be offered in a rights offering by Gyrodyne to its shareholders with maximum gross proceeds of \$9,210,000, or \$10,210,000 if an over-allotment option was exercised. Gyrodyne received subscriptions for approximately 294,685 shares, greatly exceeding the maximum shares offered of 173,305. Gyrodyne elected to exercise its over-allotment option to issue an additional 19,336 shares, the maximum to be issued in the over-allotment option as disclosed in the registration statement, and thus covered approximately 16% of the shares subscribed for pursuant to over-subscription exercises. Shareholders were allocated 100% of their basic subscriptions. The rights offering resulted in 192,641 common shares issued, and net proceeds (after expenses) raised of \$9,961,476. The proceeds were used for potential additional expenses in the condemnation litigation, pursuing development rights for the Flowerfield property, necessary capital improvements in our real estate portfolio and general working capital.

Table Of Contents

Environmental Matters

In connection with the conduct of our business, we may order a Phase 1 environmental report and, when necessary, a Phase 2 environmental report. Based on a review of such reports, and our ongoing review of each of our properties, as of the date of this prospectus, we are not aware of any environmental condition with respect to any of the properties which we believe would be reasonably likely to have a material adverse effect on our financial condition and/or results of operations. There can be no assurance that (i) changes in law, (ii) the conduct of tenants, (iii) activities related to properties in the surrounding area, (iv) contamination through the water table due to the low elevation and immediate proximity of the industrial park to the Long Island Sound or (v) the discovery of environmental conditions the extent or severity of which were unknown, will not expose us to material liability in the future. We have not conducted a comprehensive environmental review of all of the Contributed Properties or of our operations. No assurance can be given that we have identified all of the potential environmental liabilities at the Contributed Properties or that such liabilities will not have a material adverse effect on our financial condition.

Gyrodyne believes that each of the Contributed Properties is in compliance, in all material respects, with federal, state and local regulations regarding hazardous waste and other environmental matters and is not aware of any environmental contamination at any of the Contributed Properties that would require any material capital expenditure by GSD for the remediation thereof. No assurance can be given, however, that environmental regulations will not in the future have a materially adverse effect on the Contributed Properties.

Insurance

Gyrodyne and GSD carry comprehensive liability, property, terrorism and umbrella insurance coverage which includes fire, flood, earthquakes and business interruption insurance and covers all of the Contributed Properties. We also maintain directors' and officers' liability insurance. Gyrodyne annually reviews its policies with regard to both risk management and the underlying premiums and believes the policy specifications, insurance limits and deductibles are appropriate given the relative risk of loss, the cost of the coverage and industry practice, and, in the opinion of our management, all of the Contributed Properties are adequately insured.

Major Tenants

The three largest tenants by revenue as of September 30, 2014 consist of a state agency located in the industrial park, another tenant in the industrial park and a medical tenant in one of our medical parks.

For the 9 months ended September 30, 2014, rental income from the three largest tenants represented approximately 8%, 5% and 5% of total rental income. The reduction in rental income from our largest tenant from 11% in 2013 to 8% in 2014 was the result of two lease terminations by a state agency comprising approximately 8,700 square feet.

For the year ended December 31, 2013, rental income from the three largest tenants represented approximately 11%, 5% and 5% of total rental income. For the year ended December 31, 2012, rental income from the three largest tenants represented approximately 11%, 5% and 5% of total rental income.

Table Of Contents

The current economic challenges facing state and local budgets has impacted 2 of the 3 largest tenants. One of these tenants had multiple leases, two of which did not renew during 2014. However, there can be no assurance that the remaining leases will renew for the same square footage, at favorable rates, if at all.

Transaction summary for the nine months ended September 30, 2014

The following summarizes our significant transactions and other activity during the nine months ended September 30, 2014.

For a discussion of the Management Services Arrangement see Footnote 4, Principles of Consolidation, of the third quarter 2014 10-Q which is attached as Exhibit 99.3.

Under the aforementioned agreement, the Company received reimbursement of costs and management fees of \$4,487,355 and \$279,000, respectively, and earned interest income on its debt facilities to GSD of \$560,158.

Investments

During the nine months ended September 30, 2014, Gyrodyne invested approximately \$3.1 million in additional hybrid mortgage backed securities with AA and AAA rating fully guaranteed by US government agencies (the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation). Gyrodyne received principal payments during the nine months ended September 30, 2014 of approximately \$450,000 from its investments in conforming agency fixed rate mortgage pass through securities with either AA or AAA ratings fully guaranteed by US government agencies (the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation). The portfolio is currently generating a yield of approximately 2%.

Leasing

During the nine months ended September 30, 2014, Gyrodyne executed 27 lease renewals encompassing approximately 37,000 square feet, and approximately \$691,000 in annual revenue. In addition, Gyrodyne entered into seven new leases encompassing approximately 7,000 square feet and \$152,000 in annual revenue. Gyrodyne realized a decrease in net deferred revenue of \$11,174 between December 31, 2013 and September 30, 2014.

The new leases and lease extensions signed during the nine months ended September 30, 2014 included tenant allowances which Gyrodyne estimates at a cost of approximately \$90,000, and rent abatements of approximately \$125,000. Gyrodyne incurred approximately \$47,000 in lease commissions during the nine months ended September 30, 2014, affiliated with total commitment revenue over the term of the respective leases of approximately \$2.1 million.

Lease terminations/defaults

There were fourteen terminations during the nine month period ended September 30, 2014, comprising approximately 27,000 square feet and approximately \$405,000 in annual revenue, inclusive of one tenant in default, who was evicted, at the Flowerfield Industrial Park. In addition to the terminations, there were two tenants in default at the Flowerfield Industrial Park. Gyrodyne concluded the eviction of one tenant which was associated with approximately 7,000 square feet and \$87,000 in annual revenue. As a result of the defaults, Gyrodyne incurred \$27,000 in bad debt expense and received a judgment in the amount of approximately \$60,000 for past rent and legal fees which Gyrodyne will not recognize until paid.

Table Of Contents

The continued economic volatility for small businesses and medical practices has impacted property management firms, including Gyrodyne's ability to renew leases at comparable rates if at all, without providing either rent abatements or comparable other lease incentives. During 2012 through September 2014, medical office parks and industrial parks continued to face challenges to maintain both rental rates and occupancy. Gyrodyne sees continuing challenges to maintain both rental rates and occupancy during the slow and volatile economic recovery. The below table reflects Gyrodyne's rental revenue inclusive of rental revenue from discontinued operations, at its industrial park vs. the combined rental revenue of its medical parks and the related occupancy rate and effective rental rate of each.

	Three Months Ended September 30, 2014	Three Months Ended June 30, 2014	Three Months Ended March 31, 2014	Nine Months Ended September 30, 2014
Industrial Park Rental Revenue	\$383,230	\$380,695	\$428,281	