

GYRODYNE CO OF AMERICA INC

Form 424B3

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Registration No. 333-202585

## **PROSPECTUS**

### **GYRODYNE COMPANY OF AMERICA, INC.**

#### **2,224,020 SHARES OF COMMON STOCK ISSUABLE UPON THE EXERCISE OF SUBSCRIPTION RIGHTS AT \$2.75 PER SHARE**

We are distributing, at no charge to our shareholders, non-transferable subscription rights to purchase an aggregate of 2,224,020 shares of common stock at a price of \$2.75 per whole share. We refer to this offering as the “rights offering.”

We are offering to each of our shareholders three subscription rights for every two full common shares owned by each shareholder as of the close of business on May 6, 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 \$6,116,055.

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 the funds we receive from subscribers in a segregated account 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 June 17, 2015, but we may extend the rights offering for additional periods ending no later than July 17, 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.

**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 18. 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 May 11, 2015 was \$3.17 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.

	<b>Per Share</b>	<b>Total</b>
Subscription Price	\$ 2.75	\$6,116,055(1)
Estimated Expenses	\$ 0.23	\$510,050
Proceeds to Us	\$ 2.52	\$5,606,000

(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 May 18, 2015.

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## **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 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.

## **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 18 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 May 6, 2015, the “record date,” at no charge, non-transferable subscription rights to purchase shares of our common stock. You will receive three 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 three 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 \$2.75 per share. We determined the ratio of subscription rights to distribute per our issued and outstanding shares (1,482,680) by dividing the number of shares we determined to offer in the rights offering, 2,224,020, by the number of shares issued and outstanding on the record date ( $2,224,020/1,482,680 = 1.5$ ).

### **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. “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.”

**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 \$2.75 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 three 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 \$2.75 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 three 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.

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 3,706,700 shares outstanding, in which case holders of at least 2,471,134 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.

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 \$2.75 per share determined?**

The subscription price of \$2.75 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 June 17, 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 June 17, 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 June 17, 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.

**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 a segregated account 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 a segregated account 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
- 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 June 17, 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 June 17, 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 \$2.75 per share.

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

As of May 6, 2015, there were 1,482,680 shares of our common stock outstanding. We will issue 2,224,020 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 May 6, 2015, if we issue all 2,224,020 shares of common stock available in this rights offering, the number of shares of common stock we would have outstanding will be 3,706,700.

**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.

**How much money will Gyrodyne receive from the rights offering?**

If we issue all 2,224,020 shares available in the rights offering, the net proceeds to us, after deducting estimated offering expenses, will be approximately \$5,606,000. 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 2,224,020 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 \$5,606,000.

**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:

*If Delivering by Hand or Overnight:*      *By Mail:*

*Computershare Trust Company, N.A.*      *Computershare Trust Company, N.A.*

*Attn: Corporate Actions Voluntary Offer*      *Attn: Corporate Actions Voluntary Offer*

*250 Royall Street, Suite V*

*P.O. Box 43011*

*Canton, MA 02021*

*Providence, RI 02940-3011*

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 June 17, 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 81 of this prospectus.

## 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 March 31, 2015, Gyrodyne has an investment in mortgage loans and line of credit both due to it from GSD of \$12,645,754 and \$4,952,914, with both loans eliminated in consolidation.

On December 24, 2014, Gyrodyne and GSD executed a management services agreement, pursuant to which Gyrodyne’s taxable REIT subsidiary, Flowerfield Properties Inc (“FPI”), 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 FPI for 85% of FPI’s general and administrative expenses and pays FPI a fee equal to 8.5% of such reimbursed amount; reimburses FPI for all rental expenses, whether value added (such as contractor and consultant expenses) or non-value added (such as utilities and taxes) paid by FPI in respect of the properties; pays FPI a fee equal to 8.5% of all value added rental expenses paid by FPI in respect of the properties (but no fee in respect of non-value added rental expenses); reimburses FPI for 100% (without mark-up) of any bonuses paid by FPI 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 \$167,501,657 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, \$1,474,941 in costs, disbursements and expenses and \$67,341,716 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.

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.

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.

<b>Ex-Div. Date/</b>	<b>Distributions</b>	<b>Consideration</b>
<b>Interest Payment Date</b>	<b>per Share</b>	
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. In early 2015, the Company became aware that various aspects of the plaintiff’s claims in a putative class action lawsuit against the Company, members of the Company’s board of directors, GSD and Gyrodyne, LLC were interfering with the aforementioned proposed sale of such properties. As stated in the 2014 Form 10-K – under “Item 3. Legal Proceedings--Putative Class Action Lawsuit”, the defendants believe the lawsuit is without merit. The Company will vigorously defend such action and take steps to seek to eliminate the issues created by the pending action that are impeding the sale. The Company believes that the issues will be resolved in the Company’s favor and that it will be able to liquidate the properties proposed to be sold with no impact to fair value, assuming the market itself does not materially change during the period the Company needs to resolve such issues. As a result of this interference in the sale process, however, the Company believes that as of December 31, 2014, it no longer met the requirements for such assets and liabilities to qualify as assets and liabilities as held for sale and discontinued operations and therefore has reclassified them to operating assets and liabilities and continuing operations and is not reporting discontinued operations for the year ended December 31, 2014.

## **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 2,224,020 shares of our common stock. You will receive three subscription rights for each two shares of common stock held of record, as of 5:00 p.m., New York City time, on May 6, 2015.

Subscription Price                      \$2.75 per share

Basic Subscription Privilege	<p>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 \$2.75 per full share. The number of subscription rights you may exercise appears on your rights certificate.</p>
Over-Subscription Privilege	<p>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.</p> <p>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.</p> <p>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.</p>
Amount of Proceeds	<p>Assuming we receive valid subscriptions for the full 2,224,020 shares, the gross proceeds to us will be \$6,115,055 and the net proceeds to us, after deducting estimated offering expenses, will be approximately \$5,606,000. However, there is no minimum amount of proceeds required to complete the rights offering.</p>
Limitation on the Purchase of Shares	<p>In no event may a shareholder exercise subscription and 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.</p>
Record Date	May 6, 2015
Expiration Date	The subscription rights will expire at 5:00 p.m., New York City time, on June 17, 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

Subscription Rights

The subscription rights may be exercised at any time during the subscription period, which commences on May 18, 2015. To exercise your subscription rights, you must take the following steps:

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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 June 17, 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 June 17, 2015, unless the expiration date is extended.

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 \$6,116,055 and \$5,606,000, 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 \$2.75 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.

#### 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 Before the Rights Offering	As of May 6, 2015, 1,482,680 shares of our common stock were outstanding.
Shares of Common Stock Outstanding After Completion of the Rights Offering	We will issue 2,224,020 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 May 6, 2015, if we issue all 2,224,020 shares of common stock available in this rights offering, we would have 3,706,700 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.
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 18 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 were reported as discontinued operations and were presented as such in the unaudited second and third quarter consolidated financial statements. In early 2015, the Company became aware that various aspects of the plaintiff's claims in a putative class action lawsuit against the Company, members of the Company's board of directors, GSD and Gyrodyne, LLC were interfering with the aforementioned proposed sale of such properties. As stated in the 2014 Form 10-K - under "Item 3. Legal Proceedings--Putative Class Action Lawsuit", the defendants believe the lawsuit is without merit. The Company will vigorously defend such action and take steps to seek to eliminate the issues created by the pending action that are impeding the sale. The Company believes that the issues will be resolved in the Company's favor and that it will be able to liquidate the properties proposed to be sold with no impact to fair value, assuming the market itself does not materially change during the period the Company needs to resolve such issues. As a result of this interference in the sale process, however, the Company believes that as of December 31, 2014, it no longer met the requirements for such assets and liabilities to qualify as assets and liabilities as held for sale and discontinued operations and therefore has reclassified them to operating assets and liabilities and continuing operations and is not reporting discontinued operations for the year ended December 31, 2014.

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 three months ended March 31, 2015 and 2014, respectively, are derived from our unaudited consolidated financial statements and related notes. The selected financial data presented below for the years ended December 31, 2014, December 31, 2013, December 31, 2012, December 31, 2011 and December 31, 2010 are derived from our audited consolidated financial statements and related notes. You are encouraged to review our financial statements (and the notes to our consolidated financial statements) prior to exercising your subscription rights and investing in our common stock.

	Three months ended	Three Months Ended	2014	2013	2012	2011	2010
	March 31, 2015	March 31, 2014					
Statement of Operations Data							
Total gross revenues	\$ 1,258,751	\$ 1,300,035	\$ 4,948,688	\$ 5,029,969	\$ 4,989,108	\$ 5,519,704	\$ 5,550,86
Total rental expenses	718,548	711,602	2,605,844	2,514,530	2,308,036	2,347,400	2,218,58
Condemnation (costs)/income	-	-	-	-	167,370,518	(333,308 )	(109,354
Mortgage interest expense	-	-	-	5,748	965,506	1,193,875	1,117,96
Tax (benefit) provision	22,100	-	(565,000 )	(61,553,442)	61,649,000	-	109,000
Net (loss) income			(3,105,366 )	46,055,205	99,048,253	(1,124,665 )	(1,081,4
Net loss from Non-Controlling Interest in GSD, LLC	701,592	683,730	3,252,919	8,001	-	-	-
Net (loss) income Attributable to Gyrodyne	(62,925 )	12,072	147,553	46,063,206	99,048,253	(1,124,665 )	(1,081,4
Balance Sheet Data							
Real estate operating assets, net	\$ 29,968,590	\$ 30,355,108	\$ 30,115,138	\$ 30,357,365	\$ 32,533,102	\$ 32,976,274	\$ 33,071,5
Land held for development	2,549,561	2,420,514	2,519,811	2,382,313	2,274,312	2,166,066	2,041,03
Total assets	43,297,625	46,420,312	43,876,364	50,981,788	135,518,999	47,806,589	39,768,2
Mortgages including interest	-	-	-	-	5,013,415	21,143,780	21,845,2

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rate swap											
Cash distribution paid			-	67,995,704	56,786,652	-	-				
Total equity	22,734,197	27,355,806	23,457,611	27,997,481	64,768,002	23,987,798	14,961,3				
Total Gyrodyne stockholders' equity	7,630,241	8,981,069	7,652,063	8,939,014	64,768,002	23,987,798	14,961,3				
Other Data											
Funds from operations ("FFO") (1)	(492,649 )	(409,988 )	\$(2,541,568 )	\$(12,370,658 )	\$(5,712,917 )	\$(179,490 )	\$(233,911 )				
Company Adjusted funds from operations ("AFFO")	(20,132 )	71,483	504,449	209,943	(48,911 )	183,201	(124,557 )				
Cash flows (used in) provided by:											
operating activities	(731,383 )	(4,399,391 )	(5,470,298 )	(8,105,339 )	161,712,775	(477,273 )	(346,936 )				
investing activities	78,708	(167,865 )	(3,550,192 )	(1,437 )	(5,010,995 )	(905,834 )	(1,524,1				
financing activities	-	-	-	(73,009,119)	(72,913,052 )	9,617,579	3,143,86				
Net (decrease) increase in cash and cash equivalents	(652,675 )	(4,567,256 )	(9,020,490 )	(81,115,895)	83,788,728	8,234,472	1,272,73				
Medical property											
Rentable square footage	130,910	130,910	130,910	130,910	131,125	131,113	130,648				
Occupancy Rate (2)	84 %	85 %	88 %	83 %	78 %	88 %	95 %				
Industrial property											
Rentable square footage	130,426	130,426	130,426	130,426	128,586	128,141	127,062				
Occupancy (2)	69 %	81 %	70 %	84 %	85 %	83 %	81 %				
Cash dividend declared per share	\$-	\$-	\$-	\$45.86	\$38.30	\$-	\$-				
Net income (loss) per common share attributable to Gyrodyne— basic and diluted	(0.04 )	0.01	0.10	31.07	66.80	(0.84 )	(0.84 )				
FFO per common share (3)	(0.33 )	(0.28 )	(1.71 )	(8.34 )	(3.86 )	(0.13 )	(0.18 )				
AFFO per common shares	(0.01 )	0.05	0.34	0.14	(0.03 )	0.13	(0.09 )				

(4)

Basic and diluted  
weighted  
average common  
shares  
outstanding

1,482,680

1,482,680

1,482,680

1,482,680

1,482,680

1,340,706

1,290,030

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(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.

(3) The Company calculates funds from operations (“FFO”) in accordance with the White Paper on FFO approved by the Board of Governors of NAREIT (National Association of Real Estate Investment Trusts) excluding the FFO adjustment for impairment charges. NAREIT recently approved the adjustment to FFO for impairment charges. As a result, the Company excludes impairment charges from FFO. 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.

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 activity and assists in comparing the results of that activity across reporting periods. Additionally, FFO is the recognized industry standard for reporting the operations of a REIT. As a result, providing FFO data facilitates comparison of operating performance with other REITs.

Historical cost accounting under GAAP measures implies that real estate asset values diminish 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 is not an extraordinary item as defined by GAAP; therefore such costs were included in the computation of FFO. We disclose separately our condemnation costs to enable the investors and analysts to compute the impact of condemnation costs on FFO which we reflect in the computation of Company adjusted FFO (“AFFO”). During years where condemnation income was recognized, we exclude condemnation income and the related costs from FFO and AFFO.

FFO or AFFO should not be viewed as alternative measures of our operating performance since they do 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 to arrive at FFO included depreciation and amortization, impairment charges and the tax benefit under Section 1033 of the Internal Revenue Code. The tax benefit results from the dividend distribution following receipt of the 2013 PLR. Under the definition of FFO, gain or loss from property transactions and income or loss from partnerships are excluded from FFO. There were no other NAREIT defined FFO adjustments contained in the operating results.

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, incentive compensation plan costs and excise tax triggered by the dividends, pension termination and related funding costs, costs triggered by the issuance of a dividend and restructuring fees.



The following table provides the reconciliation of net income to FFO and AFFO for the three months ended March 31, 2015 and 2014 and the years ended December 31, 2010 through 2014, inclusive:

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014	Year ended December 31,				
			2014	2013	2012	2011	2010
Net (Loss) Income	\$(764,517)	\$(671,658)	\$(3,105,366)	\$46,055,205	\$99,048,253	\$(1,124,665)	\$(1,081,465)
Net income from condemnation	-	-	-	-	167,370,518	-	-
Depreciation and amortization	250,605	240,893	969,571	953,725	900,095	876,101	803,725
Impairment charges	-	-	200,000	2,100,000	-	-	-
Amortization of capitalized leasing costs	21,263	20,777	90,937	73,854	60,253	69,074	43,829
Less Income tax (benefit) provision	-	-	(696,710 )	(61,553,442)	61,649,000	-	-
Funds from Operations ("FFO")	(492,649)	(409,988)	(2,541,568)	(12,370,658)	\$(5,712,917 )*	\$(179,490 )	\$(233,911 )
Company adjustments to FFO							
Compensation related costs to employees under the Incentive Compensation plan triggered by the Special Dividend.	-	-	-	898,456	1,090,213	-	-
Director fees under the Incentive Compensation Plan triggered by the Special Dividend	-	-	-	2,471,854	2,380,345	-	-
	-	-	-	1,726,171	779,405	-	-

Compensation and director fee related costs under the Incentive Compensation Plan to former employees and former director that was vested prior to the Special Dividend.								
Costs to pursue strategic alternatives	199,875	337,742	1,836,476	3,637,123	1,013,043	29,383	-	
Nonrecurring Governance items relating to ICP	-	-	-	5,565	-	-	-	
Excise tax	-	-	(49,321 )	3,521,320	-	-	-	
Condemnation costs during period income is not recognized	-	-	-	2,360	-	333,308	109,354	
Tax expense related to managing GSD	22,100	-	131,710	-	-	-	-	
Restructuring Fees	-	-	43,945	64,237	-	-	-	
Pension expense recognized and associated with distributions to former employees following decision to terminate the pension plan.	24,962	7,469	324,998	-	-	-	-	
Dividend note interest	219,165	134,538	749,004	-	-	-	-	
Amortization of dividend origination costs	6,415	1,642	9,205	-	-	-	-	
Debt prepayment penalties and related costs	-	-	-	253,515	401,000	-	-	
Company adjusted Funds from Operations	\$(20,132 )	\$71,483	\$504,449	\$209,943	\$(48,911 )	\$183,201	\$(124,557 )	

(“AFFO”)

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## **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 0.4%. 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 \$2.75 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 May 11, 2015, the closing sale price for our common stock on the NASDAQ Capital Market was \$3.17 per share and traded at an average closing price of \$4.16 per share for the thirty trading day period ended May 11, 2015 and \$4.08 per share for the three-month period ended May 11, 2015. On April 24, 2015, the last trading day prior to the announcement of the subscription price, the closing sales price of our common stock was \$4.25. 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.

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

The subscription price of \$2.75 per share is lower than the average of the closing sales prices of our common stock over the thirty trading day period ended April 24, 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 \$4.25. The average of the closing sales prices of our common stock over the thirty trading day period ended April 24, 2015 was \$4.32 and the average closing price for the three-month period ended April 24, 2015 was \$4.09 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 2,224,020 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.

***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 \$2.75 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 May 11, 2015 was \$3.17 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.

***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 \$6,116,055 and \$5,606,000, 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.

### **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 3,706,700 shares outstanding and holders of at least 2,471,134 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.

*The allocation of Gyrodyne, LLC Shares to be issued in the Merger 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 up to 10 days prior to the special meeting at which shareholders will be asked to vote on the Merger.*

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 originally provided 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).

At a board of directors meeting held on April 24, 2015, our directors determined to adjust the allocation of common shares of Gyrodyne, LLC to be issued pursuant to the Merger to account for certain developments since such allocations were originally set in December 2013. Assuming the full exercise of the subscription rights in the rights offering, the common shares of Gyrodyne, LLC to be issued in the Merger will be allocated as follows:

Approximately 22.6% in the aggregate to Gyrodyne shareholders;

Approximately 30.0% in the aggregate to holders of interests in dividend notes issued by Gyrodyne in the aggregate principal amount of \$17,533,000 (the "Dividend Notes"); and

Approximately 47.4% in the aggregate to holders of common shares of GSD.

Gyrodyne's board of directors determined the foregoing allocation adjustments based on the increase in the adjusted net book value of Gyrodyne shares due to the rights offering and the anticipated net proceeds to Gyrodyne of \$5,606,000 from the rights offering, assuming all 2,224,020 shares are sold. In addition, the allocation reflects adjusted net book value, face value and "fair value" (based on appraised values of underlying properties owned by GSD, less liabilities) of Gyrodyne, the Dividend Notes and GSD, respectively, in each case as of December 31, 2014. This methodology is consistent with the valuation metrics used to determine the original allocations in December, 2013.

It is possible that the Gyrodyne board of directors may make further adjustments to the foregoing allocations prior to the shareholders meeting at which shareholders will be asked to vote on the Merger to the extent any developments materially impact the relative values of Gyrodyne, the Dividend Notes and GSD, including without limitation, any material shortfall in the number of shares actually sold in the rights offering from the maximum number of shares offered. Any such further allocation adjustments 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. 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.

***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.

***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.

***There will be adverse tax consequences to Gyrodyne and to its shareholders if we fail to complete the Tax Liquidation within two years after adoption of the Plan of Liquidation***

If Gyrodyne does not complete the Tax Liquidation prior to September 12, 2015 (the two year anniversary of the adoption of the Plan of Liquidation), the Board of Directors expects to withdraw the Plan of Liquidation, in which case all prior distributions made pursuant to the Plan of Liquidation will be treated to shareholders as taxable dividend income (generally subject to the highest marginal federal income tax rates and not the reduced rates applicable to “qualified dividend income” in the case of U.S. shareholders, and to 30% withholding tax in the case of non-U.S. investors) to the extent of Gyrodyne’s current or accumulated earnings and profits, rather than as non-taxable returns of capital and/or capital gains as would be the case if the Tax Liquidation is completed. Gyrodyne’s failure to complete the Tax Liquidation will therefore cause taxable shareholders to incur, on a retroactive basis, a significantly larger U.S. federal income tax liability than if the Tax Liquidation were completed. In addition, any previously filed tax returns on which such distributions were reflected would be incorrect, and thus, in order to properly report the consequences of such distributions, shareholders would be required to amend such tax returns and pay any additional taxes with interest and applicable penalties. Other adverse tax consequences may also result for shareholders. Shareholders are urged to consult their tax advisors regarding the adverse reporting and other tax consequences to them if Gyrodyne does not complete the Tax Liquidation.

In addition, Gyrodyne itself could be subject to adverse tax consequences if the Tax Liquidation is not completed. For example, in connection with the change in the character of the distributions, Gyrodyne may be subject to taxes, interest, and penalties as a result of its failure to properly withhold on dividend distributions to non-U.S. investors or its failure to make certain designations or elections that normally do not apply with respect to liquidating distributions. In addition, Gyrodyne has provided information returns to the IRS and to its shareholders, and has filed its own corporate tax returns, on the basis that each of the First Special Dividend and the Second Special Dividend were liquidating distributions. Gyrodyne will be required to issue corrected information returns to shareholders, as well as to amend its own tax returns, and will be subject to IRS penalties with respect to the previously provided incorrect information and other returns except to the extent it is able to qualify for “reasonable cause” exemptions from penalties in certain circumstances. No assurance can be given that Gyrodyne will be able to qualify for such exemptions.

A number of obstacles could prevent Gyrodyne from completing the Tax Liquidation. 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 has previously called for a special meeting three times to have a vote on the Plan of Merger and has been forced to postpone the special meeting three times, most recently until the first half of 2015, because of an inability to secure the requisite two-thirds of the outstanding shares vote. 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. On March 6, 2015, Gyrodyne filed a registration statement with the Securities and Exchange Commission for a rights offering to its existing shareholders to facilitate the two-thirds vote. There can be no assurance that the rights offering will be successful or that shareholders will approve the Merger prior to September 12, 2015. Also, on July 3, 2014, a purported shareholder of Gyrodyne filed a putative class action lawsuit against Gyrodyne and members of its board of directors seeking, among other things, injunctive relief enjoining the Merger and the other transactions relating to the Plan of Liquidation. The court scheduled a preliminary conference in the case, which has been adjourned until September 14, 2015. Accordingly, no assurance can be given that we will be able to complete the Tax Liquidation and thereby avoid the significant adverse tax consequences described above for Gyrodyne and its shareholders.

***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".

***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 page 80 of this prospectus .

As described on page 78 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 78 — *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.

***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 78 — 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.



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's taxable REIT subsidiary, Flowerfield Properties Inc. ("FPI"), 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, FPI provides 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 FPI for 85% of FPI's general and administrative expenses and pays FPI a fee equal to 8.5% of such reimbursed amount; reimburses FPI for all rental expenses, whether value added (such as contractor and consultant expenses) or non-value added (such as utilities and taxes) paid by FPI in respect of the properties; pays FPI a fee equal to 8.5% of all value added rental expenses paid by FPI in respect of the properties (but no fee in respect of non-value added rental expenses); reimburses FPI for 100% (without mark-up) of any bonuses paid by FPI or 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 and FPI'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.

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

We own approximately 10.12% limited partnership interest in Callery Judge Grove, L.P., a New York limited partnership, 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, 2014, 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 had a \$1,315,000 deferred tax liability related to the Grove which represented taxable losses not yet recorded pursuant to the equity method of accounting. Following certain taxable gains received in 2014 which were offset by prior losses that were not yet recorded, the Company reversed the deferred tax liability in total in 2014 and recorded a current tax liability of approximately \$618,000 and a tax benefit of \$697,000, accordingly.

On September 19, 2013, the Grove property was sold, the foreclosure lawsuit was dismissed and the Grove property was conveyed to Minto Florida Developments, LLC ("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 but no longer has a deferred tax liability. We recognized a \$618,000 deferred tax liability and a tax benefit for the balance of the 2013 deferred taxes of \$697,000. The \$618,000 represents the tax effect of taxable income in the current year in excess of taxable losses in prior years 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 assets, including any realization or monetization of authority over any potential receivables resulting from or growing out of the aforementioned sale to Minto and including, but not limited to, the method and timing of disposition of the assets. 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, exceeded our historical losses resulting in a tax liability in 2014.

### **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