

GYRODYNE CO OF AMERICA INC

Form S-3

July 13, 2011

As filed with the Securities and Exchange Commission on July 12, 2011

Registration No. 333-

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

FORM S-3
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

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

NEW YORK
(State or other jurisdiction of
incorporation or organization)

11-1688021
(I.R.S. Employer
Identification No.)

1 FLOWERFIELD, SUITE 24
ST. JAMES, NEW YORK 11780
(631) 584-5400
(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)

Stephen V. Maroney
President and CEO
1 Flowerfield, Suite 24
St. James, New York 11780
(631) 584-5400
(Name, address, including zip code, and telephone number,
including area code, of agent for service)

Copies of all communications, including communications sent to agent for service, should be sent to:

Alon Y. Kapen, Esq.
Farrell Fritz, P.C.
1320 RXR Plaza
Uniondale, New York 11556
(516) 227-0633

Edgar Filing: GYRODYNE CO OF AMERICA INC - Form S-3

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

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

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

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

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

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered(1)	Amount to be Registered(1)(2)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(1)
Common Stock, par value \$1.00 per share	-	-	\$10,210,000(2)	\$1,185.38
Subscription Rights to Purchase Common Stock	(3)	-	-	(4)

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

(2) Represents the gross proceeds from the assumed exercise of all non-transferable subscription rights to be distributed and additional over-subscription up to the maximum amount contemplated in this registration statement. At no time will the aggregate maximum offering price of all securities issued in any given 12-month period exceed the amount allowed for in General Instruction I.B.6. of Form S-3.

(3) Evidencing the rights to subscribe for [•] shares of common stock, par value \$1.00 per share.

(4) The non-transferable subscription rights are being distributed without consideration. Pursuant to Rule 457(g), no separate registration fee is payable with respect to the subscription rights being offered hereby since the subscription rights are being registered in the same registration statement as the securities to be offered pursuant thereto.

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

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

SUBJECT TO COMPLETION, DATED [_____] __, 2011

PROSPECTUS

GYRODYNE COMPANY OF AMERICA, INC.

Subscription Rights to Purchase up to
_____ Shares of Common Stock at \$_____ per Share

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

In the rights offering, we are distributing subscription rights exercisable for up to [•] shares of our common stock. [•] subscription rights will entitle you to purchase one share of our common stock at a subscription price equal to \$[•] per share, which we refer to as the basic subscription privilege. 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 \$9,210,000, subject to the over-allotment described below. If you fully exercise your basic subscription privilege, you will also be entitled to purchase shares not purchased by other subscription rights holders pursuant to the over-subscription privilege described in this prospectus. To the extent you properly exercise your basic subscription privilege and/or your over-subscription privilege for an amount of shares that exceeds the number of the unsubscribed shares available to you, any excess subscription payment received by the subscription agent will be returned promptly, without interest or penalty. Alternatively, if there are not enough shares to honor all over-subscription requests, we may, at our discretion, issue up to an additional [•] shares, which we refer to as “over-allotment shares,” to honor over-subscription requests. If the rights offering is over-subscribed, and we issue all of the over-allotment shares, the total purchase price of the shares offered in the rights offering would be \$10,210,000.

The subscription rights may be exercised at any time during the subscription period, which will commence on [•], 2011 and expire 5:00 p.m., New York City time, on [•], 2011, unless we extend the rights offering period. We reserve the right to extend the rights offering period at our sole discretion for a period not to exceed 30 days, although we do not presently intend to do so. We urge you to carefully consider whether to exercise your subscription rights before the expiration of the rights offering period. All exercises of subscription rights are irrevocable. However, if we make a fundamental change in the rights offering or extend the rights offering for a period of more than 30 days, you may cancel your subscription and receive a refund of any money you have advanced. Our board of directors is making no recommendation regarding your exercise of the 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.

We may cancel the rights offering at any time prior to its expiration for any reason. If we cancel the rights offering, all subscription payments received by the subscription agent will be returned, without interest or penalty, as soon as practicable. The shares of common stock are being offered in the rights offering directly by us without the services of a dealer manager, selling agent or standby purchaser.

Shares of our common stock are traded on the NASDAQ Capital Market under the symbol "GYRO". On [•], 2011, the closing sale price for our common stock was \$[•] per share. We urge you to obtain a current market price for the shares of our common stock before making any determination with respect to the exercise of your rights. The shares of common stock issued in the rights offering we expect will also be listed on the NASDAQ Capital Market under the same symbol.

The exercise of your subscription rights for shares of our common stock involves a high degree of risk. You should carefully consider all of the information set forth in this prospectus, including the section entitled "Risk Factors" beginning on page 10 of this prospectus as well as all information included or incorporated herein by reference in this prospectus in its entirety before you decide whether to exercise your subscription rights. See "Incorporation by Reference."

	Per Share	Aggregate
Subscription Price	\$[•]	\$9,210,000 (1)
Estimated Expenses	\$[•]	\$ 210,000
Net Proceeds to Us	\$[•]	\$9,000,000

(1) Assumes the rights offering is fully subscribed, but no over-allotment shares are issued.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2011

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS	i
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	i
QUESTIONS AND ANSWERS RELATING TO THE RIGHTS OFFERING	iii
PROSPECTUS SUMMARY	1
RISK FACTORS	10
USE OF PROCEEDS	24
PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY	24
CAPITALIZATION	25
THE RIGHTS OFFERING	26
DESCRIPTION OF CAPITAL STOCK	36
CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS	40
PLAN OF DISTRIBUTION	42
LEGAL MATTERS	42
EXPERTS	42
INCORPORATION BY REFERENCE	43
WHERE YOU CAN FIND MORE INFORMATION	43

You should rely only on the information contained in or incorporated by reference into this prospectus. We have not authorized anyone to provide you with additional or different information. You should assume that the information contained in this prospectus is accurate only as of the date on the front cover of this prospectus and any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference, regardless of the time of delivery of this prospectus or any exercise of the subscription rights. Our business, financial condition, results of operations and prospects may have changed since those dates.

ABOUT THIS PROSPECTUS

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference into this prospectus, or in any related free writing prospectus that has been or will be filed by us or on our behalf with the SEC. You must not rely upon any information or representation not contained or incorporated by reference into this prospectus. This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor does this prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus is accurate on any date subsequent to the date set forth on the front of the document or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this prospectus is delivered or securities are sold on a later date. Unless the context otherwise requires or as otherwise expressly stated, references in this prospectus to the “Company,” “Gyrodyne,” “we,” “us” and “our” and similar terms refer to Gyrodyne Company of America, Inc. and its subsidiaries and predecessors on a consolidated basis. References to our “common stock” refer to the common stock of Gyrodyne Company of America, Inc.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. 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. The forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

Forward-looking statements, which are based on certain assumptions and describe our current strategies, expectations and future plans, are generally identified by our use of words, such as “intend,” “plan,” “may,” “should,” “will,” “project,” “estimate,” “anticipate,” “believe,” “expect,” “continue,” “potential,” “opportunity,” and similar expressions, whether in the negative or affirmative, but the absence of these words does not necessarily mean that a statement is not forward-looking. You should read statements that contain these words carefully because they discuss our plans, strategies, prospects and expectations concerning our business, operating results, financial condition and other similar matters. We believe that it is important to communicate our future expectations to our investors. There will be events in the future, however, that we are not able to predict accurately or control. The factors listed under “Risk Factors” in this prospectus and in any documents incorporated by reference into this prospectus as well as any cautionary language in this prospectus, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Such risks and uncertainties include, among other things, risks and uncertainties related to:

- our condemnation case with the State of New York in the New York Court of Claims;
- the level of our indebtedness and our ability to meet covenants in our debt agreements;
- our efforts to rezone and develop our Flowerfield property, including delays and cost overruns;
- national and local economic and business conditions, including the current economic weakness, that could affect occupancy rates at our medical and industrial parks;
- the health care industry, including competition, changes in Medicare and Medicaid reimbursement to medical professionals and hospitals alike, increases in utility and fuel costs and other operating costs;
-

the availability and terms of financing and capital and the general volatility of the securities markets, specifically, the impact of the current credit crisis which has severely constrained the availability of debt financing;

- management and performance of our medical parks and industrial park;
- supply and demand for medical office and industrial space in our current market areas;
- legislative/regulatory changes, including changes to laws governing taxation of real estate investment trusts and the application of our Private Letter Ruling;
- other factors, including those discussed in “Risk Factors” in this prospectus and incorporated by reference into this prospectus; and
- the board’s perception of the value of our assets including our case for just compensation in the condemnation trial when compared to the current market capitalization.

These risks and uncertainties should be considered in evaluating any forward-looking statement contained in this prospectus or incorporated by reference herein. All forward-looking statements speak only as of the date of this prospectus or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are qualified by the cautionary statements in this section. We undertake no obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this prospectus. In addition, our past results are not necessarily indicative of our future results.

QUESTIONS AND ANSWERS RELATING TO THE RIGHTS OFFERING

The following are examples of what we anticipate will be common questions about the rights offering. The answers are based on selected information from this prospectus and the documents incorporated by reference herein. 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 and the documents incorporated by reference herein contain more detailed descriptions of the terms and conditions of the rights offering and provide additional information about us and our business, including potential risks related to the rights offering, our common stock, and our business.

What is the rights offering?

We are distributing at no charge non-transferable subscription rights to holders of our common stock. You will receive one subscription right for each share of common stock you owned, as of 5:00 p.m., New York City time on [•]_, 2011, the record date. The subscription rights will be evidenced by subscription rights certificates. [•] subscription rights will entitle you to purchase one share of our common stock at a subscription price equal to \$[•] per share. You may exercise any number of your subscription rights, or you may choose not to exercise any subscription rights.

Why are we conducting the rights offering?

We are conducting the rights offering in order to raise additional equity capital to pursue our rights in the condemnation litigation, to fund the cost of pursuing development rights for the Flowerfield property, to make necessary capital improvements in our real estate portfolio and for general working capital. A rights offering provides eligible shareholders the opportunity to participate in a capital raise on a pro rata basis and, to the extent that they exercise the subscription rights, minimize the dilution of their ownership interest in our company. In authorizing the rights offering, our board of directors evaluated our need for additional liquidity and capital, primarily to enable us to achieve our corporate strategy to maximize the market value of our assets and diligently pursue our rights under our condemnation lawsuit. Our board of directors concluded that we should take steps to raise additional capital by means of this rights offering. In connection with our board's evaluation of our capital needs and of this rights offering, our board of directors also considered:

- current economic and financial market conditions;
- the size and timing of the rights offering;
- the potential dilution to our current shareholders if they choose not to participate in the offering or choose not to exercise their basic subscription privilege in full;
 - alternatives available for raising equity capital;
 - historical and current trading prices for our common stock;
 - the potential for the rights offering to increase the public float for our common stock; and
- the opportunity for our existing shareholders to participate on a pro rata basis and to have an over-subscription privilege.

Is the rights offering consistent with our previously announced corporate strategy?

In December 2005, we announced our corporate strategy to position our company so that we are best able to achieve one or more shareholder liquidity events in a reasonable period of time that would put the maximum amount of cash or marketable securities in the hands of our shareholders in a tax efficient manner. The rights offering is intended to raise sufficient funds to enable us to pursue our rights in the condemnation litigation, to fund the cost of pursuing development rights for our Flowerfield property, to make necessary capital improvements in our real estate portfolio and for general working capital. Our board of directors believes the rights offering is consistent with, and will help us

implement, our existing corporate strategy.

iii

How was the subscription price determined?

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

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

The subscription price was established by our board of directors at a price of \$[•] per share. The subscription price is not necessarily related to our book value, results of operations, cash flows, financial condition or net worth or any other established criteria of value and may or may not be considered the fair value of our common stock at the time the rights offering was approved by our board of directors or during the rights offering period. 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.

What is the basic subscription privilege?

For each group of [•] rights you own, we will give you a basic subscription privilege to buy from us one share of our common stock at the subscription price, subject to certain limitations described below. You may exercise your basic subscription privilege for some or all of your subscription rights, or you may choose not to exercise any subscription rights.

No fractional shares of common stock will be issued. Any fractional rights resulting from the exercise of the basic subscription privilege will be eliminated by rounding up to the nearest whole number. For example, if you owned 100 shares of our common stock as of 5:00 p.m., New York City time, on the record date, you would receive the same number of subscription rights and would have the right to purchase [•] shares of common stock for \$[•] per share with your basic subscription privilege.

What is the over-subscription privilege?

If you purchase all of the shares of common stock available to you pursuant to your basic subscription privilege, you may also choose to purchase any portion of our shares of common stock that are not purchased by our other shareholders through the exercise of their respective basic subscription privileges. You should indicate on your rights certificate how many additional shares you would like to purchase pursuant to your over-subscription privilege.

If sufficient shares of common stock are available, we will seek to honor your over-subscription request in full. If, however, over-subscription requests exceed the number of shares of common stock available for sale in the rights offering, we will allocate the available shares of common stock pro rata among each shareholder properly exercising the over-subscription privilege in proportion to the number of shares of common stock each shareholder subscribed

for under the basic subscription privilege. If this pro rata allocation results in any shareholder receiving a greater number of shares of common stock than the shareholder subscribed for pursuant to the exercise of the over-subscription privilege, then such shareholder will be allocated only that number of shares for which the shareholder over-subscribed, and the remaining shares of common stock will be allocated among all other shareholders exercising the over-subscription privilege on the same pro rata basis described above. The proration process will be repeated until all shares of common stock have been allocated or all over-subscription requests have been satisfied, whichever occurs earlier.

If there are not enough unsubscribed shares to honor all requests pursuant to the over-subscription privilege, we may, in our discretion, issue up to an additional [•] shares to honor requests under the over-subscription privilege, subject to the same terms and conditions of the rights offering. We refer to such additional shares as the “over-allotment shares”. For more information, see the section entitled “The Rights Offering — Over-Subscription Privilege and Over-Allotment Option.”

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 that may be available to you (i.e., for the maximum number of shares of our common stock available to you, assuming you exercise all of your basic subscription privilege and are allotted the full amount of your over-subscription as elected by you). For more information, see the section entitled “The Rights Offering — Over-Subscription Privilege and Over-Allotment Option.”

Are there any limits on the number of shares I may purchase in the rights offering or own as a result of the rights offering?

Yes. To avoid triggering our shareholder rights plan, in no event may a shareholder exercise subscription and over-subscription privileges to the extent that any such exercise would result in the shareholder owning 20% or more of our issued and outstanding common stock after giving effect to such shareholder’s purchase under the basic subscription privilege and the over-subscription privilege. See “Description of Capital Stock--Shareholder Rights Plan.”

Also, our ability to satisfy your exercise of the basic subscription privilege and the over-subscription privilege will be subject to a limitation under relevant SEC rules that limits the number of shares of common stock that we may sell under a Form S-3 registration statement to a maximum aggregate market value of not more than one-third of our public float, i.e., one-third of the market value of shares of our common stock held by non-affiliates, when combined with shares we sold in the prior twelve-month period. We have not sold any shares pursuant to a registration statement on Form S-3 during the twelve months immediately prior to the date of this prospectus. As of [•]1, 2011, our public float was approximately \$[•], which would mean that we would be permitted to sell shares of our common stock with a market value of up to \$[•] over a 12-month period.

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 real estate investment trust (or “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.

We will be able to satisfy your exercise of the over-subscription privilege only to the extent that other subscription rights holders do not elect to purchase all of the shares offered under their basic subscription privilege. We will honor over-subscription requests in full to the extent sufficient shares are available following the exercise of rights under the basic subscription privilege.

If over-subscription requests exceed the number of shares available, we will allocate the available shares of common stock pro rata among the shareholders that properly exercise such privilege in proportion to the number of shares of common stock each such shareholder subscribed for under the basic subscription privilege.

If there are not enough unsubscribed shares to honor all requests under the over-subscription privilege, we may, in our discretion, issue up to an additional [•] over-allotment shares to honor requests under the over-subscription privilege,

subject to the same terms and conditions of the rights offering.

v

No fractional shares of common stock will be issued. Any fractional rights resulting from the share allocation process described in this prospectus will be eliminated by rounding up to the nearest whole number.

Am I required to exercise the 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 fully exercise your basic subscription privilege and other subscription rights holders fully exercise their basic subscription privilege, the percentage of our common stock owned by other shareholders will increase, the relative percentage of our common stock that you own will decrease, and your voting and other rights will be diluted. In addition, if you do not exercise your basic subscription privilege in full, you will not be entitled to participate in the over-subscription privilege.

How soon must I act to exercise my subscription 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 payment prior to the expiration of the rights offering, which is [•], 2011, at 5:00 p.m., New York City time. If your shares of common stock are held 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 [•], 2011 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 holders of subscription rights, the rights offering and all subscription rights will expire at 5:00 p.m., New York City time on [•], 2011 (unless extended as described below), whether or not we have been able to locate each shareholder entitled to subscription rights. Although we have the option of extending the expiration of the rights offering, we currently do not intend to do so.

May I transfer my subscription rights?

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

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

There is no minimum subscription requirement in the rights offering. However, our board of directors reserves the right to cancel the rights offering for any reason, including if our board of directors believes that there is insufficient participation by our subscription rights holders. If the rights offering is canceled, all subscription proceeds received by the subscription agent will be returned, without interest or penalty.

Have any shareholders committed to exercise their subscription rights?

We have no commitments from any shareholder to participate in the rights offering at this time.

Are there any other conditions to the completion of the rights offering?

Yes. The completion of the rights offering is subject to the conditions described under "The Rights Offering - Conditions, Withdrawal and Termination."

Can the board of directors cancel, change or extend the rights offering?

Yes. We may 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 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 shares 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 changed after the expiration date of the rights offering. 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.

We also have the option to extend the rights offering for a period not to exceed 30 days, 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 extend the rights offering by more than 30 days or if we make any fundamental change to the rights offering, you may cancel your subscription and receive a refund of any money you have advanced.

When will I receive my subscription rights certificate?

As soon as practicable 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 registry maintained at 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. It is not necessary to have a physical subscription rights certificate to elect to exercise your rights.

How do I exercise my subscription rights?

If you wish to participate in the rights offering, you must properly complete the enclosed subscription rights certificate and deliver it, along with the full subscription price (including any amounts in respect of your over-subscription privilege), to the subscription agent before 5:00 p.m., New York City time, on [•], 2011. If you use the mail, we recommend that you use insured, registered mail, return receipt requested.

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, including rounding up for fractional rights. If your aggregate subscription price payment is greater than the amount you would owe for exercise of your basic subscription privilege in full, you will be deemed to have exercised your over-subscription privilege to purchase the maximum number of shares of our common stock that could be purchased with your over-payment. If the payment exceeds the subscription price for the full exercise of your subscription rights, or if you subscribe for more shares than you are eligible to purchase pursuant to the basic privilege and/or over-subscription privilege, then the excess will be returned to you as soon as practicable. You will not receive interest on any payments refunded to you under the rights offering.

What should I do if I want to participate in the rights offering, but my shares of common stock are held in the name of my broker, dealer, custodian bank or other nominee?

If you hold your shares of our 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 of our common stock that you own. The record holder must exercise the subscription rights on your behalf for the shares of our common stock you wish to purchase.

If you wish to purchase shares of our common stock through the rights offering, please promptly contact your broker, dealer, custodian bank or other nominee as record holder of your shares. We will ask your record holder to notify you of the rights offering. However, if you are not contacted by your broker, dealer, custodian bank or other nominee, you should promptly initiate contact with that intermediary. Your broker, dealer, custodian bank or other nominee may establish a deadline prior to the 5:00 p.m. New York City time on [•], 2011, which we established as the expiration date of the rights offering.

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, the subscription agent will return, without interest or penalty, as soon as practicable all subscription payments. If you own shares of common stock in "street name," it may take longer for you to receive payment because the subscription agent will return payments through the record holder of the shares.

What form of payment is required to purchase our shares of common stock in the rights offering?

As described in the instructions accompanying the rights certificate, payments submitted to the subscription agent in connection with the rights offering must be made in full, in United States currency, in immediately available funds, by:

- Personal checks drawn on a U.S. bank (certified checks, money orders or bank drafts will not be acceptable) payable to Registrar and Transfer, as subscription agent, f/b/o Gyrodyne Company of America, Inc., drawn upon a United States bank; or
 - wire transfer of immediately available funds to the account maintained by the subscription agent to: [•].

After I exercise my subscription rights, can I change my mind?

No. All exercises of subscription rights are irrevocable by the subscription rights holders, even if you later learn information about us that you consider unfavorable, or even in the event we extend the rights offering. However, if we make a fundamental change in the rights offering or extend the rights offering for a period of more than 30 days, 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. However, we may cancel, extend or otherwise amend the rights offering at any time prior to the expiration date.

Does exercising my subscription rights involve risk?

Yes. The exercise of your subscription rights involves risks. Exercising your subscription rights involves the purchase of shares of our common stock and should be considered as carefully as you would consider other equity investments. Among other things, you should carefully consider the risks described under the heading "Risk Factors" in this prospectus and information in the documents incorporated by reference into this prospectus.

Has our board of directors made a recommendation to our shareholders regarding the rights offering?

No. Our board of directors is making no recommendations regarding your exercise of the subscription rights. Shareholders who exercise subscription rights risk investment loss on new money invested. We cannot assure you that the trading price for our common stock will be above the subscription price at the time of exercise or at the expiration of the rights offering period 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 own decision whether or not to exercise your subscription rights based on your own assessment of our business and the rights offering. See "Risk

Factors” in this prospectus and the documents incorporated by reference into this prospectus.

viii

What fees or charges apply if I exercise my subscription rights?

We are not charging any fees or sales commissions to issue subscription rights to you or to issue shares to you if you exercise your subscription rights. If you exercise your subscription rights through a broker, dealer, custodian bank or other record holder of your shares of common stock, you are responsible for paying any fees that person may charge.

When will I receive my new shares 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. One share certificate will be generated for each rights certificates processed. Until your stock 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 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. In either case, the shares will be delivered following the completion of any pro-rations as may be necessary to effect any of the limitations described in this prospectus and in the event the over-subscription requests exceed the number of shares not subscribed for pursuant to the basic subscription privilege. See "The Rights Offering -- Limitations on Subscription."

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

The subscription rights may not be sold, transferred or assigned to anyone else and will not be listed on the NASDAQ Capital Market or any other stock exchange or market or on the OTC Bulletin Board. Our common stock will continue to trade on the NASDAQ Capital Market under the symbol "GYRO", and we expect the shares of common stock to be issued in connection with the rights offering will also be listed on the NASDAQ Capital Market under the same symbol.

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

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."

What happens if I choose not to exercise my subscription rights?

Subscription rights holders who do not exercise their subscription rights will lose any value that may be represented by the rights. If you do not exercise your basic subscription privilege and the rights offering is completed, the number of shares of our common stock you own will not change but, due to the fact that shares will be purchased by other subscription rights holders in the rights offering, your percentage ownership of our total outstanding common stock 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 privilege, the percentage of our common stock owned by those other subscription rights holders will increase.

How many shares of common stock will be outstanding after the rights offering?

As of July 8, 2011, there were 1,290,039 shares of our common stock outstanding. We will issue up to [•] shares of common stock in the rights offering, depending on the number of subscription rights that are exercised and may issue up to [•] additional shares of common stock to fulfill the over-allotment option resulting in a maximum number of shares of common stock issued in the rights offering of [•]. Based on the number of shares outstanding as of [•], 2011,

if we issue all [•] shares of common stock available in this rights offering (including the over-allotment), we would have [•] shares of common stock outstanding following the completion of the rights offering. If the over-allotment shares are not issued, the maximum number of shares of common stock we would have outstanding will be [•].

How much money will Gyrodyne receive from the rights offering?

The net proceeds to us from the rights offering will depend on the number of subscription rights that are exercised. If we issue all [•] shares available in the rights offering, the net proceeds to us, after deducting estimated offering expenses, will be approximately \$9 million. If we issue the over-allotment in full, the net proceeds to us, after deducting estimated offering expenses, will be approximately \$10 million. We estimate that the expenses of the rights offering will be approximately 2% of the offering or approximately \$210,000.

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:
Registrar and Transfer Company
Attn: Reorg/Exchange Dept.
10 Commerce Drive
Cranford, New Jersey 07016

By Mail:
Registrar and Transfer Company
Attn: Reorg/Exchange Dept.
P.O. Box 645
Cranford, New Jersey 07016

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 [•], 2011. We urge you to allow sufficient time for delivery of your subscription materials to the subscription agent.

Who should I contact if I have more 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).

x

PROSPECTUS SUMMARY

This summary highlights the information contained elsewhere in or incorporated by reference into 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” and all information included or incorporated by reference into this prospectus, which is described under the heading “Incorporation by Reference.” In this prospectus, all references to the “Company,” “GYRO” “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.

Company Overview

Gyrodyne’s primary business is the investment in and the acquisition, ownership and management of a geographically diverse portfolio of medical office and industrial properties and development of industrial and residential properties. Substantially all of the Company’s properties are subject to net leases in which the tenant must reimburse Gyrodyne for a portion of, or all of, or substantially all of the costs and/ or cost increases for utilities, insurance, repairs and maintenance, and real estate taxes. However, certain leases provide that the Company is responsible for certain operating expenses.

As of July 8, 2011, the Company had 100% ownership in three medical office parks comprising approximately 130,000 rentable square feet and a multitenant industrial park comprising approximately 127,000 rentable square feet. In addition, the Company has approximately 68 acres of property in St. James, New York and an approximate 9.3% limited partnership interest in Callery-Judge Grove, L.P., a New York limited partnership (the “Grove”) which owns a 3,700+ acre citrus grove in Palm Beach County, Florida, which is the subject of a mixed-use development plan.

The Company has qualified, and expects to continue to qualify, as a real estate investment trust (“REIT”) under Section 856(c)(1) of the Internal Revenue Code of 1986, as amended (the “Code”). Accordingly, the Company generally will not be subject to federal and state income tax, provided that distributions to its shareholders equal at least 90% of its REIT taxable income as defined under the Code. The Company is permitted to participate in certain activities from which it was previously precluded in order to maintain its qualifications as a REIT provided the Company conducts these activities through an entity that elects to be treated as a taxable REIT subsidiary under the Code. The Company has one taxable REIT subsidiary, Flowerfield Properties, Inc., which owns the limited partnership interest in the Grove and will be subject to federal and state income tax on the income from this investment.

As of July 8, 2011, we wholly owned the following properties:

Property	Number of Rentable Square Feet	Location	Year of Acquisition
Flowerfield Industrial Park	127,062	St. James, New York	1951
Port Jefferson Professional Park	39,329	Port Jefferson, New York	2007
Cortlandt Manor Medical Center	33,698	Cortlandt Manor, New York	2008 and 2010
Fairfax Medical Center	57,621	Fairfax, Virginia	2009

Total 257,710

1

We are a New York corporation organized in 1946. Our headquarters and principal executive offices are located at 1 Flowerfield, Suite 24, St. James, New York 11780. Our main phone number is (631) 584-5400. More comprehensive information about us, our properties and the condemnation lawsuit is available through our internet website at www.gyrodyn.com. Except for the documents incorporated by reference in this prospectus as described under the heading "Incorporation by Reference," the information and other content contained on, or that may be accessed through, our website is not part of, and is not incorporated by reference into, this prospectus, and you should not consider it to be part of this prospectus.

We are a party to a lawsuit against the State of New York for just compensation for 245.5 acres of our Flowerfield property taken by Stony Brook University under eminent domain on November 2, 2005. The trial was held in the Court of Claims of the State of New York from August 13, 2009 to August 18, 2009. Each side submitted to the Court of Claims an appraisal of the taken property as of the November 2005 appropriation date. Our appraiser valued the taken property at \$125,000,000, based in part upon a separate zoning analysis report that we filed with the Court of Claims which concluded that there was a high probability the taken property would have been rezoned from light industrial use to a planned residential development district. New York State's appraiser appraised the taken property at a fair market value of \$22,450,000 based only upon the current light industrial zoning.

On June 30, 2010, the Court of Claims published its decision requiring New York State to pay us an additional \$98,685,000 as just compensation for the Property. The State had paid us \$26,315,000 for the taken property at the time of the taking, which we elected under New York's eminent domain law (the "EDPL") to treat as an advance payment while we pursued our claim. Under the EDPL and in the decision issued by the Court of Claims, we are also entitled, subject to EDPL Section 514, to statutory interest on the additional amount awarded at a rate of nine percent (9%) per annum from November 2, 2005, the date of the taking, to the date of payment. Additionally, we submitted a motion to the Court of Claims on September 4, 2010 under EDPL Section 701 seeking reimbursement of costs and expenses we incurred, including attorneys' fees and costs in the amount of approximately \$1,475,000.

On September 7, 2010, New York State filed a Notice of Appeal to the Appellate Division of the Supreme Court, Second Department from the Judgment of the Court of Claims entered in our favor for an additional \$98,685,000 plus statutory interest through the date of payment. On October 7, 2010, New York State submitted an affirmation to the Court of Claims in partial opposition to our motion for reimbursement of costs and expenses, and on October 12, 2010, we filed a reply brief.

On February 1, 2011, the Court of Claims entered a decision and order granting our motion for an additional allowance of approximately \$1,475,000 for actual and necessary costs, disbursements and expenses, including attorneys' fees and expenses, incurred in our case for just compensation.

On March 7, 2011, New York State filed a brief with the Appellate Division. The brief perfected New York State's appeal from the Judgment of the Court of Claims entered on August 17, 2010 in our favor for an additional \$98,685,000 plus statutory interest as well as the Court's decision and order entered on February 1, 2011 in our favor for an additional allowance of approximately \$1,475,000 for fees and expenses.

As a result of New York State's appeal, we cannot predict the amount of a final award or the timing of payment. We will continue to pursue our rights vigorously, seeking payment in accordance with the decision of the Court of Claims and any further determinations.

Corporate Strategy

Our corporate strategy is to maximize the intrinsic value of our company by positioning our assets over a reasonable period of time for one or more liquidity events. This strategy involves a balance between managing our condemnation suit and managing our real estate portfolio. Pursuit of our strategy involves the following:

- diligently managing the condemnation lawsuit;
- actively managing our portfolio to improve our operating cash flow;
- actively pursuing the re-zoning effort of our Flowerfield property to maximize its value;
- efficiently using our capital to support the value of our real estate portfolio; and
- increasing our working capital without materially increasing our debt service requirements.

Recent Developments

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's property, alleging that the Grove defaulted on its loan from Prudential and that the Grove is indebted to Prudential in an amount exceeding \$37 million in principal and \$8 million in interest and fees. The Company is a limited partner in the Grove and has no guarantees or liabilities related to the Grove, other than the Company's deferred tax liability. We do not believe we have any exposure to creditors of the Grove.

The 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.

Amount of Proceeds The net proceeds to us from the rights offering will depend on the number of subscription rights that are exercised. If we issue all [•] shares available in the rights offering without the over-allotment, the gross proceeds to us will be \$9,210,000 and the net proceeds to us, after deducting estimated offering expenses, will be approximately \$9 million. If the over-allotment is fully subscribed, we would issue an additional [•] shares of common stock, and the gross proceeds to us will be \$10,210,000 and the net proceeds to us will be approximately \$10 million.

Securities Offered We are distributing, at no charge, to holders of our common stock, non-transferable subscription rights to purchase up to [•] shares of our common stock (without the over-allotment shares). You will receive one subscription right for each share of common stock held of record, as of 5:00 p.m., New York City time on [•], 2011.

Basic Subscription Privilege The basic subscription privilege of each subscription right will entitle you to purchase [•] shares of our common stock at a subscription price of \$[•] per full share.

Over-Subscription Privilege If you exercise your basic subscription privilege in full and other shareholders do not exercise their basic subscription privilege in full, you will also have an over-subscription privilege to purchase any shares that our other subscription rights holders do not purchase under their basic subscription privilege, subject to proration of available shares. The subscription price for shares purchased pursuant to the over-subscription privilege will be the same as the subscription price for the basic subscription privilege.

If there are not enough unsubscribed shares to honor all requests under the over-subscription privilege, we may, in our discretion, issue up to an additional [•] over-allotment shares to honor requests under the over-subscription privilege, subject to the same terms and conditions of the rights offering.

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

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

Limitation on the Purchase of Shares In no event may a shareholder exercise subscription and over-subscription privileges to the extent that any such exercise would result in the shareholder 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. The aggregate market value of the common stock issued pursuant to the rights offering may not exceed one-third of our public float. Subscription and over-subscription privileges will also be subject to proportionate cutbacks to the extent that any such exercises would result in five or fewer shareholders owning in the aggregate in excess of 50% of the value of our shares.

Record Date [•], 2011

Expiration Date The subscription rights will expire at 5:00 p.m., New York City time, on [•], 2011, 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 [•], 2011. To exercise your subscription rights, you must take the following steps:

If you are a registered holder of our shares of common stock, you may deliver payment and a properly completed rights certificate to the subscription agent before 5:00 p.m., New York City time on [•], 2011, 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 [•], 2011, unless the expiration date is extended.

Use of Proceeds We intend to use the net proceeds received from the rights offering for potential additional expenses associated with the condemnation litigation, pursuing development rights for the Flowerfield property, necessary capital improvements in our real estate portfolio and general working capital. See "Use of Proceeds."

Non-Transferability The subscription rights may not be sold, transferred or assigned to anyone else and will not be of listed for trading on the NASDAQ Capital Market or any other stock exchange or market or on Subscription Rights 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 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 set forth in this prospectus, you may cancel your subscription and receive a refund of any money you have advanced. You should not exercise your subscription rights unless you are certain that you wish to purchase the shares of common stock offered pursuant to this rights offering at a subscription price of \$[•] per share.

Conditions to the Rights Offering The completion of the rights offering is subject to the conditions described under “The Rights Offering — Conditions, Withdrawal and Termination.”

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. The terms of the rights offering cannot be changed after the expiration date of the rights offering. 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.

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. Please 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 Gyrodyne directors have indicated an interest in purchasing shares that are subject to their basic subscription privilege, at the same subscription price per share offered to all shareholders, but are not obligated to do so.

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 Registrar and Transfer Company

Information Agent MacKenzie Partners, Inc.

Shares of Common Stock Outstanding Before the Rights Offering As of July 8, 2011, 1,290,039 shares of our common stock were outstanding.

Shares of Common Stock

Outstanding After Completion of the Rights Offering We will issue up to [•] shares of common stock in the rights offering, which excludes an over-allotment option of [•] shares of common stock, depending on the number of subscription rights that are exercised. Based on the number of shares of common stock outstanding as of [•], 2011, if we issue all [•] shares of common stock available in this rights offering, we would have [•] shares of common stock outstanding following the completion of the rights offering.

Risk Factors Shareholders considering making an investment by exercising subscription rights in the rights offering should carefully read and consider the information set forth in “Risk Factors” beginning on page 10 of this prospectus, together with the other information contained in or incorporated by reference into this prospectus, including the information discussed throughout our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2011, 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

The following is a summary of selected statement of operations and balance sheet data for each of the periods indicated. The selected financial data presented below for the years ended December 31, 2010 and December 31, 2009 are derived from our audited consolidated financial statements and related notes. The selected consolidated financial data presented below for the three months ended March 31, 2011, are derived from our unaudited consolidated financial statements and related notes.

The selected consolidated financial data presented below should be read in conjunction with our consolidated financial statements and the notes to the consolidated financial statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2010 and in our Quarterly Report for the quarter ended March 31, 2011, which are incorporated herein by reference.

	Three Months		
	Ended March 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Statement of Operations			
Total Gross Revenues	\$ 1,410,699	\$ 5,550,863	\$ 4,834,416
Total Rental Expenses excluding Depreciation and Amortization	625,449	2,218,589	1,953,613
Condemnation costs	168,666	109,354	1,307,184
Mortgage interest expense	305,583	1,117,963	942,986
Federal tax provision (benefit)	0	109,000	(4,130,000)
Net (Loss) Income	(349,155)	(1,081,465)	1,522,890
Statement of Cash Flows			
Cash used in operations – net	\$ (225,748)	\$ (346,936)	\$ (1,705,447)
Cash used in investing – net	(191,987)	(1,524,192)	(6,269,146)
Cash (used in) from financing – net	(145,768)	3,143,864	7,637,486
Net (Decrease) Increase in Cash and Cash Equivalents	\$ (563,503)	\$ 1,272,736	\$ (337,107)
Balance Sheet			
Real estate operating assets, net(1)	\$ 33,013,068	\$ 33,061,954	\$ 32,267,032
Land held for development(1)	2,086,923	2,041,037	1,925,429
Total assets(1)	39,082,898	39,768,219	36,105,005
Mortgages including interest rate swap(1)	21,664,830	21,845,279	18,164,266
Total equity(1)	14,646,866	14,961,340	14,633,741
Operating Data			
Medical properties - Rentable square footage	130,779	130,648	127,213
Occupancy Percentage(2)	91%	95 %	89 %
Industrial property – Rentable square footage	127,062	127,062	127,062
Occupancy Percentage(2)	82%	81%	83%
Additional Financial Data			
Funds from operations (3)	\$ (117,028)	\$ (233,911)	\$ (1,892,197)

(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 the National Association of Real Estate Investment Trusts, or NAREIT. The white paper defines FFO as net income or loss calculated in accordance with GAAP, excluding extraordinary items, as defined by GAAP, and gains and losses attributable to the sale of depreciable operating property, plus real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures.

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

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

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

Noncash adjustments applied to calculate FFO included depreciation and amortization and the tax benefit under Section 1033 of the Code. The tax benefit is primarily from the rollover of the advance payment we received from the condemnation of 245 acres. Under the definition of FFO, gain or loss from property transactions are excluded from FFO. There were no other NAREIT defined FFO adjustments contained in the operating results.

	Three Months Ended March 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Reconciliation of FFO			
Net Income (Loss) Attributable to the Company	\$(349,155)	\$ (1,081,465)	\$ 1,522,890
Add Depreciation and Amortization	\$204,605	803,725	690,676
Add amortization of capitalized leasing costs	27,522	43,829	35,237
Less Income tax benefit	0	0	4,141,000
Funds From Operations	\$(117,028)	\$ (233,911)	\$ (1,892,197)

RISK FACTORS

An investment in our common stock involves risk. You should carefully read and consider the risks described below, together with the other information contained in or incorporated by reference into this prospectus, before making an investment. If any of these risks actually occur, the trading price of our common stock could decline, and you may lose all or part of your investment. Some of the statements in this section of this prospectus are forward-looking statements. For more information about forward-looking statements, please see the section of this prospectus entitled “Cautionary Note Regarding Forward-Looking Statements.”

Risks Related to the Rights Offering

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, adverse changes or perceived adverse changes in our condemnation case that could affect our ultimate recovery in the case, 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.

Assuming all shares available in the rights offering are sold, if 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.

Up to [•] shares of common stock are issuable in the rights offering, which amount is inclusive of an over-allotment option of [•] shares of common stock. Assuming all shares available in the rights offering are sold, if 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 12,900 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 to approximately 0.9%. 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. In determining the subscription price, our board of directors considered a number of factors, including:

- our need for additional capital, liquidity and financial flexibility;
- current economic and financial market conditions;
- alternatives available for raising equity capital;

- 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;
 - historical and current trading prices for our common stock;
- potential costs associated with the condemnation litigation, pursuing our development rights for the Flowerfield property, necessary capital improvements in our real estate portfolio and general operations;
 - subscription price discounts in similar rights offerings; and
- the board's perception of the value of our assets, including our case for just compensation in the condemnation trial when compared to the current market capitalization.

The subscription price was established by our board of directors at a price of \$[•] per share. The subscription price is not necessarily related to our book value, results of operations, cash flows, financial condition or net worth or any other established criteria of value and may or may not be considered the fair value of our common stock at the time the rights offering was approved by our board of directors or during the rights offering period. On July 8, 2011, the closing sale price for our common stock on the NASDAQ Capital Market was \$65.50 per share and traded at a weighted average closing price of \$[•] per share for the three-month period ended [•]. 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.

Because we do not have any formal commitments from any of our shareholders to participate in the rights offering, the net proceeds we receive from the rights offering may be lower than currently anticipated and we may need to increase the amount of outside capital we seek to raise in the future.

We do not have any formal commitments from any of our shareholders to participate in the rights offering, and we cannot assure you that any of our shareholders will exercise all or any part of their basic subscription privilege or their over-subscription privilege. There is no minimum amount of proceeds required to complete the rights offering. If shareholders subscribe for fewer shares of our common stock than we anticipate, the net proceeds we receive from the rights offering could be significantly reduced and you may be investing in a company that continues to need additional capital. If the rights offering is not fully subscribed and we do not raise the desired amount of capital in this rights offering, we may need to increase the amount of outside capital we seek to raise in the future.

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

The subscription price of \$[•] per share is lower than the average of the closing sales prices of our common stock over the thirty trading day period ended [•], 2011, the last trading day prior to the announcement of the subscription price. The average of the closing sales prices of our common stock over the thirty trading day period ended [•], 2011 was \$[•]. 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, if a substantial number of subscription rights are exercised 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 period, and neither we nor the subscription agent will have any obligation to you except to return your subscription payment.

We may at our sole discretion cancel this rights offering at any time prior to the expiration of the rights offering period. If we elect to cancel the rights offering, we will issue a press release notifying shareholders of the cancellation

and neither we nor the subscription agent will have any obligation with respect to the subscription rights except to return to you, without interest or penalty, as soon as practicable any subscription payments. In addition, we may suffer reputational harm if the rights offering is canceled prior to the expiration date.

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

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

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

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

Our common stock is traded on the NASDAQ Capital Market under the symbol, "GYRO", and the closing sale price of our common stock on the NASDAQ Capital Market on July 8, 2011 was \$65.50 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 for potential additional expenses associated with the condemnation litigation, the cost of pursuing development rights for the Flowerfield property, necessary capital improvements in our real estate portfolio and general working capital. However, we may allocate the proceeds among these purposes in our discretion. 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 the Company. 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.

Risks Related to Investment in Our Common Stock

Our common stock is thinly traded and there may not be an active, liquid trading market for our common stock.

There is no guarantee that an active trading market for our common stock will be maintained on NASDAQ, or that the volume of trading will be sufficient to allow for timely trades. Investors may not be able to sell their shares quickly or at the latest market price if trading in our stock is not active or if trading volume is limited. In addition, if trading volume in our common stock is limited, trades of relatively small numbers of shares may have a disproportionate effect on the market price of our common stock.

We do not anticipate making distributions other than distributions of liquidation proceeds.

We have not paid any dividends although we made a special distribution of \$4.00 per share in March 2007. We have a history of losses and could experience losses in the future. Accordingly, we do not expect to make any dividends or distributions in the future other than distributions of proceeds on the sale of our company or any of our assets.

Risks Related to Our Debt and Financing and the Weak Economy

We have incurred a significant amount of debt and have increased our overall leverage since receiving the advance payment on condemnation. If we are unable to manage our debt successfully, we may be required to liquidate our properties, we may jeopardize our tax status as a REIT and we may have significant restrictions on our ability to make distributions to our shareholders.

At December 31, 2010 we had total loans, mortgage and secured indebtedness of approximately \$21.7 million. While we may not be considered highly leveraged when compared to our competitors on a loan to value ratio, we may be considered highly leveraged based on a combination of the limited size of our real estate portfolio of operating assets compared to idle investment assets (the majority of the acreage of our Flowerfield property is undeveloped and is not generating revenue) and the need to support general and administrative expenses for a publicly-traded company. Our existing indebtedness, as well as the incurrence of any additional debt, subjects us to many risks, including the risks that:

- our cash flow from operations will be insufficient to make required payments of principal and interest;
- our debt may increase our vulnerability to adverse conditions in local markets in which we own property, or the general economy;
- we may be required to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing cash available for operations, capital expenditures and the diligent pursuit of our rights under our condemnation;
- our debt service obligations on floating rate debt will increase as interest rates related to prime or LIBOR rise;
 - the terms of any refinancing will not be as favorable as the terms of the debt being refinanced;
 - our ability to make distributions to our shareholders will be adversely impacted; and
 - the market price of our common stock may decline.

If the general economic weakness continues, we may have difficulty complying with the covenants in our credit agreements.

The general and lengthy weakness in the economy has negatively affected medical professionals and small businesses, which comprise most of our tenant base and is therefore a primary factor affecting our ability to maintain high occupancy rates, as well as our ability to pass through operating expenses to our tenants. Failure to maintain sufficient levels of financial performance at our properties could cause us to fail certain of the financial performance covenant tests in any of our credit agreements. Failure to satisfy these covenants and conditions would create a potential default under one or more of these agreements, in which case we would need to pursue an amendment of the agreement or waiver of the covenant failure. There can be no assurance that the lenders would grant an amendment or waiver and, in light of current credit market conditions, any such amendment or waiver may include additional fees, increased interest rates or other more stringent terms and conditions that are materially disadvantageous to us. In order to avoid a default, we may have to repay a significant portion of the outstanding indebtedness to secure an amendment or a waiver of the covenant default from the lender. In the event of a default for failure to satisfy any of the loan covenants, our lender could require us to repay immediately all outstanding indebtedness under the credit facility. In order to repay all or a significant portion of the outstanding indebtedness, we would have to obtain financing from alternative debt sources or private or public offerings of debt or equity securities. There can be no assurance that such financing alternatives would be available to us at all or on terms that are acceptable to us. If we are unable to refinance our debt on acceptable terms, we may be forced to dispose of properties on disadvantageous terms. To the extent we cannot repay our outstanding debt, we risk losing some or all of these properties to foreclosure and we could be required to invoke insolvency proceedings including, but not limited to, commencing a voluntary case under the U.S. Bankruptcy Code.

We do not have any loans maturing before 2018 unless accelerated maturity occurs through a loan default. The amount of indebtedness lenders are willing to finance is generally limited to a percentage of a property's fair market value. Valuations of properties can be determined using different methods, but a critical valuation factor is the financial performance or potential financial performance of the property. Should the current economic weakness impact our properties' financial performance, we may not be able to refinance the balances currently outstanding on our properties' mortgage loans and may be required to repay a portion of the indebtedness upon refinance. If we do not have sufficient funds to repay that portion of the indebtedness, it may be necessary to raise capital through additional debt financing, private or public offerings of debt securities, or additional equity financings. If, at the time of any refinancing, prevailing interest rates or other factors result in higher interest rates on refinancing, increases in interest expense would lower our cash flow, and, consequently, cash available for distribution to our shareholders. If we are unable to refinance our debt on acceptable terms, we may be forced to dispose of properties on disadvantageous terms, potentially resulting in losses and potentially reducing cash flow from operating activities if the sale proceeds in excess of the amount required to satisfy the indebtedness could not be reinvested in equally profitable real property investments.

Prospective real property buyers' limited access to debt and equity capital has limited the market for buying and selling developed and undeveloped property.

We believe the continued stress in the capital markets may make it very difficult for us to sell any of our undeveloped property, industrial property or medical properties at prices to achieve attractive after-tax returns if we were forced to sell any of our properties at any time in the near future. Curre