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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2019

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________ to ____________

Commission file number **001-37547**

Gyrodyne, LLC
(Exact name of registrant as specified in its charter)

New York	46-3838291
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Flowerfield, Suite 24, St. James, NY 11780
(Address and Zip Code of principal executive offices)

(631) 584-5400
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate by check mark whether the registrant has submitted every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes_X__ No___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes _ No X

Title of Each Class	Trading Symbol	Name of Exchange on which Registered
Common Shares of Limited Liability Company Interests	GYRO	Nasdaq Capital Market

On November 14, 2019, there were 1,482,680 common shares outstanding.

INDEX TO QUARTERLY REPORT OF GYRODYNE, LLC
QUARTER ENDED SEPTEMBER 30, 2019

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements.

GYRODYNE, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF NET ASSETS
AS OF SEPTEMBER 30, 2019 (UNAUDITED) AND DECEMBER 31, 2018
(Liquidation Basis)

	September 30, 2019 (Unaudited)	December 31, 2018
ASSETS:		
Real estate held for sale	$ 44,627,390	$ 36,201,270
Cash and cash equivalents	2,278,976	3,049,587
Rent receivable	74,487	57,270

PART I - FINANCIAL INFORMATION
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AS OF SEPTEMBER 30, 2019 (UNAUDITED) AND DECEMBER 31, 2018
(Liquidation Basis)

	September 30, 2019 (Unaudited)	December 31, 2018
ASSETS:		
Real estate held for sale	$ 44,627,390	$ 36,201,270
Cash and cash equivalents	2,278,976	3,049,587
Rent receivable	74,487	57,270
Other receivables	41,924	68,743
Total Assets	$ 47,022,777	$ 39,376,870
LIABILITIES:		
Accounts payable	$ 567,556	$ 769,346
Accrued liabilities	159,784	173,086
Deferred rent liability	32,092	24,825
Tenant security deposits payable	268,125	268,633
Loan payable	3,280,068	1,100,000
Estimated liquidation and operating costs net of estimated receipts	12,943,641	10,194,310
Total Liabilities	17,251,266	12,530,200
Net assets in liquidation	$ 29,771,511	$ 26,846,670

See notes to consolidated financial statements

GYRODYNE, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2019
(Liquidation Basis)
(Unaudited)

Net assets in liquidation, as of December 31, 2018		$ 26,846,670
Changes in assets and liabilities in liquidation:		
Change in liquidation value of real estate	8,426,120	
Remeasurement of assets and liabilities	(5,501,279)	
Net increase in liquidation value		2,924,841
Net assets in liquidation, as of September 30, 2019		$ 29,771,511

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2019 (unaudited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2019 (unaudited)

1. The Company

Gyrodyne, LLC (including its subsidiaries, "Gyrodyne", the "Company" or the "Registrant") is a limited liability company formed under the laws of the State of New York whose primary business is the management of a portfolio of medical office and industrial properties and the pursuit of entitlements on such properties, which are located in Suffolk ("Flowerfield") and Westchester Counties ("Cortlandt Manor"), New York.

Substantially all of our developed properties are subject to leases in which the tenant reimburses the Company for a portion, all of or substantially all of the costs and/or cost increases for utilities, insurance, repairs, maintenance and real estate taxes. Certain leases provide that the Company is responsible for certain operating expenses.

Gyrodyne's corporate strategy is to enhance the value of our Flowerfield and Cortlandt Manor properties by pursuing entitlement opportunities and enhancing the value of our leases so that such properties can be sold at higher prices and generate larger distributions to our shareholders during the liquidation process than those achievable under current entitlements. The Board believes the aforementioned strategy will improve the potential of increasing the values for such properties. The value of the real estate reported in the consolidated statements of net assets as of September 30, 2019 and December 31, 2018 (predicated on current asset values) includes some but not all of the potential value impact that may result from such value enhancement efforts. There can be no assurance that our value enhancement efforts will result in property value increases that exceed the costs we incur in such efforts, or even any increase at all.

Our efforts to generate the highest values for Flowerfield and Cortlandt Manor may involve in limited circumstances the pursuit of joint venture relationships, other investments and/or other strategies to enhance the net value of Flowerfield and Cortlandt Manor to maximize the returns for our shareholders. The Company does not expect the pursuit of joint ventures, if any, to adversely affect the timing of distributions to our shareholders. Gyrodyne intends to dissolve after it completes the disposition of all of its real property assets, applies the proceeds of such dispositions first to settle any debts and claims, pending or otherwise, against Gyrodyne, and then makes liquidating distributions to holders of Gyrodyne common shares. The liquidation process and the amount and timing of distributions involve risks and uncertainties. As such, it is impossible at this time to determine the ultimate amount of proceeds that will actually be distributed to our shareholders or the timing of such payments. Accordingly, no assurance can be given that the distributions will equal or exceed the estimate of net assets in liquidation presented in our consolidated statements of net assets. The actual nature, amount and timing of all distributions will be determined by Gyrodyne's Board in its sole discretion and will depend in part upon the Company's ability to convert our remaining assets into cash in compliance with our obligations under the Stipulation of Settlement entered into in connection with the class action lawsuit (See Note 11 – Contingencies) and settle and pay our remaining liabilities and obligations. Under Gyrodyne's Amended and Restated Limited Liability Company Agreement (the "LLC Agreement"), such dissolution may be effected upon the vote of holders of a majority of Gyrodyne common shares or, in the Board's discretion and without any separate approval by the holders of the Gyrodyne common shares, at any time the value of Gyrodyne's assets, as determined by the Board in good faith, is less than $1,000,000.

The Company's remaining real estate investments, each of which is held in a single asset limited liability company wholly owned by the Company, consist of:

- the Cortlandt Manor Medical Center comprising approximately 34,000 square feet situated on approximately 13.8 acres; and
- the Flowerfield Industrial Park comprising 68 acres and approximately 127,000 rentable square feet. The developed portion of the industrial park is multi-tenanted and situated on ten acres of the 68-acre property in St. James, New York, all of which is owned by the Company. Approximately 62 of the 68 acres are included in the subdivision application filed with the Town of Smithtown.

2. Basis of Quarterly Presentations

The accompanying interim quarterly financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP"). The consolidated financial statements of the Company included herein have been prepared by the Company pursuant to the rules and regulations of the SEC and, in the opinion of management, reflect all adjustments which are necessary to present fairly the results for the nine-months ended September 30, 2019.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations; however, management believes that the disclosures are adequate to make the information presented not misleading.

This report should be read in conjunction with the audited consolidated financial statements and footnotes therein included in the Annual Report on Form 10-K for the year ended December 31, 2018.

3. Summary of Significant Accounting Policies

Gyrodyne intends to dissolve after it completes the disposition of all of its real property assets, applies the proceeds of such dispositions first to settle any debts and claims, pending or otherwise, against Gyrodyne, and then makes liquidating distributions to holders of Gyrodyne common shares. Therefore, effective September 1, 2015 Gyrodyne adopted the liquidation basis of accounting. This basis of accounting is considered appropriate when, among other things, liquidation of the entity is "imminent", as defined in ASC 205-30, Presentation of Financial Statements Liquidation Basis of Accounting. Under the LLC Agreement, the Board may elect, in its sole discretion and without any separate approval by shareholders, to dissolve the Company at any time the value of the Company's assets, as determined by the Board in good faith, is less than $1 million. The LLC Agreement also provides that the Company will dissolve, and its affairs wound up, upon the sale, exchange or other disposition of all the real properties of the Company. As a result, liquidation is "imminent" in accordance with the guidance provided in ASC 205-30.

Principles of Consolidation - The consolidated financial statements include the accounts of Gyrodyne and all subsidiaries. All consolidated subsidiaries are wholly owned. All inter-company balances and transactions have been eliminated.

Basis of Presentation - Liquidation Basis of Accounting – Under the liquidation basis of accounting the consolidated balance sheet and consolidated statements of operations, equity, comprehensive income and cash flows are no longer presented. The consolidated statements of net assets and the consolidated statement of changes in net assets are the principal financial statements presented under the liquidation basis of accounting.

Under the liquidation basis of accounting, all the Company's assets have been stated at their estimated net realizable value, or liquidation value, (which represents the estimated amount of cash that Gyrodyne will collect on the disposal of assets as it carries out the plan of liquidation), which is based on current contracts, estimates and other indications of sales value (predicated on current values). All liabilities of the Company, including those estimated costs associated with implementing the plan of liquidation, have been stated at their estimated settlement amounts. These amounts are presented in the accompanying statements of net assets. These estimates are periodically reviewed and adjusted as appropriate. There can be no assurance that these estimated values will be realized. Such amounts should not be taken as an indication of the timing or amount of future distributions or our actual dissolution. The valuation of assets at their net realizable value and liabilities at their anticipated settlement amount represent estimates, based on present facts and circumstances, of the net realizable value of the assets and the costs associated with carrying out the plan of liquidation. The actual values and costs associated with carrying out the plan of liquidation may differ from amounts reflected in the accompanying consolidated financial statements because of the plan's inherent uncertainty. These differences may be material. In particular, the estimates of our costs will vary with the length of time necessary to complete the plan of liquidation, which is currently anticipated to be completed by December 31, 2021. The Company is in the process of pursuing entitlements and density, and our ability to obtain required permits and authorizations is subject to factors beyond our control, including environmental concerns of governmental entities, community groups and purchasers (Purchase and Sale Agreement entered but not yet closed)/prospective purchasers. The process will involve extensive analysis internally at the government entity level, as well as between government entities such as town planning departments and Gyrodyne, and will continue up until such time as entitlement and density decisions are made by the relevant government entities. The Company hopes to secure favorable decisions on entitlements and density so that we can then seek the sale of our remaining properties at higher prices (than those achievable under their current entitlements) and then proceed with the liquidation and dissolution of the Company. The Company expects the process of pursuing entitlements, density, sales, liquidation and dissolution could extend through December 31, 2021 with the ultimate timing to a certain extent managed by Gyrodyne but also dependent upon and under the control of the applicable municipality's planning board or other governmental authority. Accordingly, it is not possible to predict with certainty the timing or aggregate amount which may ultimately be distributed to common shareholders and no assurance can be given that the distributions will equal or exceed the estimate presented in the accompanying statements of net assets.

The Company's assumptions and estimates (including the sales proceeds of all its real estate holdings, selling costs, retention bonus payments, rental revenues, rental expenses, capital expenditures, land entitlement costs, general and administrative fees, director and officer liability and reimbursement, post liquidation insurance tail coverage policy and final liquidation costs) are based on completing the liquidation by December 31, 2021. As previously stated, on an ongoing basis, Gyrodyne evaluates the estimates and assumptions that can have a significant impact on the reported net assets in liquidation and will update respective information accordingly for any costs and value associated with a change in the duration of the liquidation, as we cannot give any assurance on the timing of the ultimate sale of all the Company's properties.

This report should be read in conjunction with the audited consolidated financial statements and footnotes therein included in the Annual Report on Form 10-K for the year ended December 31, 2018.

3. Summary of Significant Accounting Policies

Gyrodyne intends to dissolve after it completes the disposition of all of its real property assets, applies the proceeds of such dispositions first to settle any debts and claims, pending or otherwise, against Gyrodyne, and then makes liquidating distributions to holders of Gyrodyne common shares. Therefore, effective September 1, 2015 Gyrodyne adopted the liquidation basis of accounting. This basis of accounting is considered appropriate when, among other things, liquidation of the entity is "imminent", as defined in ASC 205-30, Presentation of Financial Statements Liquidation Basis of Accounting. Under the LLC Agreement, the Board may elect, in its sole discretion and without any separate approval by shareholders, to dissolve the Company at any time the value of the Company's assets, as determined by the Board in good faith, is less than $1 million. The LLC Agreement also provides that the Company will dissolve, and its affairs wound up, upon the sale, exchange or other disposition of all the real properties of the Company. As a result, liquidation is "imminent" in accordance with the guidance provided in ASC 205-30.

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Basis of Presentation - Liquidation Basis of Accounting – Under the liquidation basis of accounting the consolidated balance sheet and consolidated statements of operations, equity, comprehensive income and cash flows are no longer presented. The consolidated statements of net assets and the consolidated statement of changes in net assets are the principal financial statements presented under the liquidation basis of accounting.

Under the liquidation basis of accounting, all the Company's assets have been stated at their estimated net realizable value, or liquidation value, (which represents the estimated amount of cash that Gyrodyne will collect on the disposal of assets as it carries out the plan of liquidation), which is based on current contracts, estimates and other indications of sales value (predicated on current values). All liabilities of the Company, including those estimated costs associated with implementing the plan of liquidation, have been stated at their estimated settlement amounts. These amounts are presented in the accompanying statements of net assets. These estimates are periodically reviewed and adjusted as appropriate. There can be no assurance that these estimated values will be realized. Such amounts should not be taken as an indication of the timing or amount of future distributions or our actual dissolution. The valuation of assets at their net realizable value and liabilities at their anticipated settlement amount represent estimates, based on present facts and circumstances, of the net realizable value of the assets and the costs associated with carrying out the plan of liquidation. The actual values and costs associated with carrying out the plan of liquidation may differ from amounts reflected in the accompanying consolidated financial statements because of the plan's inherent uncertainty. These differences may be material. In particular, the estimates of our costs will vary with the length of time necessary to complete the plan of liquidation, which is currently anticipated to be completed by December 31, 2021. The Company is in the process of pursuing entitlements and density, and our ability to obtain required permits and authorizations is subject to factors beyond our control, including environmental concerns of governmental entities, community groups and purchasers (Purchase and Sale Agreement entered but not yet closed)/prospective purchasers. The process will involve extensive analysis internally at the government entity level, as well as between government entities such as town planning departments and Gyrodyne, and will continue up until such time as entitlement and density decisions are made by the relevant government entities. The Company hopes to secure favorable decisions on entitlements and density so that we can then seek the sale of our remaining properties at higher prices (than those achievable under their current entitlements) and then proceed with the liquidation and dissolution of the Company. The Company expects the process of pursuing entitlements, density, sales, liquidation and dissolution could extend through December 31, 2021 with the ultimate timing to a certain extent managed by Gyrodyne but also dependent upon and under the control of the applicable municipality's planning board or other governmental authority. Accordingly, it is not possible to predict with certainty the timing or aggregate amount which may ultimately be distributed to common shareholders and no assurance can be given that the distributions will equal or exceed the estimate presented in the accompanying statements of net assets.

The Company's assumptions and estimates (including the sales proceeds of all its real estate holdings, selling costs, retention bonus payments, rental revenues, rental expenses, capital expenditures, land entitlement costs, general and administrative fees, director and officer liability and reimbursement, post liquidation insurance tail coverage policy and final liquidation costs) are based on completing the liquidation by December 31, 2021. As previously stated, on an ongoing basis, Gyrodyne evaluates the estimates and assumptions that can have a significant impact on the reported net assets in liquidation and will update respective information accordingly for any costs and value associated with a change in the duration of the liquidation, as we cannot give any assurance on the timing of the ultimate sale of all the Company's properties.

Management Estimates – In preparing the consolidated financial statements in conformity with U.S. Generally Accepted Accounting

Principles ("GAAP") and the liquidation basis of accounting, management is required to make estimates and assumptions that affect the reported amounts of assets, including net assets in liquidation, and liabilities, and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of receipts and expenditures for the reporting period. Actual results could differ from those estimates.

Cash equivalents - The Company considers all certificates of deposits, money market funds, treasury securities and other highly liquid debt instruments purchased with short-term maturities to be cash equivalents.

Allowance for doubtful accounts – Rent receivable is carried at net realizable value. Management makes estimates of the collectability of rents receivable. Management specifically analyzes receivables and historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

Estimated Distributions per Share – Under the liquidation basis of accounting, the Company reports estimated distributions per share data by dividing net assets in liquidation by the number of shares outstanding.

New Accounting Pronouncements - Management has evaluated the impact of newly issued accounting pronouncements, whether effective or not as of September 30, 2019, and has concluded that they will not have a material impact on the Company's consolidated financial statements since the Company reports on a liquidation basis.

4. Statements of Net Assets in Liquidation

Net assets in liquidation at September 30, 2019 would result in estimated liquidating distributions of approximately $20.08 per common share. This is an increase of $1.97 from the December 31, 2018 estimated net assets in liquidation of $18.11 per common share.

The increase in net assets in liquidation is the result of an increase in the real estate value of $8.4 million ($5.68 per share) comprising the Purchase and Sale Agreement with BSL St. James LLC (see note 6) and other adjustments to the remaining Flowerfield Property offset by the increase in the expense reserve (the estimated costs in excess of receipts) per share by $5.5 million ($3.71 per share). The increase in the expense reserve is mainly the result of an extension in the estimated liquidation timeline of 18 months attributable to the pursuit of entitlements (and the associated costs) related to the Flowerfield Property and adjacent parcels and an increase to the retention bonus payments and selling costs as a result of the increase in real estate value.

The cash balance at the end of the liquidation period (currently estimated to be December 31, 2021, although the estimated completion of the liquidation period may change), excluding any interim distributions, is estimated based on the September 30, 2019 cash balance of $2.28 million with adjustments for the following items which are estimated through December 31, 2021:

1. The cash receipts from the operation of the Company's properties net of rental property related expenditures as well as costs expected to be incurred to preserve or improve the net realizable value of the properties at their estimated gross sales proceeds.
2. Net proceeds from the sale of all the Company's real estate holdings.
3. The general and administrative expenses and or liabilities associated with operations and the liquidation of the Company including severance, director and officer liability insurance inclusive of post liquidation tail policy coverage, and financial and legal fees to complete the liquidation.
4. Costs for the pursuit of entitlements on the Flowerfield and Cortlandt Manor properties, to maximize value.
5. Retention bonus amounts based on the net realizable value of the real estate under the Retention Bonus Plan (See Note 10).
6. Proceeds from draw downs on the Company's credit facilities to fund tenant improvements and working capital and costs to repay such outstanding debt.

The Company estimates the net realizable value of its real estate assets by using income and market valuation techniques. The Company may estimate net realizable values using market information such as broker opinions of value, appraisals, and recent sales data for similar assets or discounted cash flow models, which primarily rely on Level 3 inputs, as defined under FASB ASC Topic No. 820, Fair Value Measurement. The cash flow models include estimated cash inflows and outflows over a specified holding period. These cash flows may include contractual rental revenues, projected future rental revenues and expenses and forecasted common area capital and tenant improvements and lease commissions based upon market conditions determined through discussion with local real estate professionals, experience the Company has with its other owned properties in such markets and expectations for growth. Capitalization rates and discount rates utilized in these models are estimated by management based upon rates that management believes to be within a reasonable range of

Cash equivalents - The Company considers all certificates of deposits, money market funds, treasury securities and other highly liquid debt instruments purchased with short-term maturities to be cash equivalents.

Allowance for doubtful accounts – Rent receivable is carried at net realizable value. Management makes estimates of the collectability of rents receivable. Management specifically analyzes receivables and historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

Estimated Distributions per Share – Under the liquidation basis of accounting, the Company reports estimated distributions per share data by dividing net assets in liquidation by the number of shares outstanding.

New Accounting Pronouncements - Management has evaluated the impact of newly issued accounting pronouncements, whether effective or not as of September 30, 2019, and has concluded that they will not have a material impact on the Company's consolidated financial statements since the Company reports on a liquidation basis.

4. Statements of Net Assets in Liquidation

Net assets in liquidation at September 30, 2019 would result in estimated liquidating distributions of approximately $20.08 per common share. This is an increase of $1.97 from the December 31, 2018 estimated net assets in liquidation of $18.11 per common share.

The increase in net assets in liquidation is the result of an increase in the real estate value of $8.4 million ($5.68 per share) comprising the Purchase and Sale Agreement with BSL St. James LLC (see note 6) and other adjustments to the remaining Flowerfield Property offset by the increase in the expense reserve (the estimated costs in excess of receipts) per share by $5.5 million ($3.71 per share). The increase in the expense reserve is mainly the result of an extension in the estimated liquidation timeline of 18 months attributable to the pursuit of entitlements (and the associated costs) related to the Flowerfield Property and adjacent parcels and an increase to the retention bonus payments and selling costs as a result of the increase in real estate value.

The cash balance at the end of the liquidation period (currently estimated to be December 31, 2021, although the estimated completion of the liquidation period may change), excluding any interim distributions, is estimated based on the September 30, 2019 cash balance of $2.28 million with adjustments for the following items which are estimated through December 31, 2021:

1. The cash receipts from the operation of the Company's properties net of rental property related expenditures as well as costs expected to be incurred to preserve or improve the net realizable value of the properties at their estimated gross sales proceeds.
2. Net proceeds from the sale of all the Company's real estate holdings.
3. The general and administrative expenses and or liabilities associated with operations and the liquidation of the Company including severance, director and officer liability insurance inclusive of post liquidation tail policy coverage, and financial and legal fees to complete the liquidation.
4. Costs for the pursuit of entitlements on the Flowerfield and Cortlandt Manor properties, to maximize value.
5. Retention bonus amounts based on the net realizable value of the real estate under the Retention Bonus Plan (See Note 10).
6. Proceeds from draw downs on the Company's credit facilities to fund tenant improvements and working capital and costs to repay such outstanding debt.

The Company estimates the net realizable value of its real estate assets by using income and market valuation techniques. The Company may estimate net realizable values using market information such as broker opinions of value, appraisals, and recent sales data for similar assets or discounted cash flow models, which primarily rely on Level 3 inputs, as defined under FASB ASC Topic No. 820, Fair Value Measurement. The cash flow models include estimated cash inflows and outflows over a specified holding period. These cash flows may include contractual rental revenues, projected future rental revenues and expenses and forecasted common area capital and tenant improvements and lease commissions based upon market conditions determined through discussion with local real estate professionals, experience the Company has with its other owned properties in such markets and expectations for growth. Capitalization rates and discount rates utilized in these models are estimated by management based upon rates that management believes to be within a reasonable range of current market rates for the respective properties based upon an analysis of factors such as property and tenant quality, geographical location and local supply and demand observations. To the extent the Company underestimates forecasted cash outflows (tenant improvements, lease commissions and operating costs) or overestimates forecasted cash inflows (rental revenue rates), the estimated net realizable value of its real estate assets could be overstated.

The Company is pursuing various avenues to maximize total value during the liquidation process. The Company estimates that it will incur approximately $1.8 million (included in the consolidated statement of net assets as part of the estimated liquidation and operating costs net of estimated receipts, See Note 5) in land entitlement costs from October 2019 through the end of the liquidation period, currently estimates to conclude on or about December 31, 2021, in an effort to obtain entitlements, including special permits. The Company believes the commitment of these resources will enable the Company to position the properties for sale with all entitlements necessary to maximize the Flowerfield and Cortlandt Manor property values. During the nine months ended September 30, 2019, the Company incurred approximately $1.05 million of land entitlement costs, consisting predominately of engineering costs. The Company believes the remaining balance of $1.8 million will be incurred from October 2019 through the end of the liquidation period. The Company does not intend to develop the properties but rather to commit resources to position the properties for sale in a timely manner with all entitlements necessary to achieve maximum pre-construction values. The costs and time frame to achieve the entitlements could change due to a range of factors including a shift in the value of certain entitlements making it more profitable to pursue a different mix of entitlements and the dynamics of the real estate market. As a result, the Company has focused and will continue to focus its land entitlement efforts on achieving the highest and best use. During the process of pursuing such entitlements, the Company may entertain offers from potential buyers who may be willing to pay premiums for the properties that the Company finds more acceptable from a timing or value perspective than completing the entitlement processes itself. The value of the real estate reported in the statements of net assets as of September 30, 2019 and December 31, 2018 (predicated on current asset values) includes some but not all of the potential value impact that may result from the land entitlement efforts. There can be no assurance that our value enhancement efforts will result in property value increases that exceed the costs we incur in such efforts, or even any increase at all.

The net assets in liquidation at September 30, 2019 ($29,771,511) and December 31, 2018 ($26,846,670) results in estimated liquidating distributions of approximately $20.08 and $18.11 per common share (based on 1,482,680 shares outstanding), respectively, based on estimates and other indications of sales value (predicated on current asset values) which includes some but not all of the potential sales proceeds that may result directly or indirectly from our land entitlement efforts. Some of the additional value that may be derived from the land entitlement efforts is not included in the estimated liquidating distributions as of September 30, 2019 and December 31, 2018. The Company believes the land entitlement efforts will enhance estimated distributions per share through the improved values from the sales of the Flowerfield and Cortlandt Manor properties. This estimate of liquidating distributions includes projections of costs and expenses to be incurred during the period required to complete the plan of liquidation. There is inherent uncertainty with these projections, and they could change materially based on the timing of the sales, improved values of the Cortlandt Manor and/or Flowerfield properties (whether market driven or resulting from the land entitlement efforts) net of any bonuses (if such values exceed the minimum values required to pay bonuses under the retention bonus plan), favorable or unfavorable changes in the land entitlement costs, the performance of the underlying assets, the market for commercial real estate properties generally and any changes in the underlying assumptions of the projected cash flows.

5. Estimated Liquidation and Operating Costs Net of Estimated Receipts

The liquidation basis of accounting requires the Company to estimate net cash flows from operations and to accrue all costs associated with implementing and completing the plan of liquidation. The Company currently estimates that it will incur liquidation and operating costs net of estimated receipts during the liquidation period, excluding the net proceeds from the real estate sales. These amounts can vary significantly due to, among other things, land entitlement costs, the timing and estimates for executing and renewing leases, capital expenditures to maintain the real estate at its current estimated realizable value and estimates of tenant improvement costs, the timing of property sales and any direct/indirect costs incurred that are related to the sales (e.g., retention bonuses on the sale of the Cortlandt Manor and Flowerfield properties, costs to address buy side due diligence inclusive of administrative fees, legal fees and property costs to address items arising from such due diligence and not previously known), the timing and amounts associated with discharging known and contingent liabilities and the costs associated with the winding up of operations. These costs are estimated and are anticipated to be paid during the liquidation period.

The change in the liability for estimated operating costs in excess of estimated receipts during liquidation from January 1, 2019 through September 30, 2019 has been calculated as follows:

	January 1, 2019	Expenditures/ (Receipts)	Remeasurement of Assets and Liabilities	September 30, 2019
Assets:				
Estimated rents and reimbursements	$ 3,418,285	$ (1,923,508)	$ 2,933,804	$ 4,428,581
Liabilities:				
Property operating costs	(2,084,955)	1,133,396	(1,778,848)	(2,730,407)
Tenant improvements	(465,844)	486,708	(20,864)	-
Common area capital expenditures	(665,000)	77,284	60,544	(527,172)

Land entitlement costs	(1,468,474)	1,054,509	(1,384,707)	(1,798,672)
Corporate expenditures	(4,904,367)	1,676,520	(3,383,081)	(6,610,928)
Selling costs on real estate assets	(2,437,076)	-	(505,567)	(2,942,643)
Retention bonus payments to Directors, executives and employees*	(1,984,733)	14,573	(1,422,560)	(3,392,720)
Less prepaid expenses and other assets	397,854	232,466	-	630,320
Liability for estimated liquidation and operating costs net of estimated receipts **	$ (10,194,310)	$ 2,751,948	$ (5,501,279)	$ (12,943,641)

*The amounts reported are based on the provisions of the retention bonus plan and the reported amount of the real estate assets estimated net realizable value.
** These estimates are based on the liquidation being completed by the 18-month extended timeline of December 31, 2021. The extension is driven by the subdivision process. The remeasurement is the result of the extension, entitlement costs and increased retention bonus payments and selling costs attributable to the increase in real estate values.

6. Disposition Activities

On August 27, 2019, the Company's wholly-owned subsidiary GSD Flowerfield, LLC entered into a Purchase and Sale Agreement (the "Agreement") for the sale of an approximately 9.0 acre parcel of vacant land in the Flowerfield complex in Smithtown, New York for $16,800,000 to BSL St. James LLC, a Delaware limited liability company ("BSL").

Under the Agreement: (i) BSL will have the right to terminate the Agreement, during an investigation period, by written notice to GSD if BSL is not fully satisfied, in its sole discretion, as to the status of title, suitability of the Premises and all factors concerning same, in which case BSL will have the right to receive a refund of its earnest money deposit; (ii) if BSL does not terminate the Agreement on or prior to the end of the investigation period, BSL will be obligated to deliver an additional earnest money deposit to the escrow agent, which together with the initial earnest money deposit will be applied toward the purchase price at closing; (iii) unless BSL terminates the Agreement on or prior to the end of the investigation period, the closing will occur on the 30th day following the earlier of (y) the Town of Smithtown's granting of the Site Plan Approval (as defined in the Agreement and as described below); or (z) BSL's waiver of the Site Plan Approval.

The Agreement is also contingent on the receipt of Subdivision Approval (as defined in the Agreement and as described below). The Subdivision Approval condition requires that GSD obtain a subdivision of the Gyrodyne/Flowerfield complex into separate parcels to create the Property (as generally depicted in the Agreement) within a specified time (the "Subdivision Approval Period") following the last day of the investigation period. If the Subdivision Approval is not obtained within the Subdivision Approval Period, each of GSD and BSL have the right to terminate the Agreement. BSL will also have a limited right to terminate the Agreement in the event the Subdivision Approval contains requirements specified in the Agreement. If Subdivision Approval has not been denied by the Town of Smithtown at or prior to the last day of the Subdivision Approval Period, GSD shall have the right to extend its time to obtain the Subdivision Approval for a specified period of time. If Subdivision Approval is not obtained within such additional time, each of GSD and BSL have the right to terminate the Agreement.

The Site Plan Approval is specifically delineated in the Agreement. If BSL fails to obtain the Site Plan Approval prior to the end of the site plan approval period, BSL may cancel the Agreement, waive the Site Plan Approval contingency, or extend the site plan period for a specified period upon the payment of an extension fee. If, after such extension, BSL fails to obtain the Site Plan Approval, BSL may cancel the Agreement, waive the Site Plan Approval contingency, or extend the site plan period for an additional specified period with a second non-refundable extension fee.

The Agreement also contains additional customary covenants, conditions, representations and warranties.

7. Loan Payable

The Company secured a non-revolving credit line for up to $3,000,000 (the "Original Line") with a bank, which closed on March 21, 2018. There was an interest only phase for the first eight months of the loan ("Interest-Only Phase"). On January 24, 2019, the Company amended and extended the Original Line which included extending the maturity date of the Interest-Only Phase to the earlier of January 20, 2020 or upon drawing down a total of $3,000,000 after which it automatically converts to a permanent loan maturing on the earlier of January 20, 2027 or 84 months after conversion to a permanent loan (the "Permanent Phase"). The interest rate during the Interest-Only Phase will be a

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The first advance of $1.1 million was used to finance the tenant improvements pursuant to the amended and expanded signed lease with Stony Brook University Hospital ("SBU Hospital"). An additional advance of $1.1 million was drawn on March 29, 2019 to finance the buildouts on leases signed through December 31, 2018. The balance of the loan can be drawn upon for improvements to be completed by the Company, as landlord, pursuant to future leases with the State University of New York or institutions affiliated with it (or other tenants subject to the bank's approval) anytime during the Interest-Only Phase.

To secure access to additional working capital through the final sale date of the Flowerfield industrial buildings, the Company secured a

To secure access to additional working capital through the final sale date of the Flowerfield industrial buildings, the Company secured a second loan evidenced by a non-revolving business line of credit agreement and promissory note with the Original Line bank for up to $3,000,000, which closed on January 24, 2019. There is an interest only phase for the first twenty-four months of the loan ("Interest-Only Phase") after which it automatically converts to a permanent loan maturing on January 20, 2028 (84 months after conversion to a permanent loan) (the "Permanent Phase"). The interest rate during the Interest-Only Phase shall be a variable rate equal to the daily highest prime rate published by the Wall Street Journal plus 100 basis points (1% rounded up to the nearest 1/8 percent), but in no event less than the initial interest rate in effect on the closing date (6.5%). During the Permanent Phase, the Company will pay interest at a fixed rate based on the Federal Home Loan Bank rate for a 7-year maturity as made available by the Federal Home Loan Bank of New York plus a margin of 200 basis points (2%) rounded up to the nearest 1/8 percent, plus principal based on a 20-year amortization period. Permanent Phase interest rate currently would be 4.125%. An advance of $1,000,000 was drawn on September 30, 2019 to fund working capital. The balance of $1,919,932 (net of closing costs of $80,068 and the aforementioned advance), is available to be drawn down.

Both lines are secured by approximately 31.8 acres of the Flowerfield Industrial Park including the related buildings and leases. As of September 30, 2019, the Company is in compliance with the loan covenants. The Company anticipates modifying the terms of the loan following the completion of the subdivision so that the loans remain secured by the subdivided industrial park lot only.

The loan payable matures upon the earlier of the sale of the Flowerfield Industrial Park or as follows:

Years Ending September 30,		
2020	$	71,399
2021		110,842
2022		115,501
2023		120,357
2024		125,417
Thereafter		2,736,552
Total	$	3,280,068

8. Income Taxes

As a limited liability company, Gyrodyne is not subject to an entity level income tax but rather is treated as a partnership for tax purposes, with its items of income, gain, deduction, loss and credit being reported on the Company's information return, on Form 1065, and allocated annually on Schedule K-1 to its members pro rata.

Prior to January 1, 2018, the Internal Revenue Service (the "IRS") would generally determine adjustments of income and deductions at the partnership level when auditing partnership tax returns, but was required to collect any additional taxes, interest and penalties from each of the partners.

The Bipartisan Budget Act of 2015 (the "2015 Act") changed this procedure for partnership tax audits and audit adjustments for partnership returns of large partnerships for fiscal years beginning after December 31, 2017. Pursuant to the 2015 Act, if any audit by the IRS of our income tax returns for any fiscal year beginning after December 31, 2017 results in any adjustments, the IRS may collect any resulting taxes, including any applicable penalties and interest, directly from Gyrodyne. IRS tax audit assessments on tax years beginning January 1, 2018 will require Gyrodyne to: a) bear any tax liability resulting from such audit, or b) elect to push out the tax audit adjustments to the respective shareholders once it has been calculated at the company level.

9. Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents. The Company places its temporary cash investments with high credit quality financial institutions and generally limits the amount of credit exposure in any one financial institution. The Company maintains bank account balances, which exceed insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash. Management does not believe significant credit risk existed at September 30, 2019 and December 31, 2018. As the Company executes on the sale of its assets, its regional concentration in tenants will lessen thereby resulting in the increased credit risk from exposure of the local economies.

For the nine-months ended September 30, 2019 rental income from the three largest tenants represented approximately 23%, 20% and 6% of total rental income. The three largest tenants by revenue as of September 30, 2019 consist of a state agency located in the industrial park, a medical tenant in the Cortlandt Manor Medical Center and an athletic facility in the industrial park, respectively.

10. Commitments

As of September 30, 2019, other commitments and contingencies are summarized in the below table:

Management employment agreements with bonus and severance commitment contingencies	$ 350,000
Other employee severance commitment contingencies	81,716
Total	$ 431,716

Employment agreements - The Company has an employment agreement with its Chief Executive Officer. This agreement provides for a bonus of $125,000 payable upon a change of control as defined in the agreement. In addition, this agreement provides for severance equivalent to 6 months of base salary and the vesting and related payment of the change of control bonus.

The Company also has an employment agreement with its Chief Operating Officer ("COO") executed on May 8, 2014 which provides for severance on a termination without cause equal to 6 months of base salary. On January 25, 2018, Gyrodyne entered into an amendment to the employment agreement with the COO to define with greater specificity the COO's duties and responsibilities with respect to the Company's properties.

Under Company policy the aggregate severance commitment contingency to other employees is approximately $81,716.

Retention Bonus Plan- In May 2014, the Board of Directors approved a retention bonus plan (as amended, the "Plan") designed to recognize the nature and scope of the responsibilities of our directors, executives and employees related to the Company's strategic plan to enhance the property values, liquidate and dissolve, to reward and incent performance in connection therewith, to align the interests of directors, executives and employees with our shareholders and to retain such persons during the term of such plan. The Plan provides for bonuses to directors, officers and employees determined by the gross sales proceeds from the sale of each property and the date of sale. There have been no further amendments to the terms of the Plan during the current reporting period.

The Plan provides for a bonus pool equal to 5% of each property's specified appraised value (set forth in the Plan), so long as the gross selling price of a property is at least equal to its 2013 appraised value as designated in the Plan. Additional funding of the bonus pool will occur on a property-by-property basis when the gross sales price of a property exceeds the Adjusted Appraised Value defined as the sum of (i) its 2013 appraised value and (ii) land development costs incurred on a property since the date of the 2013 appraisal, as follows: 10% on the first 10% of appreciation, 15% on the next 10% of appreciation and 20% on appreciation greater than 20%.

The bonus pool is distributable in the following proportions to the named participants in the bonus plan for so long as they are directors or employees of the Company:

Retention Bonus Plan Participants	Bonus Pool Percentage
Board Members(a)	65.000%
Chief Executive Officer	15.474%
Chief Operating Officer	13.926%
Officer Discretionary Amount (b)	1.750%
Other Employees	3.850%
Total	100.000%

(a) 15% for the Chairman and 50% for the directors other than the Chairman (10% for each of the other five directors).

(b) The officer discretionary amount of 1.75% is vested but not allocated and will be allocated to the officers within the discretion of the Board.

Such shares of the bonus pool are earned only upon the completion of the sale of a property at a gross selling price equal to or greater than its Adjusted Appraised Value and is paid to the named beneficiaries of the Plan or their designees within 60 days of the completion of such sale or, if later, within 60 days of receipt of any subsequent post-completion installment payment related to such sale.

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The Plan provides that no benefits are to be paid to participants from the sale of any individual post-subdivided lot from either of the Company's Flowerfield or Cortlandt Manor properties until aggregate sale proceeds from all sales of post-subdivided lots from such property exceed a designated aggregate floor for such property. The aggregate floor for each of the Flowerfield and Cortlandt Manor properties is defined in Amendment No. 3 to the Plan as the 2013 appraisal of such property plus land development costs incurred for such property since such appraisal.

The Plan provides for vesting of benefits upon the sale of each individual post-subdivision lot at Flowerfield and Cortlandt Manor. It also provides for entitlement to a future benefit in the event of death, voluntary termination following substantial reduction in compensation or board fees, mutually agreed separation to right-size the board or involuntary termination without cause, except that a participant will only be eligible to receive a benefit to the extent that a property is sold within three years following the separation event and the sale produces an internal rate of return equal to at least four percent of the property's value as of December 31 immediately preceding such event and that the sale exceeded the Adjusted Appraised Value.

The payments made under the Plan, relating to the settlement of master lease from the sale of the Virginia Health Care Center, during the nine-months ended September 30, 2019 were as follows:

Retention Bonus Plan Participants	Total	
Board of Directors	$	9,471
Chief Executive Officer		2,390
Chief Operating Officer		2,151
Other Employees		561
Total	$	14,573

11. Contingencies

Putative Class Action Lawsuit - On July 3, 2014, a purported stockholder of the Company filed a putative class action lawsuit against Gyrodyne Company of America, Inc. (the "Corporation") and members of its Board of Directors (the "Individual Defendants"), and against Gyrodyne Special Distribution, LLC ("GSD") and the Company (collectively, the "Defendants"), in the Supreme Court of the State of New York, County of Suffolk (the "Court"), captioned Cashstream Fund v. Paul L. Lamb, et al., Index No. 065134/2014 (the "Action"). The complaint alleged, among other things, that (i) the Individual Defendants breached their fiduciary duties or aided and abetted the breach of those duties in connection with the merger of the Corporation and GSD into the Company (the "Merger") and (ii) the Corporation and the Individual Defendants breached their fiduciary duties by failing to disclose material information in the proxy statement/prospectus relating to the Merger.

On August 14, 2015, the parties to the Action entered into a Stipulation of Settlement (the "Settlement") providing for the settlement of the Action, subject to the Court's approval. Under the Settlement, Gyrodyne amended its Proxy Statement on August 17, 2015 with certain supplemental disclosures and agreed that any sales of its properties would be effected only in arm's-length transactions at prices at or above their appraised values as of December 2014. The plaintiff, on behalf of itself and the members of the putative class it represents, agreed to release and dismiss with prejudice all claims that had or could have been asserted in the Action or in any other forum against the Defendants and their affiliates and agents arising out of or relating to the Merger and the other transactions alleged by plaintiff in its complaint, as supplemented. On April 8, 2016, the Court entered a Final Order and Judgment approving the Settlement. By order of the same date, the Court also granted plaintiff's application for an award of attorney's fees and reimbursement of expenses in the amount of $650,000 which was paid in full in April 2016.

As of September 30, 2019 and December 31, 2018, the value of the remaining unsold properties was above the respective 2014 appraised value.

General - In the normal course of business, the Company is a party to various legal proceedings. After reviewing all actions and proceedings pending against or involving the Company, management considers that any loss resulting from such proceedings individually or in the aggregate will not be material to the Company's financial statements.

12. Fair Value of Financial Instruments

Assets and Liabilities Measured at Fair-Value – The Company believes the concepts for determining net realizable value are consistent with the guidance for measuring fair value. As a result, the Company follows authoritative guidance on fair value measurements, which defines fair-value, establishes a framework for measuring fair-value, and expands disclosures about fair-value measurements. The guidance applies to reported balances that are required or permitted to be measured at fair-value under existing accounting pronouncements.

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The Company follows authoritative guidance on the fair value option for financial assets, which permits companies to choose to measure certain financial instruments and other items at fair-value in order to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently. However, the Company adopted the liquidation basis of accounting, and therefore reports all assets and liabilities at net realizable value.

The guidance emphasizes that fair-value is a market-based measurement, not an entity-specific measurement. Therefore, a fair-value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair-value measurements, the guidance establishes a fair-value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy, as defined under FASB ASC Topic No. 820, Fair Value Measurements) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

In instances where the determination of the fair-value measurement is based on inputs from different levels of the fair-value hierarchy, the level in the fair-value hierarchy within which the entire fair-value measurement falls is based on the lowest level input that is significant to the fair-value measurement in its entirety. Our assessment of the significance of a particular input to the fair-value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Fair Value Measurements - The Company adopted the liquidation basis of accounting effective September 1, 2015; accordingly, the Company reports all real estate at their net realizable value.

The Company estimates the net realizable value of its real estate assets by using income and market valuation techniques. The Company may estimate net realizable values using market information such as broker opinions of value, appraisals, and recent sales data for similar assets or discounted cash flow models, which primarily rely on Level 3 inputs. The cash flow models include estimated cash inflows and outflows over a specified holding period. These cash flows may include contractual rental revenues, projected future rental revenues and expenses and forecasted tenant improvements and lease commissions based upon market conditions determined through discussion with local real estate professionals, experience the Company has with its other owned properties in such markets and expectations for growth. Capitalization rates and discount rates utilized in these models are estimated by management based upon rates that management believes to be within a reasonable range of current market rates for the respective properties based upon an analysis of factors such as property and tenant quality, geographical location and local supply and demand observations. To the extent, the Company underestimates forecasted cash outflows (tenant improvements, lease commissions and operating costs) or overestimates forecasted cash inflows (rental revenue rates), the estimated net realizable value of its real estate assets could be overstated.

13. Related Party Transactions

The Company has entered into various leasing arrangements with a not-for-profit organization of which the Company's Chairman, Paul Lamb, serves as Chairman and a director but receives no compensation or any other financial benefit. A summary of the leasing arrangements is as follows:

Term	Square Feet	Annual Rent	Total Commitment (net of abatement, excluding renewal options)	Additional Commitment (assumes two-year renewal options are exercised)
Jan 2019-Dec 2020	2,284	$ 19,414	$ 38,828	$ 38,828
Jan 2019-Dec 2020	1,817	-(a)	-(a)	-(a)
Jan 2019-Dec 2020	1,905	$ 16,193	$ 32,385	$ 32,385

(a) In February 2019, the Company amended the square footage under the master lease with the not-for-profit originally entered into in August 2016. The Company understood that the tenant's main intent was to sublease the space to artists, on a short-term basis, after which such subtenant artists would transition into their own space leased directly from the Company. Under the master lease, the tenant has the right to sublease the space without prior written consent for use as an art studio, art school or related use. Under the terms of the master lease, rent is payable by the tenant only to the extent the space is sublet, at the rent amount per square foot payable by the subtenant up to a maximum of $10 per square foot per year. The lease originally was for 2,130 square feet. The amended maximum annual and total lease commitment of up to $18,170 and $36,340, respectively. Approximately $3,500 in improvements were provided. Any space not subleased may be used by the tenant rent-free for certain stated art uses, although the tenant is responsible for certain passthrough expenses such as electric and heat. Since rent is only due if the space is sublet, the Company believes the fair value of the space to the extent not sublet reflects a below market lease over the term ending September 30, 2019 of $13,627 and total commitments including two-year renewal option of up to $72,680.

During the nine-months ended September 30, 2019, the Company received rental revenue of $25,818 related to these lease agreements.

The independent members of the Board of the Company approved all of the leasing transactions described above.

The Chairman is also a partner of the firm Lamb & Barnosky, LLP that provided pro bono legal representation to the aforementioned not-for-profit corporation on the lease.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Fair Value Measurements - The Company adopted the liquidation basis of accounting effective September 1, 2015; accordingly, the Company reports all real estate at their net realizable value.

The Company estimates the net realizable value of its real estate assets by using income and market valuation techniques. The Company may estimate net realizable values using market information such as broker opinions of value, appraisals, and recent sales data for similar assets or discounted cash flow models, which primarily rely on Level 3 inputs. The cash flow models include estimated cash inflows and outflows over a specified holding period. These cash flows may include contractual rental revenues, projected future rental revenues and expenses and forecasted tenant improvements and lease commissions based upon market conditions determined through discussion with local real estate professionals, experience the Company has with its other owned properties in such markets and expectations for growth. Capitalization rates and discount rates utilized in these models are estimated by management based upon rates that management believes to be within a reasonable range of current market rates for the respective properties based upon an analysis of factors such as property and tenant quality, geographical location and local supply and demand observations. To the extent, the Company underestimates forecasted cash outflows (tenant improvements, lease commissions and operating costs) or overestimates forecasted cash inflows (rental revenue rates), the estimated net realizable value of its real estate assets could be overstated.

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Jan 2019-Dec 2020	1,817	-(a)	-(a)	-(a)
Jan 2019-Dec 2020	1,905	$ 16,193	$ 32,385	$ 32,385

(a) In February 2019, the Company amended the square footage under the master lease with the not-for-profit originally entered into in August 2016. The Company understood that the tenant's main intent was to sublease the space to artists, on a short-term basis, after which such subtenant artists would transition into their own space leased directly from the Company. Under the master lease, the tenant has the right to sublease the space without prior written consent for use as an art studio, art school or related use. Under the terms of the master lease, rent is payable by the tenant only to the extent the space is sublet, at the rent amount per square foot payable by the subtenant up to a maximum of $10 per square foot per year. The lease originally was for 2,130 square feet. The amended maximum annual and total lease commitment of up to $18,170 and $36,340, respectively. Approximately $3,500 in improvements were provided. Any space not subleased may be used by the tenant rent-free for certain stated art uses, although the tenant is responsible for certain passthrough expenses such as electric and heat. Since rent is only due if the space is sublet, the Company believes the fair value of the space to the extent not sublet reflects a below market lease over the term ending September 30, 2019 of $13,627 and total commitments including two-year renewal option of up to $72,680.

During the nine-months ended September 30, 2019, the Company received rental revenue of $25,818 related to these lease agreements.

The independent members of the Board of the Company approved all of the leasing transactions described above.

The Chairman is also a partner of the firm Lamb & Barnosky, LLP that provided pro bono legal representation to the aforementioned not-for-profit corporation on the lease.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

When we use the terms "Gyrodyne," the "Company," "we," "us," and "our," we mean Gyrodyne, LLC and all entities owned or controlled by us, including non-consolidated entities. References to "common shares" in this report refer to Gyrodyne, LLC's common shares representing limited liability company interests. References herein to our Quarterly Report are to this Quarterly Report on Form 10-Q for the nine-months ended September 30, 2019.

Cautionary Note Concerning Forward–Looking Statements. This quarterly report on Form 10-Q may contain "forward-looking information" within the meaning of the Private Securities Litigation Reform Act of 1995, and Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, each as amended, which can be identified by the use of forward-looking terminology such as "may," "will," "anticipates," "expects," "projects," "estimates," "believes," "seeks," "could," "should," or "continue," the negative thereof, and other variations or comparable terminology as well as statements regarding the evaluation of strategic alternatives and liquidation contingencies. These forward-looking statements are based on the current plans and expectations of management and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those reflected in such forward-looking statements. Such risks and uncertainties include, but are not limited to, risks and uncertainties relating to our efforts to enhance the values of our remaining properties and seek the orderly, strategic sale and liquidation of such properties as soon as reasonably practicable, the effect of economic and business conditions, risks inherent in the real estate markets of Suffolk and Westchester Counties in New York, the ability to obtain additional capital in order to enhance the value of the Flowerfield and Cortlandt Manor properties, risks and uncertainties associated with any litigation that may develop in connection with our efforts to sell our properties strategically, including related enhancement efforts, and other risks detailed from time to time in the Company's SEC reports. Consequently, all of the forward-looking statements made in this report are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by Gyrodyne will be realized or, even if substantially realized, will have the expected consequences. The Company assumes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Overview

Gyrodyne, LLC (including its subsidiaries, "Gyrodyne", the "Company" or the "Registrant") is a limited liability company formed under the laws of the State of New York whose primary business is the management of a portfolio of medical office and industrial properties and the pursuit of entitlements on such properties located in Suffolk and Westchester Counties, New York.

Substantially all of our developed properties are subject to leases in which the tenant reimburses the Company for a portion, all of or substantially all of the costs and/or cost increases for utilities, insurance, repairs, maintenance and real estate taxes. Certain leases provide that the Company is responsible for certain operating expenses.

Gyrodyne's corporate strategy is to enhance the value of our Flowerfield and Cortlandt Manor properties by pursuing entitlement opportunities and enhancing the value of its leases so that such properties can be sold at higher prices and generate larger distributions to our shareholders during the liquidation process than those achievable under current entitlements. The Board believes the aforementioned strategy will improve the potential of increasing the values for such properties. The value of the real estate reported in the consolidated statements of net assets as of September 30, 2019 and December 31, 2018 (predicated on current asset values) includes some but not all of the potential value impact that may result from such value enhancement efforts. There can be no assurance that our value enhancement efforts will result in property value increases that exceed the costs we incur in such efforts, or even any increase at all.

Our efforts to generate the highest values for Flowerfield and Cortlandt Manor may involve in limited circumstances the pursuit of joint venture relationships, other investments and/or other strategies to enhance the net value of Flowerfield and Cortlandt Manor to maximize the returns for our shareholders. The Company does not expect the pursuit of joint ventures, if any, to adversely affect the timing of distributions to our shareholders. Gyrodyne intends to dissolve after it completes the disposition of all of its real property assets, applies the proceeds of such dispositions first to settle any debts and claims, pending or otherwise, against Gyrodyne, and then makes liquidating distributions to holders of Gyrodyne common shares. The liquidation process and the amount and timing of distributions involve risks and uncertainties. As such, it is impossible at this time to determine the ultimate amount of proceeds that will actually be distributed to our shareholders or the timing of such payments. Accordingly, no assurance can be given that the distributions will equal or exceed the estimate of net assets in liquidation presented in our Consolidated Statements of Net Assets. The actual nature, amount and timing of all distributions will be determined by Gyrodyne's Board in its sole discretion and will depend in part upon the Company's ability to convert our remaining assets into cash in compliance with our obligations under the Stipulation of Settlement entered into in connection with the class action lawsuit (See Item 3 – Legal Proceedings) and settle and pay our remaining liabilities and obligations. Under Gyrodyne's Amended and Restated Limited Liability Company Agreement (the "LLC Agreement"), dissolution of the Company may be effected upon the vote of holders of a majority of Gyrodyne common shares or, in the Board's discretion and without any separate approval by the holders of the Gyrodyne common shares, at any time the value of Gyrodyne's assets, as determined by the Board in good faith, is less than $1,000,000.

We remain committed on (1) enhancing the net value of Flowerfield and Cortlandt Manor to maximize the returns for our shareholders, (2) completing the disposition of our assets, (3) making timely distributions to our shareholders, (4) managing capital and liquidity, (5) mitigating risks relating to interest rates and real estate cycles and (6) completing the liquidation of the Company.

After giving effect to the Company's dispositions of real property through September 30, 2019, the Company owns the following properties:

- the Cortlandt Manor Medical Center comprising approximately 34,000 square feet situated on approximately 13.8 acres; and
- the Flowerfield Industrial Park comprising approximately 127,000 rentable square feet. The industrial park is multi-tenanted and situated on ten acres of a 68-acre property in St. James, New York, all of which is owned by the Company. Approximately 62 of the 68 acres are included in the subdivision application filed with the Town of Smithtown.

Each of the medical office park in Cortlandt Manor and the Flowerfield Industrial Park (including its undeveloped portion) is individually owned in a single asset limited liability company wholly owned by the Company.

Strategic Plan to Enhance Property Values, Liquidate, Distribute Proceeds and Dissolve

Our corporate strategy is to pursue entitlement opportunities intended to increase the values of our two remaining properties so that they can be sold to one or more developers at higher prices (than those achievable under their current entitlements) that will maximize value during the liquidation process. Gyrodyne intends to dissolve after it completes the disposition of all of its real property assets, applies the proceeds of such dispositions first to settle any debts and claims, pending or otherwise, against Gyrodyne, and then makes liquidating distributions to holders of Gyrodyne common shares. We are unable to predict the precise nature, amount or timing of such distributions. To accomplish this, the Company's plan consists of:

- managing the real estate portfolio to improve operating cash flow while simultaneously increasing the market values of the underlying properties;
- managing the strategic sale of real estate assets;
- pursuing the entitlement efforts of the Flowerfield and Cortlandt Manor properties, to maximize value;
- focusing use of capital by the Company to preserve or improve the market value of the real estate portfolio; and
- balancing working capital and funds available for the entitlement process.

Gyrodyne's dual strategy is to enhance the value of Flowerfield and Cortlandt Manor by pursuing entitlement opportunities while simultaneously enhancing the value of its leases. The Board believes the aforementioned dual strategy will improve the potential of increasing the values for such properties. The value of the real estate reported in the consolidated statements of net assets as of September 30, 2019 and December 31, 2018 (predicated on current asset values) includes some but not all of the potential value impact that may result from such value enhancement efforts. There can be no assurance that our value enhancement efforts will result in property value increases that exceed the costs we incur in such efforts, or even any increase at all. Our efforts to generate the highest values for Flowerfield and Cortlandt Manor may involve, in limited circumstances, the pursuit of joint venture relationships, and other investments and/or other strategies to maximize the returns for our shareholders. The Company does not expect the pursuit of joint ventures, if any, to adversely affect the timing of the distributions to our shareholders.

The Company completed tenant improvements (invested approximately $100,000 in 2017, $1.2 million in 2018 and $200,000 in 2019) at Flowerfield to convert certain existing industrial space into office space pursuant to amended and new leases with Stony Brook University and institutions affiliated with it, respectively, which collectively comprise approximately 34,000 square feet of leases. In addition, the Company also completed approximately $300,000 in tenant improvements (approximately $40,000 in 2018 and $260,000 in 2019) that is associated with a 16,000 square foot lease signed in late 2018. The tenant improvements for such respective leases signed in the year ended December 31, 2018 of approximately $1.80 million, which was financed with a non-revolving credit line (rather than cash on hand) secured by the Flowerfield industrial buildings and the specific tax lot they reside on, is associated with $6.4 million in rent commitments. The additional value from the above-mentioned leases signed during the year ended December 31, 2018 and the estimated cost of the related tenant improvements were included in the respective financial statements in the period such values or costs were probable and estimable.

Sales of properties by Gyrodyne could take the form of individual sales of assets, as has been our recent experience in Port Jefferson, sales of groups of assets, a single sale of all or substantially all of the assets or some other form of sale. The assets may be sold to one or more purchasers in one or more transactions over a period of time.

A sale of substantially all of the assets of the Company would require shareholder approval under New York law. However, in the event of the sale of individual properties, that do not constitute substantially all of the Company's assets, it is not required or anticipated that any shareholder votes will be solicited. The prices at which the various assets may be sold depend largely on factors beyond our control, including, without limitation, the condition of financial and real estate markets, the availability of financing to prospective purchasers of the assets, regulatory approvals, public market perceptions, and limitations on transferability of certain assets.

We cannot give any assurance on the timing of the ultimate sale of all of the Company's properties. Assuming the liquidation process is completed by December 31, 2021 and giving effect to the estimated cash flows from the operation of our existing properties, we expect that Gyrodyne will have a cash balance at December 31, 2021 of approximately $29.77 million, prior to any future special distributions based on the estimate of net assets in liquidation presented in our Consolidated Statements of Net Assets. Such cash would equate to future liquidating distributions of $20.08 per share based on Gyrodyne having 1,482,680 common shares outstanding. These estimated distributions are based on values at September 30, 2019 and include some but not all the potential value that may be derived from the entitlement efforts to maximize the value of Flowerfield and Cortlandt Manor. While the real estate market is dynamic and the economy is volatile, the Company believes that the increase in estimated distributions resulting from these enhancement efforts will exceed the remaining estimated $1.8 million investment in those efforts, although there can be no assurance of such excess or whether any appreciation at all will be realized.

The Consolidated Statements of Net Assets are based on certain estimates. Uncertainties as to the precise value of our non-cash assets, which include some but not all of the estimated potential additional value from the costs incurred to pursue the maximum value on Flowerfield and Cortlandt Manor through the entitlement efforts (including the pursuit of special permits) and the ultimate amount of our liabilities make it impracticable to predict the aggregate net value ultimately distributable to shareholders in a liquidation. Land entitlement costs, claims, liabilities and expenses from operations, including operating costs, salaries, income taxes, payroll and local taxes, legal, accounting and consulting fees and miscellaneous office expenses, will continue to be incurred during our liquidation process, which includes certain enhancement efforts. Excluding the value that may be achieved from the entitlement efforts, expenses incurred in pursuing the Company's business plan will reduce the amount of assets available for ultimate distribution to shareholders, and, while a precise estimate of those expenses cannot currently be made, management and our Board believe that available cash and amounts received on the sale of assets will be adequate to provide for our obligations, liabilities, expenses and claims (including contingent liabilities) and to make cash distributions to shareholders. However, no assurances can be given that available cash (including amounts available under our credit facilities) and amounts received on the sale of assets will be adequate to provide for our obligations, liabilities, expenses and claims and to make cash distributions to shareholders. If such available cash and amounts received on the sale of assets are not adequate to provide for our obligations, liabilities, expenses and claims, distributions of cash and other assets to our shareholders would be eliminated. In the event our shareholders receive distributions from Gyrodyne and there are insufficient funds to pay any creditors who seek payment of claims against Gyrodyne, shareholders could be held liable for payments made to them and could be required to return all or a part of the distributions made to them.

Properties Under Contract

On August 27, 2019, the Company's wholly-owned subsidiary GSD Flowerfield, LLC entered into a Purchase and Sale Agreement (the "Agreement") for the sale of an approximately 9.0 acre parcel of vacant land in the Flowerfield complex in Smithtown, New York for $16,800,000 to BSL St. James LLC. A Delaware limited liability company ("BSL").

Under the Agreement: (i) BSL will have the right to terminate the Agreement, during an investigation period, by written notice to GSD if BSL is not fully satisfied, in its sole discretion, as to the status of title, suitability of the Premises and all factors concerning same, in which case BSL will have the right to receive a refund of its earnest money deposit; (ii) if BSL does not terminate the Agreement on or prior to the end of the investigation period, BSL will be obligated to deliver an additional earnest money deposit to the escrow agent, which together with the initial earnest money deposit will be applied toward the purchase price at closing; (iii) unless BSL terminates the Agreement on or prior to the end of the investigation period, the closing will occur on the 30th day following the earlier of (y) the Town of Smithtown's granting of the Site Plan Approval (as defined in the Agreement and as described below); or (z) BSL's waiver of the Site Plan Approval.

The Agreement is also contingent on the receipt of Subdivision Approval (as defined in the Agreement and as described below). The Subdivision Approval condition requires that GSD obtain a subdivision of the Gyrodyne/Flowerfield complex into separate parcels to create the Property (as generally depicted in the Agreement) within a specified time (the "Subdivision Approval Period") following the last day of the investigation period. If Subdivision Approval is not obtained within the Subdivision Approval Period, each of GSD and BSL have the right to terminate the Agreement. BSL will also have a limited right to terminate the Agreement in the event the Subdivision Approval contains requirements specified in the Agreement. If Subdivision Approval has not been denied by the Town of Smithtown at or prior to the last day of the Subdivision Approval Period, GSD shall have the right to extend its time to obtain the Subdivision Approval for a specified period of time. If Subdivision Approval is not obtained within such additional time, each of GSD and BSL have the right to terminate the Agreement.

The Site Plan Approval is specifically delineated in the Agreement. If BSL fails to obtain the Site Plan Approval prior to the end of the site plan approval period, BSL may cancel the Agreement, waive the Site Plan Approval contingency, or extend the site plan period for a specified period upon the payment of an extension fee. If, after such extension, BSL fails to obtain the Site Plan Approval, BSL may cancel the Agreement, waive the Site Plan Approval contingency, or extend the site plan period for an additional specified period with a second non-refundable extension fee.

The Agreement also contains additional customary covenants, conditions, representations and warranties.

Property Value Enhancement

The Company is pursuing entitlements to maximize the value of Flowerfield and Cortlandt Manor. During the nine-months ended September 30, 2019, the Company incurred approximately $1.05 million of land entitlement costs, consisting predominantly of engineering costs to support the Company's respective entitlement efforts. We estimate that the Company may incur approximately $1.8 million in land entitlement costs through December 31, 2021 in pursuit of entitlements (approximately $500,000 in Cortlandt Manor and $1,300,000 in Flowerfield).

The Company is focusing its resources on positioning the properties to be sold with all entitlements necessary to achieve maximum pre-construction values in the shortest period of time with the least amount of risk to the Company. During the process of pursuing such entitlements, the Company may entertain offers from potential buyers who may be willing to pay prices for the properties that the Company finds more attractive from a timing or value perspective than values we believe may be reasonably achievable through completing the entitlement process ourselves. While the real estate market is dynamic, the economy is uncertain and there can be no assurances, we anticipate that these expenditures will result in higher sale prices of the properties and larger liquidating distributions to our shareholders than could otherwise be achievable.

Cortlandt Manor. On March 15, 2016, the Town of Cortlandt Manor (the "Town") adopted a 2016 Sustainable Comprehensive Plan (the "Plan") of which one key strategy was the simultaneous creation of a Medical Oriented District. The purpose of the proposed Medical Oriented District ("MOD") is to expand the Town's existing medical infrastructure and encourage economic development, including capital investment, job creation and housing options. The MOD would allow for a continuum of care, i.e., independent living, assisted living and nursing/hospital care, within or in neighboring facilities by centralizing medical services and related activities. As a designated zoning district, the MOD could include hospital, ambulatory surgery, primary and urgent care, hospice, laboratories, social services, boutique hotels, retail and a wide range of housing.

The Company's existing 33,871 square foot Cortlandt Medical Center, inclusive of approximately 13.8 acres, is located directly opposite New York Presbyterian's Hudson Valley Hospital Center and within the boundaries of the MOD. The Company has committed resources toward both market research and feasibility studies in support of achieving entitlements to maximize the value of the property. For approximately three years the Company along with its planner and engineers have been working closely with the Town to identify issues and solutions involved in creating the Plan and more specifically, the MOD.

On March 31, 2017, The Company filed an application with the Town to develop the Cortlandt Manor property, as follows:

SUBDIVISION LOT #	BUILDING SIZE/YIELD
Medical office	100,000 sft
Multi-family apartments	200 units
Retail	4,000 sft

The Company has been working with Town officials on entitlement complexity, environmental impact studies, traffic mitigation, effluent mitigation, financial impact and other variables to conform our application with the Town's vision on the MOD.

The entitlement costs for the nine-months ended September 30, 2019 associated with the ownership and development of this property were $306,911. Total entitlement costs from December 2013 were $2,024,176, consisting of architectural and engineering costs, legal expenses, economic analysis, soil management, surveys and two property acquisitions totaling $557,057.

As a property owner with eligible parcels in this district, Gyrodyne submitted an Environmental Assessment Form to the Town of Cortlandt Planning Department in December 2017 to support its application to receive a MOD campus designation. Once designated, the parcels would be governed by the use, dimensional and other provisions of the MOD zoning regulations and MOD zoning would replace the existing zoning. While the MOD zoning has not been formally adopted, Gyrodyne is proposing medical office and residential use with limited retail and has designed the site to function as part of a future "hamlet center" with mixed use, streetscape improvements, a hamlet green and public plaza, and significant open space around Orchard Lake.

The Town of Cortlandt Planning Department hosted two public hearing community outreach meetings in June and August 2018 where the Company presented its development plan for the Cortlandt Manor property. As anticipated, on August 7, 2018, the Town Planning Board

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The Town of Cortlandt Planning Department hosted two public hearing community outreach meetings in June and August 2018 where the Company presented its development plan for the Cortlandt Manor property. As anticipated, on August 7, 2018, the Town Planning Board formally issued a "positive declaration" under the State Environmental Quality Review Act ("SEQRA"), i.e., a declaration that the project may result in one or more significant environmental impacts and will require the preparation of an Environmental Impact Statement ("EIS"), the scope of which was also adopted. On August 28, 2018, the Town filed the Scope for a Draft Generic Environmental Impact Statement ("DGEIS") with input from Gyrodyne for both the MOD zoning and the proposed uses so that upon adoption, minimal further SEQRA review should be required to develop the property. On September 17, 2019 the Town of Cortlandt Town Board as Lead Agency under SEQR adopted a resolution accepting the DGEIS as complete for public review. The first public hearing on the DGEIS is scheduled for November 19, 2019. A second public hearing on the DGEIS is anticipated and will occur in December 2019 or January 2020. Subsequent to DGEIS public hearings and public comment period, a Final GEIS will be prepared and is anticipated to be accepted by the Town Board with SEQR completed in the second quarter of 2020. Subdivision and site plan public hearings will occur simultaneous with the Town Planning Board during the first and second quarters of 2020. The Town Board is anticipated to adopt a MOD designation for the property in third quarter of 2020 with subdivision and site plan approval granted by the Town Planning Board occurring in the third quarter/early fourth quarter of 2020.The Company does not plan on developing the property but rather positioning the property to be sold with all entitlements necessary to achieve maximum pre-construction value for the Company in the shortest period of time with the least amount of risk to the Company.

Flowerfield. Following market research and related feasibility studies, we identified the entitlements that we believe will maximize the value of Flowerfield in the shortest amount of time with the lowest amount of risk. The Company has been in discussions with the Town of Smithtown on the potential real estate development projects identified by the market research and feasibility studies, all of which currently fall within our "as of right to build" zoning. We are also exploring with the Town of Smithtown whether it would be amenable to certain entitlements, special permits, or other concessions that would allow for the identified development projects.

In March 2017, the Company filed a pre-subdivision application with the Town of Smithtown (the "Pre-application") for the Flowerfield property along with the previously sold (2002) catering hall facility for an eight-lot subdivision which the Town of Smithtown has determined must be processed as a nine-lot subdivision in response to certain comments received from the planning department. In June 2017, the Company filed a subdivision application with the Town of Smithtown based on feedback provided by the Town of Smithtown staff in the pre-application process. Because of the property's location within 500 feet of a municipal boundary and a state road, the Town of Smithtown referred the Company's subdivision application to the Suffolk County Planning Commission as required by the Suffolk County Administrative Code and the New York State General Municipal Law.

On August 2, 2017, the Suffolk County Planning Commission voted 11-0 to approve Gyrodyne's subdivision application without conditions. Although the approval by the Suffolk County Planning Commission is not binding on the Town of Smithtown, the approval without conditions means that the requisite vote threshold for the application at the Town of Smithtown's Planning Board is a simple majority.

On November 15, 2017, the Town of Smithtown Planning Board conducted a public hearing where the Company presented its subdivision plan of the Flowerfield property. On April 11, 2018, the Planning Board determined that the subdivision plan may result in one or more significant environmental impacts which will require the preparation of an Environmental Impact Statement. As a result, at the April 11, 2018 Planning Board meeting, the Planning Board issued a SEQRA Positive Declaration, which was rescinded and re-issued by Planning Board Resolution dated May 9, 2018 to include a public scoping process. The then current Town Planning Board Chairman communicated that a Positive Declaration will require up to one year to complete the SEQRA process. The Town issued the Final Scope on July 7, 2018. On August 15, 2018, the Company submitted the EIS to the Town of Smithtown Planning Department prior to the public hearing. The Company received comments on its EIS at the end of the third quarter of 2018 and submitted its response to the Town of Smithtown Planning Department on February 15, 2019. On June 4, 2019, the Company submitted its responses to the Town's additional comments. On July 3, 2019, the Company received additional comments on its EIS. and submitted its response to the Town of Smithtown Planning Department on August 28, 2019. On September 24, 2019 the company received additional comments on its EIS and submitted its response to the Town of Smithtown Planning Department on September 25, 2019. The Company anticipates the Town of Smithtown Planning Department accepting of the DEIS as complete for public review in the fourth quarter of 2019.

The entitlement costs for the nine-months ended September 30, 2019 associated with the ownership and development of this property was $747,598. Total entitlement costs from December 2013 consisted of architectural and engineering costs, legal expenses, economic analysis, soil management and surveys were $3,517,405. The Company owns an additional 5.2 acres bordering the industrial park that are currently zoned residential and are not part of the subdivision application. The Company is pursuing the sale of these residential lots.

While we cannot predict the outcome of the subdivision application, we have undertaken to subdivide the Flowerfield property in a manner that we believe will result in maximum pre-construction values in the shortest amount of time and limited risk.

Flowerfield Industrial Park Value Enhancement Strategy. The Company's strategy is to: a) pursue entitlements to maximize the pre-construction value of Flowerfield and b) enhance the value of the Flowerfield Industrial Park's current buildings even further by expanding our relationship with our largest tenant, Stony Brook University and institutions affiliated with it.

The Company's strategy to maximize the value of the Flowerfield Industrial Park includes repositioning the park's industrial buildings to service Stony Brook University and institutions affiliated with it, inclusive of Stony Brook University Hospital, while also making it a

Flowerfield. Following market research and related feasibility studies, we identified the entitlements that we believe will maximize the value of Flowerfield in the shortest amount of time with the lowest amount of risk. The Company has been in discussions with the Town of Smithtown on the potential real estate development projects identified by the market research and feasibility studies, all of which currently fall within our "as of right to build" zoning. We are also exploring with the Town of Smithtown whether it would be amenable to certain entitlements, special permits, or other concessions that would allow for the identified development projects.

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On November 15, 2017, the Town of Smithtown Planning Board conducted a public hearing where the Company presented its subdivision plan of the Flowerfield property. On April 11, 2018, the Planning Board determined that the subdivision plan may result in one or more significant environmental impacts which will require the preparation of an Environmental Impact Statement. As a result, at the April 11, 2018 Planning Board meeting, the Planning Board issued a SEQRA Positive Declaration, which was rescinded and re-issued by Planning Board Resolution dated May 9, 2018 to include a public scoping process. The then current Town Planning Board Chairman communicated that a Positive Declaration will require up to one year to complete the SEQRA process. The Town issued the Final Scope on July 7, 2018. On August 15, 2018, the Company submitted the EIS to the Town of Smithtown Planning Department prior to the public hearing. The Company received comments on its EIS at the end of the third quarter of 2018 and submitted its response to the Town of Smithtown Planning Department on February 15, 2019. On June 4, 2019, the Company submitted its responses to the Town's additional comments. On July 3, 2019, the Company received additional comments on its EIS. and submitted its response to the Town of Smithtown Planning Department on August 28, 2019. On September 24, 2019 the company received additional comments on its EIS and submitted its response to the Town of Smithtown Planning Department on September 25, 2019. The Company anticipates the Town of Smithtown Planning Department accepting of the DEIS as complete for public review in the fourth quarter of 2019.

The entitlement costs for the nine-months ended September 30, 2019 associated with the ownership and development of this property was $747,598. Total entitlement costs from December 2013 consisted of architectural and engineering costs, legal expenses, economic analysis, soil management and surveys were $3,517,405. The Company owns an additional 5.2 acres bordering the industrial park that are currently zoned residential and are not part of the subdivision application. The Company is pursuing the sale of these residential lots.

While we cannot predict the outcome of the subdivision application, we have undertaken to subdivide the Flowerfield property in a manner that we believe will result in maximum pre-construction values in the shortest amount of time and limited risk.

Flowerfield Industrial Park Value Enhancement Strategy. The Company's strategy is to: a) pursue entitlements to maximize the pre-construction value of Flowerfield and b) enhance the value of the Flowerfield Industrial Park's current buildings even further by expanding our relationship with our largest tenant, Stony Brook University and institutions affiliated with it.

The Company's strategy to maximize the value of the Flowerfield Industrial Park includes repositioning the park's industrial buildings to service Stony Brook University and institutions affiliated with it, inclusive of Stony Brook University Hospital, while also making it a cultural destination (arts, health and wellness center) for the community. The Company believes this strategy will enhance the value of the entitlements while also increasing the cashflow and market value of the industrial buildings.

Our business relationship with Stony Brook University and institutions affiliated with it has expanded from approximately 16,000 square feet in the third quarter of 2017 (the beginning of the repositioning strategy) to approximately 27,000 square feet at September 30, 2019. The annual lease commitments (as of September 30, 2019) to service Stony Brook University and institutions affiliated with it, inclusive of Stony Brook University Hospital is $628,442 (most of which is not up for renewal until 2025).

Healthcare Industry

Our tenants in our Cortlandt Manor property are healthcare service providers. Furthermore, the Company has expanded its leasing relationship with Stony Brook University, Stony Brook University Hospital and affiliates of Stony Brook University Hospital at our Flowerfield property which may increase its exposure to the healthcare industry. The healthcare industry is subject to substantial regulation and faces increased regulation particularly relating to fraud, waste and abuse, cost control and healthcare management. The healthcare industry may experience a significant expansion of applicable federal, state or local laws and regulations, previously enacted or future healthcare reform, new interpretations of existing laws and regulations or changes in enforcement priorities, all of which could materially impact the business and operations of our tenants and therefore the marketability of our properties.

The Patient Protection and Affordable Care Act of 2010 (the "ACA") impacted the healthcare marketplace by decreasing the number of uninsured individuals in the United States through the establishment of health insurance exchanges to facilitate the purchase of health insurance, expanded Medicaid eligibility, subsidized insurance premiums and included requirements and incentives for businesses to provide healthcare benefits. The ACA remains subject to continuing and increasing legislative and administrative scrutiny, including current efforts by Congress and the current presidential administration to repeal, alter and replace the ACA in total or in part. In 2017, Congress unsuccessfully sought to replace substantial parts of the ACA with different mechanisms for facilitating insurance coverage in the commercial and Medicaid markets, but was able to enact legislation eliminating the tax penalty for individuals who do not purchase insurance. Additionally, the Centers for Medicare and Medicaid Services ("CMS") discontinued providing cost-sharing reduction subsidies to insurance providers, which is expected to have the result of increasing the cost of insurance premiums. Further, CMS has begun approving waivers permitting states to alter state Medicaid programs by, among other things, requiring individuals to meet certain requirements, such as work requirements, in order to maintain eligibility for Medicaid. These and other actions may impact the insurance markets and reduce the number of individuals purchasing insurance or qualifying for Medicaid and may negatively impact the operations and financial condition of our medical office tenants, which in turn may adversely impact us. Congress may revisit ACA or Medicaid reform legislation in 2019 or shortly thereafter. If the ACA is repealed or further substantially modified, or if implementation of certain aspects of the ACA are suspended, such actions could negatively impact the operations and financial condition of our medical office tenants, which in turn may adversely impact us.

Our tenants are subject to extensive federal, state, and local licensure laws, regulations and industry standards governing business operations, the physical plant and structure, patient rights and privacy and security of health information. Our tenants' failure to comply with any of these laws could result in loss of licensure, denial of reimbursement, imposition of fines or other penalties, suspension or exclusion from the government sponsored Medicare and Medicaid programs, loss of accreditation or certification, or closure of the facility. In addition, efforts by third-party payors, such as the Medicare and Medicaid programs and private insurance carriers, including health maintenance organizations and other health plans, impose greater discounts and more stringent cost controls upon healthcare provider operations (through changes in reimbursement rates and methodologies, discounted fee structures, the assumption by healthcare providers of all or a portion of the financial risk or otherwise). Our tenants may also face significant limits on the scope of services reimbursed and on reimbursement rates and fees, all of which could impact their ability to pay rent or other obligations to us.

Transaction Summary for the Nine-Months Ended September 30, 2019

The following summarizes our significant transactions and other activity during the nine-months ended September 30, 2019.

Disposition Activity. On August 27, 2019, the Company's wholly-owned subsidiary GSD Flowerfield, LLC entered into a Purchase and Sale Agreement (the "Agreement") for the sale of an approximately 9.0 acre parcel of vacant land in the Flowerfield complex in Smithtown, New York for $16,800,000 to BSL St. James LLC. A Delaware limited liability company ("BSL").

Under the Agreement: (i) BSL will have the right to terminate the Agreement, during an investigation period, by written notice to GSD if BSL is not fully satisfied, in its sole discretion, as to the status of title, suitability of the Premises and all factors concerning same, in which case BSL will have the right to receive a refund of its earnest money deposit; (ii) if BSL does not terminate the Agreement on or prior to the end of the investigation period, BSL will be obligated to deliver an additional earnest money deposit to the escrow agent, which together with the initial earnest money deposit will be applied toward the purchase price at closing; (iii) unless BSL terminates the Agreement on or prior to the end of the investigation period, the closing will occur on the 30th day following the earlier of (y) the Town of Smithtown's granting of the Site Plan Approval (as defined in the Agreement and as described below); or (z) BSL's waiver of the Site Plan Approval.

The Agreement is also contingent on the receipt of Subdivision Approval (as defined in the Agreement and as described below). The

The Agreement is also contingent on the receipt of Subdivision Approval (as defined in the Agreement and as described below). The Subdivision Approval condition requires that GSD obtain a subdivision of the Gyrodyne/Flowerfield complex into separate parcels to create the Property (as generally depicted in the Agreement) within a specified time (the "Subdivision Approval Period") following the last day of the investigation period. If Subdivision Approval is not obtained within the Subdivision Approval Period, each of GSD and BSL have the right to terminate the Agreement. BSL will also have a limited right to terminate the Agreement in the event the Subdivision Approval contains requirements specified in the Agreement. If Subdivision Approval has not been denied by the Town of Smithtown at or prior to the last day of the Subdivision Approval Period, GSD shall have the right to extend its time to obtain the Subdivision Approval for a specified period of time. If Subdivision Approval is not obtained within such additional time, each of GSD and BSL have the right to terminate the Agreement.

The Site Plan Approval is specifically delineated in the Agreement. If BSL fails to obtain the Site Plan Approval prior to the end of the site plan approval period, BSL may cancel the Agreement, waive the Site Plan Approval contingency, or extend the site plan period for a specified period upon the payment of an extension fee. If, after such extension, BSL fails to obtain the Site Plan Approval, BSL may cancel the Agreement, waive the Site Plan Approval contingency, or extend the site plan period for an additional specified period with a second non-refundable extension fee.

The Agreement also contains additional customary covenants, conditions, representations and warranties.

Debt Facility. To finance the tenant improvements associated with the amended/expanded lease with SBU and institutions affiliated with it, the Company secured a non-revolving credit line with a bank for up to $3,000,000, which closed on March 21, 2018. On January 24, 2019, the Company amended and extended the line which included extending the maturity date of the interest only phase to the earlier of January 20, 2020 or upon drawing down a total of $3,000,000 after which it automatically converts to a permanent loan maturing on the earlier of January 20, 2027 or 84 months after conversion to a permanent loan (the "Permanent Phase"). The interest rate during the Interest-Only Phase shall be a variable rate equal to the daily highest prime rate published by the Wall Street Journal plus 100 basis points (1% rounded up to the nearest 1/8 percent), but in no event less than the initial interest rate in effect on the closing date (6.5%). During the Permanent Phase, the Company will pay interest at a fixed rate based on the Federal Home Loan Bank rate for a 7-year maturity as made available by the Federal Home Loan Bank of New York plus a margin of 200 basis points (2%) rounded up to the nearest 1/8 percent, plus principal based on a 20-year amortization period. The Permanent Phase interest rate currently would be 4.125%. The first advance, drawn in March 2018, of $1.1 million was used to finance the work required under the lease amendment with Stony Brook University Hospital. To fund additional tenant improvements related to leases signed through December 31, 2018, the Company drew an additional $1.1 million on March 29, 2019.

To secure access to additional working capital through the final sale date of the Flowerfield industrial buildings, the Company secured a second loan evidenced by a secured non-revolving business line of credit agreement and promissory note with a bank for up to $3,000,000, which closed on January 24, 2019. There is an interest only phase for the first twenty-four months of the loan ("Interest-Only Phase") after which it automatically converts to a permanent loan maturing on January 20, 2028 (84 months after conversion to a permanent loan) (the "Permanent Phase"). The interest rate during the Interest-Only Phase shall be a variable rate equal to the daily highest prime rate published by the Wall Street Journal plus 100 basis points (1% rounded up to the nearest 1/8 percent), but in no event less than the initial interest rate in effect on the closing date (6.5%). During the Permanent Phase, the Company will pay interest at a fixed rate based on the Federal Home Loan Bank rate for a 7-year maturity as made available by the Federal Home Loan Bank of New York plus a margin of 200 basis points (2%) rounded up to the nearest 1/8 percent, plus principal based on a 20-year amortization period. The Permanent Phase interest rate currently would be 4.125%. An advance of $1,000,000 was drawn on September 30, 2019 to fund working capital. The balance of $1,919,932 net of closing costs of $80,068 and the aforementioned advance, is available to be drawn down.

Both of the aforementioned loans are secured by approximately 31.8 acres of the Flowerfield Industrial Park including the related buildings and leases. The only significant financial covenant associated with the loan is a debt service ratio on GSD Flowerfield, LLC of 1.35 to 1. The Company is in compliance with the loan covenants. The Company anticipates modifying the terms of the loan following the completion of its subdivision so that the loans are secured by the subdivided industrial park lot only.

Leasing Activity. During the nine-months ended September 30, 2019, the Company executed four new leases and ten renewals comprising approximately 4,600 and 17,600 square feet and annual revenue of approximately $44,000 and $332,000, respectively. The Company also executed one expansion offset by one downsize resulting in no change in lease square feet but an increase of $2,700 in annual revenue.

The Company incurred approximately $8,096 in lease commissions during the nine-months ended September 30, 2019.

There were six terminations during the nine-months ended September 30, 2019, comprising approximately 8,500 square feet and approximately $183,100 in annual revenue. One of the aforementioned terminations comprising 3,943 square feet and approximately $115,400 in annual revenue was in accordance with the Company's strategy to transition the Cortlandt Manor property to a development property free and clear of long-term leases.

Critical Accounting Policies

Gyrodyne intends to dissolve after it completes the disposition of all of its real property assets, applies the proceeds of such dispositions first to settle any debts and claims, pending or otherwise, against Gyrodyne, and then makes liquidating distributions to holders of Gyrodyne common shares. Therefore, effective September 1, 2015 Gyrodyne adopted the liquidation basis of accounting. This basis of accounting is considered appropriate when, among other things, liquidation of the entity is “imminent”, as defined in ASC 205-30, Presentation of Financial Statements Liquidation Basis of Accounting. Under the LLC Agreement, the Board may elect, in its sole discretion and without any separate approval by shareholders, to dissolve the Company at any time the value of the Company’s assets, as determined by the Board in good faith, is less than $1 million. The LLC Agreement also provides that the Company will dissolve, and its affairs wound up upon the sale, exchange or other disposition of all the real properties of the Company. As a result, liquidation is “imminent” in accordance with the guidance provided in ASC 205-30.

Principles of consolidation - The consolidated financial statements include the accounts of Gyrodyne and all subsidiaries. All consolidated subsidiaries are wholly owned. All inter-company balances and transactions have been eliminated.

Basis of Presentation - Liquidation Basis of Accounting – Under the liquidation basis of accounting the consolidated balance sheet and consolidated statements of operations, equity, comprehensive income and cash flows are no longer presented. The consolidated statements of net assets and changes in net assets are the principal financial statements presented under the liquidation basis of accounting.

Under the liquidation basis of accounting, all the Company’s assets have been stated at their estimated net realizable value, or liquidation value, (which represents the estimated amount of cash that Gyrodyne will collect on the disposal of assets as it carries out the plan of liquidation), which is based on current contracts, estimates and other indications of sales value (predicated on current values). All liabilities of the Company, including those estimated costs associated with implementing the plan of liquidation, have been stated at their estimated settlement amounts. These amounts are presented in the accompanying statements of net assets. These estimates are periodically reviewed and adjusted as appropriate. There can be no assurance that these estimated values will be realized. Such amounts should not be taken as an indication of the timing or amount of future distributions or our actual dissolution. The valuation of assets at their net realizable value and liabilities at their anticipated settlement amount represent estimates, based on present facts and circumstances, of the net realizable value of the assets and the costs associated with carrying out the plan of liquidation. The actual values and costs associated with carrying out the plan of liquidation may differ from amounts reflected in the accompanying financial statements because of the plan’s inherent uncertainty. These differences may be material. In particular, the estimates of our costs will vary with the length of time necessary to complete the plan of liquidation, which is currently anticipated to be completed by December 31, 2021. The Company is in the process of pursuing entitlements and density, and our ability to obtain required permits and authorizations is subject to factors beyond our control, including environmental concerns of governmental entities, community groups and purchasers (Purchase and Sale Agreement entered but not yet closed/prospective purchasers. The process will involve extensive analysis internally at the government entity level, as well as between government entities such as town planning departments and Gyrodyne, and will continue up until such time as entitlement and density decisions are made by the relevant government entities. We hope to secure favorable decisions on entitlements, and density so that we can then seek the sale of our remaining properties at higher prices (than those achievable under their current entitlements) and then proceed with the liquidation and dissolution of the Company. The Company expects the process of pursuing entitlements, density, sales, liquidation and dissolution could extend through December 31, 2021 with the ultimate timing to a certain extent managed by Gyrodyne but also dependent upon and under the control of the applicable municipality’s planning board or other governmental authority. Accordingly, it is not possible to predict with certainty the timing or aggregate amount which may ultimately be distributed to common shareholders and no assurance can be given that the distributions will equal or exceed the estimate presented in the accompanying consolidated statements of net assets.

The Company’s assumptions and estimates (including the sales proceeds of all its real estate holdings, selling costs, retention bonus payments, rental revenues, rental expenses, capital expenditures, land entitlement costs, general and administrative fees, director and officer liability and reimbursement, post liquidation insurance tail coverage policy and final liquidation costs) are based on completing the liquidation by December 31, 2021. As previously stated, on an ongoing basis, Gyrodyne evaluates the estimates and assumptions that can have a significant impact on the reported net assets in liquidation and will update accordingly for any costs and value associated with a change in the duration of the liquidation, as we cannot give any assurance on the timing of the ultimate sale of all the Company’s properties.

Management Estimates – In preparing the consolidated financial statements in conformity with U.S. Generally Accepted Accounting Principles (“GAAP”) and the liquidation basis of accounting, management is required to make estimates and assumptions that affect the reported amounts of assets, including net assets in liquidation, and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of receipts and expenditures for the reporting period. Actual results could

Critical Accounting Policies

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The most significant estimates are the estimates on the net realizable value from the sale of our real estate, the estimated costs/time to pursue entitlements and the related timeline to complete the liquidation.

Cash equivalents - The Company considers all certificates of deposits, money market funds, treasury securities and other highly liquid debt instruments purchased with short-term maturities to be cash equivalents.

Allowance for doubtful accounts – Rent receivable is carried at net realizable value. Management makes estimates of the collectability of rents receivable. Management specifically analyzes receivables and historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

Fair Value Measurements – The Company believes the concepts for determining net realizable value are consistent with the guidance for measuring fair value. As a result, the Company follows the guidance of FASB Accounting Standards Codification, *Fair Value Measurements and Disclosures* to determine the fair value of financial and non-financial instruments. The guidance defines fair value, establishes a hierarchy framework for measuring fair value and expands disclosures related to the fair value. The guidance establishes a hierarchy breaking down observable and unobservable inputs into three levels: Level 1 – observable inputs in an active market on or around the measurement date, Level 2 – observable inputs that are based on prices not quoted on active markets but corroborated by market data and Level 3 – unobservable inputs utilized when no other data is available.

New accounting pronouncements - Management has evaluated the impact of newly issued accounting pronouncements, whether effective or not as of September 30, 2019, and has concluded that they will not have a material impact on the Company's consolidated financial statements since the Company reports on a liquidation basis.

Discussion of the Statements of Net Assets

Net assets in liquidation at September 30, 2019 would result in estimated liquidating distributions of approximately $20.08 per common share. This is an increase of $1.97 from the December 31, 2018 estimated net assets in liquidation of $18.11 per common share.

The increase in net assets in liquidation is the result of an increase in the real estate value of $8.4 million ($5.68 per share) comprising the Purchase and Sale Agreement with BSL St. James LLC (see note 6) and other adjustments to the remaining Flowerfield Property offset by the increase in the expense reserve (the estimated costs in excess of receipts) per share by $5.5 million ($3.71 per share). The increase in the expense reserve is mainly the result of an extension in the estimated liquidation timeline of 18 months attributable to the pursuit of entitlements (and the associated costs) related to the Flowerfield Property and adjacent parcels and an increase to the retention bonus payments and selling costs as a result of the increase in real estate value.

The cash balance at the end of the liquidation period (currently estimated to be December 31, 2021, although the estimated completion of the liquidation period may change), excluding any interim distributions, is estimated based on the September 30, 2019 cash balance of $2.28 million with adjustments for the following items which are estimated through December 31, 2021:

1. The cash receipts from the operation of the Company's properties net of rental property related expenditures as well as costs expected to be incurred to preserve or improve the net realizable value of the properties at their estimated gross sales proceeds.
2. Net proceeds from the sale of all the Company's real estate holdings.
3. The general and administrative expenses and or liabilities associated with operations and the liquidation of the Company including severance, director and officer liability insurance inclusive of post liquidation tail policy coverage, and financial and legal fees to complete the liquidation.
4. Costs for the pursuit of the entitlements on the Flowerfield and Cortlandt Manor properties, to maximize value.
5. Retention bonus amounts based on the net realizable value of the real estate under the Retention Bonus Plan.
6. Proceeds from the draw downs on the Company's credit facilities to fund tenant improvements and working capital and costs to repay such outstanding debt.

The Company estimates the net realizable value of its real estate assets by using income and market valuation techniques. The Company may estimate net realizable values using market information such as broker opinions of value, appraisals, and recent sales data for similar assets or discounted cash flow models, which primarily rely on Level 3 inputs as defined under FASB ASC Topic No. 820, Fair Value Measurement. The cash flow models include estimated cash inflows and outflows over a specified holding period. These cash flows may include contractual rental revenues, projected future rental revenues and expenses and forecasted tenant improvements and lease commissions based upon market conditions determined through discussion with local real estate professionals, experience the Company has with its other owned properties in such markets and expectations for growth. Capitalization rates and discount rates utilized in these models

The most significant estimates are the estimates on the net realizable value from the sale of our real estate, the estimated costs/time to pursue entitlements and the related timeline to complete the liquidation.

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Allowance for doubtful accounts – Rent receivable is carried at net realizable value. Management makes estimates of the collectability of rents receivable. Management specifically analyzes receivables and historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

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2. Net proceeds from the sale of all the Company's real estate holdings.
3. The general and administrative expenses and or liabilities associated with operations and the liquidation of the Company including severance, director and officer liability insurance inclusive of post liquidation tail policy coverage, and financial and legal fees to complete the liquidation.
4. Costs for the pursuit of the entitlements on the Flowerfield and Cortlandt Manor properties, to maximize value.
5. Retention bonus amounts based on the net realizable value of the real estate under the Retention Bonus Plan.
6. Proceeds from the draw downs on the Company's credit facilities to fund tenant improvements and working capital and costs to repay such outstanding debt.

The Company estimates the net realizable value of its real estate assets by using income and market valuation techniques. The Company may estimate net realizable values using market information such as broker opinions of value, appraisals, and recent sales data for similar assets or discounted cash flow models, which primarily rely on Level 3 inputs as defined under FASB ASC Topic No. 820, Fair Value Measurement. The cash flow models include estimated cash inflows and outflows over a specified holding period. These cash flows may include contractual rental revenues, projected future rental revenues and expenses and forecasted tenant improvements and lease commissions based upon market conditions determined through discussion with local real estate professionals, experience the Company has with its other owned properties in such markets and expectations for growth. Capitalization rates and discount rates utilized in these models are estimated by management based upon rates that management believes to be within a reasonable range of current market rates for the respective properties based upon an analysis of factors such as property and tenant quality, geographical location and local supply and demand observations. To the extent the Company underestimates forecasted cash outflows (tenant improvements, lease commissions and operating costs) or overestimates forecasted cash inflows (rental revenue rates), the estimated net realizable value of its real estate assets could be overstated.

The Company is pursuing various avenues to maximize total value during the liquidation process. During the nine-months ended September 30, 2019, the Company incurred approximately $1.05 million of land entitlement costs, consisting predominately of engineering costs. The Company estimates that it will incur approximately $1.8 million (included in the consolidated statement of net assets as part of the estimated liquidation and operating costs net of estimated receipts) in land entitlement costs between October 2019 and December 31, 2021, in an effort to obtain entitlements, inclusive of special permits. The Company believes the commitment of these resources will enable the Company to position the properties for sale with all entitlements necessary to maximize the Flowerfield and Cortlandt Manor property values. The Company does not intend to develop the properties but rather to commit resources to position the properties for sale in a timely manner with all entitlements necessary to achieve maximum pre-construction values. The costs and time frame to achieve the entitlements could change due to a range of factors including a shift in the value of certain entitlements making it more profitable to pursue a different mix of entitlements and the dynamics of the real estate market. As a result, the Company has focused and will continue to focus its land entitlement efforts on achieving the highest and best use. During the process of pursuing such entitlements, the Company may entertain offers from potential buyers who may be willing to pay premiums for the properties that the Company finds more acceptable from a timing or value perspective than completing the entitlement processes itself. The value of the real estate reported in the consolidated statements of net assets as of September 30, 2019 and December 31, 2018 (predicated on current asset values) includes some but not all of the potential value impact that may result from the land entitlement efforts. There can be no assurance that our value enhancement efforts will result in property value increases that exceed the costs we incur in such efforts, or even any increase at all.

The net assets in liquidation at September 30, 2019 ($29,771,511) results in estimated liquidating distributions of approximately $20.08 per common share (based on 1,482,680 shares outstanding), based on estimates and other indications of sales value (predicated on current asset values) which includes some but not all of the actual potential additional sales proceeds that may result directly or indirectly from our land entitlement efforts. Some of the additional value that may be derived from the land entitlement efforts is not included in the estimated liquidating distributions as of September 30, 2019. The Company believes the land entitlement efforts will enhance estimated distributions per share through the improved values from the sales of the Flowerfield and Cortlandt Manor properties. This estimate of liquidating distributions includes projections of costs and expenses to be incurred during the period required to complete the plan of liquidation. There is inherent uncertainty with these projections, and they could change materially based on the timing of the sales, improved values of the Cortlandt Manor and/or Flowerfield properties resulting from the land entitlement efforts net of any bonuses if such values exceed the minimum values required to pay bonuses under the retention bonus plan, favorable or unfavorable changes in the land entitlement process, the performance of the underlying assets, the market for commercial real estate properties generally and any changes in the underlying assumptions of the projected cash flows.

The following table summarizes the estimates to arrive at the Net Assets in Liquidation as of September 30, 2019 (dollars are in millions).

September 30, 2019 cash and cash equivalents balance	$	2.28	
Principal payments on loan		(3.28)	
Free cash flow from rental operations		1.17	(i)
General and administrative expenses		(4.06)	(ii)
Land entitlement costs in pursuit of the highest and best use		(1.8)	(iii)
Gross real estate proceeds		44.63	
Selling costs on real estate		(2.94)	
Retention bonus plan for directors, officers and employees		(3.39)	
Final liquidation and dissolution costs		(1.48)	(iv)
Other		(1.36)	(v)
Net Assets in Liquidation	$	29.77	(vi)

(i) The Company estimates the cash proceeds from rental operations net commissions and rental costs, inclusive of expenditures to preserve or improve the properties at its current estimated market value will total $1.17.

(ii) The general and administrative expenses, excluding final liquidation costs, is estimated to be ($4.06).

(iii) The Company is considering various options to maximize total value during the liquidation process. The Company estimates that it will incur approximately $1.8 million in costs over the liquidation period ending December 31, 2021 to obtain entitlements, inclusive of special permits that it believes will result in maximizing the values in the Flowerfield and Cortlandt Manor properties. The

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(iv) The costs represent all costs to liquidate the Company including D&O tail, severance and professional fees.

(v) The Company estimates interest income will be offset by interest expense and the settlement of its working capital accounts resulting in a balance of $(1.36).

(vi) The net assets in liquidation at September 30, 2019 would result in liquidating distributions of approximately $20.08 per common share ($29.77 million with 1,482,680 shares outstanding), excluding the additional sales proceeds, that may result directly or indirectly from the remaining $1.8 million in land entitlement costs. The Company believes the land entitlement efforts will enhance estimated distributions per share through the improved values from the sales of the Flowerfield and Cortlandt Manor properties. This estimate of liquidating distributions includes projections of costs and expenses to be incurred during the period required to complete the liquidation process. There is inherent uncertainty with these projections, and they could change materially based on the timing of the sales, favorable or unfavorable changes in the land entitlement costs, the performance of the underlying assets and any changes in the underlying assumptions of the projected cash flows.

Discussion of Changes in Net Assets

Gyrodyne's strategy is to enhance the value of Flowerfield and Cortlandt Manor, by pursuing various entitlement opportunities, which the Gyrodyne Board believes will improve the potential of obtaining better values for such properties. The pursuit of the highest and best use of Flowerfield and Cortlandt Manor may involve the pursuit of joint venture relationships and other investments and or other strategies to maximize the returns for our shareholders. Gyrodyne intends to dissolve after it completes the disposition of all of its real property assets, applies the proceeds of such dispositions first to settle any debts and claims, pending or otherwise, against Gyrodyne, and then makes liquidating distributions to holders of Gyrodyne common shares. Therefore, the Company includes in its financial statements the Consolidated Statement of Changes in Net Assets for the nine-months ended September 30, 2019, which is discussed below:

Net assets in liquidation at January 1, 2019	$ 26,846,670	
Changes in net assets in liquidation from January 1 through September 30, 2019:		
Change in liquidation value of real estate	8,426,120	(1)
Remeasurement of assets and liabilities in liquidation	(5,501,279)	(2)
Total change in net assets in liquidation	2,924,841	
Net assets in liquidation at September 30, 2019	$ 29,771,511	

(1) The increase in the real estate value of $8.4 million is the result of the Purchase and Sale Agreement with BSL St. James LLC and other adjustments to the remaining Flowerfield Property.

(2) The remeasurement is the result of the 18-month timeline extension, entitlement costs and increased retention bonus payments and selling costs attributable to the increase in real estate values.

Liquidity and Capital Resources

Cash Flows:

As we pursue our plan to sell our properties strategically, including certain enhancement efforts, we believe that a main focus of management is to effectively manage our net assets through cash flow management of our tenant leases, maintaining or improving occupancy, and enhance the value of the Flowerfield and Cortlandt Manor properties via the pursuit of the associated change in entitlements.

As the Company executes on the sale of assets, it will no less than annually, review its capital needs and make prudent distribution decisions regarding any excess cash. Upon completion of these activities, Gyrodyne will distribute the remaining cash to its shareholders and then proceed to complete the dissolution of the Company, delist its shares from Nasdaq or other exchange platform and terminate its registration and reporting obligations under the Securities Exchange Act of 1934, as Amended (the "Exchange Act"). Gyrodyne is required to make adequate provisions to satisfy its known and unknown liabilities which could substantially delay or limit its ability to make future distributions to shareholders. The process of accounting for liabilities, including those that are currently unknown or whose amounts are uncertain may involve difficult valuation decisions which could adversely impact the amount or timing of any future distributions.

We generally finance our operations through cash on hand, supplemented by cash available under the Company's credit facilities. We entered into a credit facility on March 21, 2018 which was amended on January 24, 2019 that will provide up to $3.0 million in financing for tenant improvements (the "Original Line"). The Company has drawn down approximately $2.2 million for tenant and associated common area improvements. The balance of the loan can be drawn upon to finance tenant improvements if required in the event, the Company signs additional leases or lease expansions with Stony Brook University or its affiliates (or other improvements subject to the bank's approval) anytime during the Interest-Only Phase.

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On January 24, 2019, the Company secured a second loan evidenced by a secured non-revolving business line of credit and promissory note with the Original Line bank for up to $3,000,000 to provide access to additional working capital to fund entitlements and operations through final liquidation. An advance of $1,000,000 was drawn on September 30, 2019 to fund working capital. The balance of $1,919,932 net of closing costs of $80,068 and the aforementioned advance, is available to be drawn down.

We believe leveraging our capital improvements will allow us to continue focusing our cash on funding the pursuit of entitlements and our operations. The Company believes the combination of the investments in tenant improvements related to strategically important leases and the pursuit of entitlements will enable the Company to maximize the ultimate real estate value and the distributions per share.

As of September 30, 2019, the Company had cash and cash equivalents totaling approximately $2.28 million. The Company anticipates that its current cash and cash equivalent balance and access to credit facilities will be adequate to fund its liquidation process and dissolution. The $2.28 million of cash will be partially used to fund our efforts to generate the highest values for the Flowerfield and Cortlandt Manor properties while simultaneously pursuing the strategic sale of these properties. The pursuit to generate the highest values of Flowerfield and Cortlandt Manor may involve the other investments and or other strategies to maximize the returns for our shareholders. The Company is estimating and reporting in the consolidated statements of net assets total gross cash proceeds from the sale of its assets of approximately $44.6 million. Based on the Company's current cash balance and the above forecast, the Company estimates distributable cash stemming from the liquidation of the Company of approximately $29.77 million.

The Company's primary sources of funds which are limited and expected to narrow as we liquidate properties and make distributions are as follows:

- current cash and cash equivalents;
- rents and tenant reimbursements received on our remaining real estate operating assets;
- sale of assets; and
- credit facilities.

Excluding gross proceeds from the sale of assets, the Company's gross rents and tenant reimbursements net of rental expenses is less than the combined total annual general and administrative costs, capital expenditures and land entitlement costs creating a net use of cash on an annual basis through the liquidation process. The Company believes the cash and cash equivalents plus the proceeds from the sale of assets and funds available through its credit facilities will exceed the costs to complete the liquidation of the Company. In addition, the Company has and will continue to review operating activities for possible cost reductions throughout the liquidation process.

Major elements of the Company's cashflows for the nine-months ended September 30, 2019 were as follows:

- Operating cashflows
  $1,923,508 in rent and reimbursements
  ($1,133,396) in operating costs.
- $2,180,068 in loan proceeds.
- ($306,911) of land entitlement costs incurred for the Cortlandt Manor property.
- ($747,598) of land entitlement costs incurred for the Flowerfield property.
- ($563,992) of capital expenditures on the real estate portfolio excluding those costs incurred for land entitlement.
- ($92,926) of costs incurred to secure non-revolving credit line.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The Company places its temporary cash investments with high credit quality financial institutions. Certain financial instruments could potentially subject the Company to concentrations of credit risk, such as cash equivalents and longer-term investments. The Company maintains bank account balances, which exceed FDIC insurance limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash. Management does not believe significant credit risk exists at September 30, 2019.

The Company believes there have been no significant changes in market risk from that disclosed in the Company's Report on Form 10-K for the twelve months ended December 31, 2018, filed with the Securities and Exchange Commission on March 28, 2019.

Item 4. Controls and Procedures.

The Company's management, including the Chief Executive Officer ("CEO")/ Chief Financial Officer ("CFO"), has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report (the "Evaluation Date"). Based on such evaluation, our management concluded that our disclosure controls and procedures were effective, at a reasonable assurance level, as of the Evaluation Date, to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management in a manner that allows timely decisions regarding required disclosures.

An evaluation was performed under the supervision and with the participation of the Company's management of the effectiveness of the design and operation of the Company's procedures and internal control over financial reporting as of December 31, 2018. In making this assessment, the Company used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework of 2013 (the "2013 COSO Framework"). Based on that evaluation, the Company's management concluded that the Company's internal controls over financial reporting were effective as of September 30, 2019.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting identified with our evaluation that occurred during the fiscal quarter ended September 30, 2019, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Putative Class Action Lawsuit

On July 3, 2014, a purported stockholder of the Company filed a putative class action lawsuit against Gyrodyne Company of America, Inc. (the "Corporation") and members of its Board of Directors (the "Individual Defendants"), and against Gyrodyne Special Distribution, LLC ("GSD") and the Company (collectively, the "Defendants"), in the Supreme Court of the State of New York, County of Suffolk (the "Court"), captioned *Cashstream Fund v. Paul L. Lamb, et al.*, Index No. 065134/2014 (the "Action"). The complaint alleged, among other things, that (i) the Individual Defendants breached their fiduciary duties or aided and abetted the breach of those duties in connection with the merger of the Corporation and GSD into the Company (the "Merger") and (ii) the Corporation and the Individual Defendants breached their fiduciary duties by failing to disclose material information in the proxy statement/prospectus relating to the Merger.

On August 14, 2015, the parties to the Action entered into a Stipulation of Settlement (the "Settlement") providing for the settlement of the Action, subject to the Court's approval. Under the Settlement, Gyrodyne amended its Proxy Statement on August 17, 2015 with certain supplemental disclosures and agreed that any sales of its properties would be effected only in arm's-length transactions at prices at or above their appraised values as of December 2014. The plaintiff, on behalf of itself and the members of the putative class it represents, agreed to release and dismiss with prejudice all claims that had or could have been asserted in the Action or in any other forum against the Defendants and their affiliates and agents arising out of or relating to the Merger and the other transactions alleged by plaintiff in its complaint, as supplemented. On April 8, 2016, the Court entered a Final Order and Judgment approving the Settlement. By order of the same date, the Court also granted plaintiff's application for an award of attorney's fees and reimbursement of expenses in the amount of $650,000 which was paid in full in April 2016.

The 2014 aggregate appraised value of Gyrodyne's properties was approximately $100,000 higher than the 2013 aggregate appraised values for such properties. As of September 30, 2019, the aggregate appraised value of our remaining unsold properties was $16,827,390 higher than the 2014 appraised values for such properties.

General

In addition to the foregoing, in the normal course of business, Gyrodyne is a party to various legal proceedings. After reviewing all actions and proceedings pending against or involving Gyrodyne, management considers that any loss resulting from such proceedings individually or in the aggregate will not be material to Gyrodyne's financial condition or results of operations.

Items 2 through 5 are not applicable to the Company in the nine-months ended September 30, 2019.

Item 6. Exhibits.

3.1	Articles of Organization of Gyrodyne, LLC, dated as of October 3, 2013 (1)
3.2	Form of Amended and Restated Limited Liability Company Agreement of Gyrodyne, LLC (Included as Annex F to the proxy statement/prospectus that is a part of Amendment No. 2 to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on June 17, 2014 and is incorporated herein by reference.)
3.3	Amendment No. 1, dated June 26, 2014, to the Limited Liability Company Agreement of Gyrodyne, LLC (2)
10.1	Amended and Restated Retention Bonus Plan (3)

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There was no change in our internal control over financial reporting identified with our evaluation that occurred during the fiscal quarter ended September 30, 2019, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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10.2 Amendment No. 2 to the Retention Bonus Plan (4)

10.3 Amendment No. 3 to the Retention Bonus Plan (5)

10.4 Purchaser and Sale Agreement effective as pf August 27, 2019 between GSD Flowerfield LLC and BSL St. James LLC (6)

31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer and Chief Financial Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (7)

32.1 CEO and CFO Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (8)

101.INS XBRL Instance (7)

101.SCHXBRL Taxonomy Extension Schema (7)

101.CALXBRL Taxonomy Extension Calculation (7)

101.DEFXBRL Taxonomy Extension Definition (7)

101.LABXBRL Taxonomy Extension Labels (7)

101.PREXBRL Taxonomy Extension Presentation (7)

(1) Incorporated herein by reference to Exhibit 3.1 to the registrant's Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 21, 2013.

(2) Incorporated herein by reference to Exhibit 3.3 to Amendment No. 4 to the registrant's Registration Statement on Form S-4 filed with the Securities and Exchange Commission on June 26, 2014.

(3) Incorporated herein by reference to Form 8-K, filed with the Securities and Exchange Commission on May 26, 2016.

(4) Incorporated herein by reference to Form 8-K, filed with the Securities and Exchange Commission on January 31, 2018.

(5) Incorporated herein by reference to Form 8-K, filed with the Securities and Exchange Commission on November 2, 2018.

(6) Incorporated herein by reference to Form 8-K, filed with the Securities and Exchange Commission on August 30, 2019.

(7) Filed as part of this Report.

(8) Furnished herewith in accordance with Item 601(b)(32) of Regulation S-K. This Exhibit is not deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section. Such certification will not be deemed incorporated by reference into any filings under the Securities Act, expect to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GYRODYNE, LLC

Date: November 14, 2019

/s/ Gary Fitlin
By Gary Fitlin
President and Chief Executive Officer
Chief Financial Officer and Treasurer

EXHIBIT INDEX

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(4) Incorporated herein by reference to Form 8-K, filed with the Securities and Exchange Commission on January 31, 2018.

(5) Incorporated herein by reference to Form 8-K, filed with the Securities and Exchange Commission on November 2, 2018.

(6) Incorporated herein by reference to Form 8-K, filed with the Securities and Exchange Commission on August 30, 2019.

(7) Filed as part of this Report.

(8) Furnished herewith in accordance with Item 601(b)(32) of Regulation S-K. This Exhibit is not deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section. Such certification will not be deemed incorporated by reference into any filings under the Securities Act, expect to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GYRODYNE, LLC

Date: November 14, 2019

/s/ Gary Fitlin
By Gary Fitlin
President and Chief Executive Officer
Chief Financial Officer and Treasurer

EXHIBIT INDEX

3.1 Articles of Organization of Gyrodyne, LLC, dated as of October 3, 2013 (1)

3.2 Form of Amended and Restated Limited Liability Company Agreement of Gyrodyne, LLC (Included as Annex F to the proxy statement/prospectus that is a part of Amendment No. 2 to the Registration Statement on Form S-4 filed with the Securities and

Exchange Commission on June 17, 2014 and is incorporated herein by reference.)

3.3 Amendment No. 1, dated June 26, 2014, to the Limited Liability Company Agreement of Gyrodyne, LLC (2)

10.1 Amended and Restated Retention Bonus Plan (3)

10.2 Amendment No. 2 to the Retention Bonus Plan (4)

10.3 Amendment No. 3 to the Retention Bonus Plan (5)

10.4 Purchase and Sale Agreement effective as of August 27, 2019 between GSD Flowerfield LLC and BSL St. James LLC (6)

31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer and Chief Financial Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (7)

32.1 CEO and CFO Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (8)

101.INS XBRL Instance (7)

101.SCHXBRL Taxonomy Extension Schema (7)

101.CALXBRL Taxonomy Extension Calculation (7)

101.DEFXBRL Taxonomy Extension Definition (7)

101.LABXBRL Taxonomy Extension Labels (7)

101.PREXBRL Taxonomy Extension Presentation (7)

(1) Incorporated herein by reference to Exhibit 3.1 to the registrant's Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 21, 2013.

(2) Incorporated herein by reference to Exhibit 3.3 to Amendment No. 4 to the registrant's Registration Statement on Form S-4 filed with the Securities and Exchange Commission on June 26, 2014.

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EX-31.1 2 ex_163884.htm EXHIBIT 31.1

Exhibit 31.1

Rule 13a-14(a)/15d-14(a) Certification

I, Gary Fitlin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gyrodyne, LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2019

/s/ Gary Fitlin
By Gary Fitlin,
President and Chief Executive Officer,
Chief Financial Officer and Treasurer

EX-32.1 3 ex_163885.htm EXHIBIT 32.1

Exhibit 32.1

CFO CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Gyrodyne, LLC (the "Company") on Form 10-Q for the period ended September 30, 2019, as filed with the Securities and Exchange Commission (the "Report"), I, Gary Fitlin, Chief Executive Officer and Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition of the Company as of the dates presented and consolidated results of operations of the Company for the periods presented.

Date: November 14, 2019

/s/ Gary Fitlin
By Gary Fitlin,
President and Chief Executive Officer,
Chief Financial Officer and Treasurer