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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, 2016

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 electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes_X__ No___

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐
Smaller reporting company ☒
(Do not check if a smaller reporting company)

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

On November 14, 2016, there were 1,482,680 common shares outstanding.

INDEX TO QUARTERLY REPORT OF GYRODYNE, LLC
QUARTER ENDED SEPTEMBER 30, 2016

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements.

GYRODYNE, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS
OF NET ASSETS AT SEPTEMBER 30, 2016 AND
DECEMBER 31, 2015
(Liquidation Basis)

	September 30, 2016 (Unaudited)	December 31, 2015
ASSETS:		
Real estate held for sale	$ 28,910,000	$ 46,950,000
Cash and cash equivalents	4,213,511	5,875,596
Investment in marketable securities	4,454,219	5,001,722
Rent receivable	38,182	45,276
Other receivables	55,849	19,117
Total Assets	$ 37,671,761	$ 57,891,711
LIABILITIES:		
Accounts payable	$ 460,259	$ 499,669
Accrued liabilities	312,824	408,898
Deferred rent liability	14,476	12,509
Tenant security deposits payable	323,258	483,556
Income taxes payable	-	11,162
Estimated liquidation and operating costs net of receipts	8,552,549	13,020,340
Total Liabilities	9,663,366	14,436,134
Net assets in liquidation	$ 28,008,395	$ 43,455,577

See notes to condensed consolidated financial statements

GYRODYNE, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2016
(Liquidation Basis)
(Unaudited)

Net assets in liquidation, at December 31, 2015		$ 43,455,577
Changes in assets and liabilities in liquidation:		
Change in liquidation value of real estate	$ 221,000	
Change in market value of securities	110,138	
Remeasurement of assets and liabilities	160,490	
Net increase in liquidation value		491,628
Liquidating distributions to shareholders		(15,938,810)
Total changes in net assets in liquidation		(15,447,182)
Net assets in liquidation, at September 30, 2016		$ 28,008,395

See notes to condensed consolidated financial statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 (unaudited)

1. The Company:

On September 1, 2015, Gyrodyne, LLC (NASDAQ: GYRO), a New York limited liability company ("Gyrodyne", the "Company" or the "Registrant"), announced the completion of the previously announced merger of Gyrodyne Company of America, Inc. (the "Corporation") and Gyrodyne Special Distribution, LLC ("GSD") with and into Gyrodyne (the "Merger"). Where applicable, references in this Report to the Company or the Registrant shall be deemed to be references to Gyrodyne as the successor to the Corporation.

The Merger was approved by the shareholders of the Corporation on August 20, 2015. Gyrodyne is the surviving company in the Merger, which terminated the existence of the Corporation and GSD. On September 1, 2015, trading of common shares of limited liability company interests of Gyrodyne commenced on the NASDAQ Stock Market under the symbol "GYRO". The number of common shares outstanding in Gyrodyne following the Merger is 1,482,680. The common shares of Gyrodyne have a new CUSIP number of 403829104.

The Corporation had previously approved the Merger on behalf of GSD and Gyrodyne in its capacity as managing member of GSD and Gyrodyne, respectively.

The Merger resulted in holders of common stock of the Corporation receiving approximately 22.6% (335,086 shares) of the common shares of Gyrodyne in the aggregate (.0904 common share of Gyrodyne per share of Corporation common stock), holders of interests in non-transferable notes issued by the Corporation receiving approximately 30.0% (444,804 shares) of the common shares of Gyrodyne in the aggregate (.024798 common share of Gyrodyne per $1.00 principal amount of the dividend notes issued in January and December 2014, together, in each case, with any interest thereon paid in kind in the form of additional notes), and holders of non-transferable interests in GSD receiving approximately 47.4% (702,790 shares) of the common shares of Gyrodyne in the aggregate (.473999 common interest of Gyrodyne per GSD interest).

The Merger completed the Corporation's plan of tax liquidation under the Internal Revenue Code, even though the actual disposition of all of the properties had not yet occurred. The completion of the Corporation's tax liquidation by means of the Merger removes the timing constraints associated with the tax liquidation and now provides Gyrodyne the opportunity to pursue without such constraints the opportunistic disposition of certain properties and the enhancement of the value of the Flowerfield, and Cortlandt Manor properties, by pursuing various development or zoning/entitlement opportunities, which the Gyrodyne Board believes will improve the chances of obtaining better values for such properties. Gyrodyne expects that it will dissolve after it has completed the disposition of all of its real property assets, has applied the proceeds of such dispositions first to settle any claims, pending or otherwise, against Gyrodyne, and then has made liquidating distributions to holders of Gyrodyne common shares. We are unable to predict the precise nature, amount or timing of such distributions. 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 ability to convert our remaining assets into cash and pay and settle our remaining liabilities and obligations. Under Gyrodyne's Amended and Restated Limited Liability Company 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.

Prior to the Merger, the Corporation was a self-managed and self-administered real estate investment trust ("REIT") formed under the laws of the State of New York. The Corporation managed its business as one operating segment. Prior to December 30, 2013, the Corporation's primary business was the investment in and the acquisition, ownership and management of a geographically diverse portfolio of medical office, industrial properties and the development of industrial and residential properties located in the Northeast region of the United States. On December 30, 2013, the Corporation distributed to its shareholders, as the non-cash portion of the special dividend

announced on September 12, 2013 (the “Special Dividend”), all of the equity interests of its subsidiary Gyrodyne Special Distribution LLC, which owned 100% of the interests (through GSD’s subsidiaries) in the Corporation’s four real estate properties, subject to related mortgage debt in favor of Flowerfield Mortgage Inc. (“FMI”), also a subsidiary of the Corporation, with Flowerfield Properties, Inc. (“FPI”) having the contractual right to manage the business and properties of GSD. Based on management provisions set forth in GSD’s limited liability company agreement which designated sole management authority to the Corporation, the Corporation concluded that GSD was a variable interest entity and that GSD’s financial statements should be consolidated with the Corporation’s. Accordingly, we may use references to "we" or "our" to refer to the Company, the Corporation, taxable REIT subsidiary (“TRS”), FPI and GSD, and "the Company's properties" or "GSD's properties", or “TRS’s properties”, or “FPI’s properties” (or derivations thereof) interchangeably in this report as they relate to periods preceding August 31, 2015.

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

The Company owns a 10.12% limited partnership interest in Callery Judge Grove, L.P. (the "Grove"), a limited partnership which in 2013 sold its only asset, an undeveloped Florida property (the "Grove Property"). Following the Merger, the interest continues to be owned indirectly through FPI, its wholly-owned subsidiary. FPI is a "C" corporation; accordingly any income generated by FPI will be subject to a corporate level income tax. If the distributions are less than the Company's basis in the Grove, the Company will carryback the loss and receive a federal and state tax refund, respectively. For further information see Footnote 15.

After giving effect to the Company's dispositions of real property through November 10, 2016 (see Footnote 8), the Company controls one remaining medical office park and four of fourteen buildings in a second medical office park, together comprising approximately 49,000 rentable square feet and a multitenant industrial park comprising approximately 130,000 rentable square feet. The Company also owns approximately 68 acres of property in St. James, New York, which includes the aforementioned industrial park which sits on ten of those acres. The medical office park in Cortlandt Manor, the group of four buildings in the Port Jefferson Professional Park and the Flowerfield Industrial Park including the undeveloped property are individually owned in single asset LLCs wholly owned by the Company.

Prior to the Merger, the Corporation operated as a REIT under Section 856(c) (1) of the Internal Revenue Code of 1986 as amended (the "Code"). As a REIT, the Corporation generally was not subject to federal and state income tax, provided that distributions were made to its shareholders equal of at least 90% of its REIT taxable income as defined under the Code. The Corporation was permitted to participate in certain activities from which it was previously precluded in order to maintain its qualifications as a REIT. However, these activities were required to be conducted in an entity that elected to be treated as a TRS under the Code. The Corporation had one TRS, FPI, which was subject to federal and state income tax on the income from these activities. FPI continues as a wholly-owned subsidiary of Gyrodyne LLC, and any income generated by FPI is subject to corporate level taxes.

Pursuant to the Merger, all of the assets and liabilities of the Corporation and GSD became assets and liabilities of Gyrodyne, LLC by operation of law. In addition, the notes issued by the Corporation along with the accrued interest expense on the notes through the date of the merger, were redeemed with equity interests in Gyrodyne.

2. Strategic Process:

Seeking Shareholder Approval for the Merger

On October 21, 2013, the Corporation filed a preliminary proxy statement with the Securities and Exchange Commission ("SEC") which contained, among other matters, the board of director's recommendation that the shareholders vote in favor of a plan of merger in which the Corporation and GSD would merge with and into Gyrodyne. The Corporation received comments from the SEC on November 18, 2013. The Corporation proceeded with holding its 2013 annual meeting without seeking authorization for the merger transaction at that time because of NASDAQ rules requiring listed companies to hold an annual meeting not later than twelve months following the fiscal year end. On May 8, 2014, the Corporation responded to such comments and filed a revised preliminary proxy statement with the SEC. The Corporation received comments from the SEC on May 29, 2014 and responded to such comments and filed a revised proxy statement (Amendment No. 2) with the SEC on June 17, 2014. The Corporation received comments from the SEC on June 24, 2014 and responded to such comments and filed a revised proxy statement (Amendment No. 3) with the SEC on June 26, 2014. The Corporation received comments from the SEC on June 26, 2014 and responded to such comments and filed a definitive proxy statement (Amendment No. 4) with the SEC on July 1, 2014.

On June 5, 2014, the Corporation announced that a special meeting of shareholders of the Corporation would be held on August 14, 2014. At the special meeting, the Corporation would be asking the shareholders as of the record date of June 30, 2014 to authorize the plan of merger and the transactions contemplated thereby, including the merger of the Corporation and GSD with and into Gyrodyne, a subsidiary of the Corporation. Shareholders of record at the close of business on June 30, 2014, were entitled to vote at the special meeting or its adjournment or postponement, if any, provided such meeting took place by August 30, 2014. The special meeting was postponed until August 27, 2014 and then on August 25, 2014, the Corporation announced the postponement of the special meeting to December 5, 2014 to allow additional time for shareholders to vote on the Merger and changed the shareholder record date to October 31, 2014. The Corporation had been advised by its proxy solicitor, MacKenzie Partners, that with approximately 45% of the outstanding shares voted by delivery of proxy cards, approximately 97% of such shares had voted in favor of the Merger. Despite the overwhelming percentage of received votes in favor of the merger not enough shares were voted to reach the two-thirds of the outstanding share majority needed under New York law. Accordingly, on November 4, 2014, the Corporation announced a further postponement of the special meeting until the middle of 2015.

Rights Offering

Given the small size of holdings of many of the shareholders of the Corporation and the nature of various holders, the Corporation believed many holders may not have paid enough attention to the Merger to exercise their right to vote during attempts in 2014. The Corporation and its advisors continued to analyze potential options in the best interests of the Corporation and its shareholders, which included enhancements designed to facilitate the ability to complete the merger transaction. On March 6, 2015, the Corporation filed a registration statement on Form S-1 with the SEC for a rights offering to its existing shareholders to facilitate the vote of two-thirds of the outstanding shares needed under New York law to approve the Merger, as well as raise equity capital in a timely and cost-effective manner while providing all of its shareholders the opportunity to participate in an offering of the Corporation's shares on a pro rata basis without diluting their ownership interest in the Corporation. The board of directors believed that shareholders who exercised their subscription rights in the rights offering would be more likely to vote their shares on the Merger proposal.

On April 10, 2015 and May 15, 2015, the Corporation filed amendments to the registration statement to replace the financial statements and related financial information in the original filing of the Registration Statement with the updated financial statements as of and for the year ended December 31, 2014 and as of and for the quarter ended March 31, 2015, respectively, and other updated financial information related thereto.

On April 27, 2015, the Corporation announced that it had set May 6, 2015 as the record date for its previously announced rights offering, and that the subscription price for the rights offering was $2.75 per share. In the rights offering, the Corporation distributed, at no charge, to shareholders as of the record date non-transferable subscription rights to purchase, on a three-for-two basis, up to an aggregate of 2,224,020 shares of its common stock.

On May 18, 2015, the SEC declared the registration statement effective, and on May 19, 2015, the Corporation announced the commencement of the rights offering. The Corporation effected the rights offering through the distribution of non-transferable subscription rights to purchase shares of its common stock at $2.75 per share subject to certain aggregate ownership limitations. In the rights offering, shareholders received three subscription rights for each two shares of common stock held of record on May 6, 2015, with each subscription right giving a shareholder the right to purchase one share of common stock. The rights offering also included an over-subscription privilege, which entitled each rights holder that exercised its basic subscription privilege in full, the right to purchase additional shares of common stock that remained unsubscribed at the expiration of the rights offering, subject to the availability and pro rata allocation of shares among persons exercising this over-subscription right. The rights offering did not contain an overallotment option.

On June 17, 2015, the Corporation closed the rights offering and on June 22, 2015, the Corporation announced that it received subscriptions for approximately 7,044,894 shares, greatly exceeding the maximum shares offered of 2,224,020. Shareholders were allocated 100% of their basic subscriptions. Based on the maximum 2,224,020 shares that were issuable in the rights offering, 1,214,644 shares were allocated to shareholders who properly exercised their oversubscription privilege, pro rata in proportion to the aggregate number of shares subscribed for under the over-subscription privilege, or 20.12499% of each over-subscriber's requested shares. The rights offering resulted in 2,224,020 common shares issued on June 26, 2015 and net proceeds received (after expenses) of $5,606,190 (gross proceeds of $6,116,055 less direct expenses of the rights offering of $509,865).

Merger Allocation Adjustment

The Plan of Merger originally provided for an allocation of Gyrodyne, LLC interests to be issued in the Merger of 15.2% to shareholders of the Corporation, 29.2% to the holders of the Notes and 55.6% to the holders of common interests of GSD (collectively, the "Initial Allocations"). The Plan of Merger as revised by the December 2013 amendment provided that each of the Initial Allocations set forth therein of Gyrodyne LLC interests to be issued in the Merger in exchange for common shares of the Corporation, GSD Interests and interests in the Dividend Note was subject to adjustment in the discretion of the Corporation's board of directors. The Plan of Merger provided that any

changes made to the Initial Allocations would be announced at least ten days prior to the meeting of shareholders at which shareholders of the Corporation would be asked to consider and vote upon the Plan of Merger.

At a board of directors meeting held on April 24, 2015, the Corporation's directors determined to adjust the allocation of common shares of Gyrodyne, LLC to be issued pursuant to the Merger to account for certain developments since the Initial Allocations were set in December 2013. As adjusted, the common shares of Gyrodyne, LLC to be issued in the Merger would be allocated as follows:

- Approximately 22.6% in the aggregate to shareholders of the Corporation;
- Approximately 30.0% in the aggregate to holders of interests in the notes issued by the Corporation in the aggregate principal amount of $17,937,000 (the "Notes"); and
- Approximately 47.4% in the aggregate to holders of common interests of GSD.

The Corporation's board of directors determined the foregoing allocation adjustments based on the increase in the adjusted net book value of its shares due to the rights offering and the respective anticipated net proceeds to the Corporation of $5,606,000 (actual net proceeds were $5,606,190), assuming all 2,224,020 shares were sold. In addition, the allocations reflect adjusted net book value, face value and "fair value" (based on appraised values of underlying properties owned by GSD, less liabilities) of the Corporation, the Notes and GSD, respectively, in each case as of December 31, 2014. This methodology was consistent with the valuation metrics used to determine the Initial Allocations in December, 2013.

Special Meeting and Consummation of Merger

Following the completion of the rights offering on June 17, 2015, the Corporation's board of directors established June 29, 2015 as the record date for determining shareholders entitled to receive notice of and vote at the special meeting, and that the special meeting would take place on August 20, 2015. On July 1, 2015 the Corporation filed a supplement to the proxy statement/prospectus dated July 1, 2014 to provide supplemental information to the proxy/statement prospectus and to be read in conjunction with the proxy statement/prospectus. On August 17, 2015, the Corporation filed supplement number 2 to the proxy statement/prospectus dated July 1, 2014 to provide supplemental information regarding the terms of a settlement in the class action lawsuit against the Corporation and members of its board of directors, and against GSD and Gyrodyne. See Part II, Item 1, "Legal Proceedings". On August 20, 2015 the shareholders of the Corporation voted to authorize the Merger with more than 99% of votes cast at the special meeting voting in favor, representing more than 76% of all outstanding shares. The Merger closed on August 31, 2015 and common shares of Gyrodyne, LLC began trading on NASDAQ on September 1, 2015. The Merger completed the tax plan of liquidation for purposes of the Internal Revenue Code, and resulted in holders of common stock of the Corporation receiving approximately 22.6% (335,086 shares) of the common shares of Gyrodyne, LLC in the aggregate (.0904 common share of Gyrodyne, LLC per share of the Corporation's common stock), holders of non-transferable Notes receiving approximately 30.0% (444,804 shares) of the common shares of Gyrodyne, LLC in the aggregate (.024798 common share of Gyrodyne, LLC per $1.00 principal amount of the Dividend Notes issued in January 2014 and the Dividend Notes issued in December 2014, together, in each case, with any interest thereon paid in kind in the form of additional Notes), and holders of non-transferable interests in GSD receiving approximately 47.4% (702,790 shares) of the common shares of Gyrodyne, LLC in the aggregate (.473999 common share of Gyrodyne, LLC per GSD interest).

3. Significant accounting policies:

The condensed consolidated financial statements for periods prior to September 1, 2015 were prepared on the going concern basis of accounting, which contemplates realization of assets and satisfaction of liabilities in the normal course of business. The completion of the Corporation's tax liquidation by means of the Merger removes the timing constraints associated with the tax liquidation and now provides Gyrodyne the opportunity to pursue without such constraints the opportunistic disposition of certain properties and the enhancement of the value of the Flowerfield and Cortlandt Manor properties, by pursuing various development or zoning/entitlement opportunities, which the Gyrodyne Board believes will improve the chances of obtaining better values for such properties. Gyrodyne expects

that it will dissolve after it has completed the disposition of all of its real property assets, has applied the proceeds of such dispositions first to settle any claims, pending or otherwise, against Gyrodyne, and then has made liquidating distributions to holders of Gyrodyne common shares. Therefore 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 Gyrodyne's Amended and Restated Limited Liability Company Agreement the Board has the ability to sell all of the Company's assets without further approval. As a result, liquidation is "imminent" in accordance with the guidance provided in ASC 205-30.

A. Liquidation Basis of Accounting – Under the liquidation basis of accounting the consolidated balance sheet, consolidated statement of operations, statement of equity and the consolidated statement of cash flows are no longer presented (except for periods prior to the adoption of the liquidation basis of accounting). The consolidated statement of net assets in liquidation and the consolidated statement of changes in net assets in liquidation are the principal financial statements presented under the liquidation basis of accounting.

Under the liquidation basis of accounting, all of the Company's assets have been stated at their estimated net realizable value which are based on current contracts, estimates and other indications of sales value. 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 statement of net assets in liquidation. These estimates will be 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 are expected to 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 the end of 2018. Accordingly, it is not possible to predict with certainty the timing or aggregate amount which may ultimately be distributed to common interest holders and no assurance can be given that the distributions will equal or exceed the estimate presented in the accompanying statement of net assets in liquidation.

The Company is pursuing value associated with the highest and best use for the Flowerfield Property as well as the property associated with the Cortlandt Medical Center. The actual costs of achieving such values may differ materially from the assumptions and estimates utilized and accordingly, could have a significant impact on the value of net assets in liquidation.

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, land development costs, general and administrative fees, litigation settlement, director and officer liability and reimbursement, post liquidation insurance tail coverage policy and final liquidation costs) are based on completing the liquidation by the end of 2018. 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 of the Company's properties.

This report should be read in conjunction with the audited financial statements and footnotes therein included in the Annual Report on Form 10-K for the year ended December 31, 2015 and with the definitive proxy statement/prospectus filed with the SEC on July 1, 2014, the supplement, dated July 1, 2015, and the supplement no. 2, dated August 17, 2015 to the proxy statement/prospectus dated July 1, 2014 and the S-1/A filed with the SEC on May 15, 2015.

B. 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.

C. Management Estimates – In preparing the consolidated financial statements in conformity with 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 income and expense for the reporting period. Actual results could differ from those estimates.

4. Basis of Quarterly Presentations:

The accompanying quarterly financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP"). The 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-month period ended September 30, 2016.

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.

5. Principles of Consolidation:

The accompanying condensed consolidated financial statements include the accounts of Gyrodyne LLC, and all majority owned subsidiaries. The Company consolidates its wholly owned subsidiaries, partnerships and joint ventures which it controls (i) through voting rights or similar rights or (ii) by means other than voting rights if the Company is the primary beneficiary of a variable interest entity ("VIE"). If an investment is determined to be a VIE, the Company performs an analysis to determine if the Company is the primary beneficiary of the VIE. GAAP requires a VIE to be consolidated by its primary beneficiary. The primary beneficiary is the party that has a controlling financial interest in an entity. In order for a party to have a controlling financial interest in an entity, it must have (1) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) the obligation to absorb losses or the right to receive benefits of an entity that could potentially be significant to the VIE. Prior to the Merger, GSD was the only VIE and was included in the consolidated financial statements. As a result of the Merger, GSD merged with and into Gyrodyne, LLC, accordingly, effective with such merger, there is no longer a VIE.

6. Statement of Net Assets in Liquidation:

Following the Merger, effective September 1, 2015, the Company reports its financial results on the statement of net assets in liquidation and the statement of changes in net assets in liquidation, both of which track the Company's estimated remaining liquidating distributions. Net assets in liquidation at September 30, 2016 would result in liquidating distributions of approximately $18.89 per common share.

The cash balance at the end of the liquidation period (currently estimated to be December 31, 2018, although the estimated completion of the liquidation period remains subject to change as we execute on our land development efforts), excluding any interim distributions, is estimated based on the September 30, 2016 combined cash balance and marketable securities of $8.7 million plus adjustments for the following items which are estimated through December 31, 2018:

1. Adjustments for the estimated cash receipts from the operation of the properties net of rental property related expenditures as well as costs expected to be incurred to maintain the fair value of the property at its estimated gross sales proceeds.
2. Proceeds from the sale of all its real estate holdings.
3. The net cash used to settle the working capital accounts.
4. The general and administrative expenses and or liabilities associated with operations and the liquidation of the Company have been included, including severance, director and officer liability inclusive of post liquidation tail policy coverage, and financial and legal fees to complete the liquidation.
5. In addition, the Company is incurring land development costs to determine the highest and best use for the Flowerfield and Cortlandt Manor properties.
6. Based on the terms of the Retention Bonus Plan (see Note 13), the Company has included estimated amounts based on the fair value of the remaining four buildings it owns in the Port Jefferson Professional Park. The fair value of the Flowerfield and Cortlandt Manor properties do not exceed the adjusted appraisals (adjusted appraisals are defined under the bonus plan as the appraisals dated November 2013 plus the estimated land development costs incurred since such appraisal), therefore, the Company has not included any bonuses on the sale of these properties. The change of zone and entitlements for such properties are under the control of the town for each related property therefore under GAAP, the potential increase in the real estate fair value from the land development effort cannot be included in the Statement of Net Assets. The value of such amounts cannot be included in the Statement of Net Assets until the Company concludes that the change of zone and the specific detailed entitlements are or will be granted.

In the initial adoption of the liquidation basis of accounting, the consolidated statement of changes in net assets in liquidation contained fair value adjustments to the August 31, 2015 going concern equity to arrive at the liquidating value.

The Company estimates the fair value of its real estate assets by using income and market valuation techniques. The Company may estimate fair 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 under estimates forecasted cash outflows (tenant improvements, lease commissions and operating costs) or over estimates forecasted cash inflows (rental revenue rates), the estimated fair value of its real estate assets could be overstated.

The Company is considering various options to maximize total distributions to our shareholders during the liquidation process. The Company estimates that it will have incurred approximately $3.15 million (included in the statement of net assets as part of the estimated liquidation and operating costs net of receipts, see Footnote 7) in land development costs over calendar years 2016 and 2017, inclusively, in an effort to obtain entitlements, inclusive of zone changes and special permits that it believes will result in a higher internal rate of return through the improvement of values in the Flowerfield and Cortlandt Manor properties. During the nine months ended September 30, 2016, the Company incurred approximately $770,000 of the estimated $3.15 million inclusive of a land purchase and closing costs of approximately $210,000. The Company believes the remaining balance of $2,380,000 will be incurred from October 2016 through the end of liquidation. 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 zones/entitlements and that the dynamics of the real estate market. As a result, the Company has focused and will continue to focus its land development 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 net assets in liquidation at September 30, 2016 ($28,008,395) would result in estimated liquidating distributions of approximately $18.89 per common share (1,482,680 shares outstanding), based on estimates and other indications of sales value but excluding any actual additional sales proceeds that may result directly or indirectly from the $3.15 million in land development costs. Neither the additional value that may be derived from the land development costs, nor the retention bonuses for the sale of the Flowerfield and Cortlandt Manor properties are included in the estimated liquidating distributions as of September 30, 2016. The Company believes there will be a higher internal rate of return resulting from the land development costs that 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 development 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 development 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.

7. Liability for Estimated Costs in Excess of Receipts during Liquidation:

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 costs in excess 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 development costs, the timing and estimates for executing and renewing leases, capital expenditures to maintain the real estate at its current fair 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.

As of December 31, 2015, the Company accrued the following revenues and expenses expected to be earned or incurred during liquidation which is expected to be completed during 2018:

	Amount
Rents and reimbursements	$ 6,440,325
Property operating expenses	(3,596,704)
Capital expenditures excluding land development costs and land purchases	(612,704)
Land development costs	(3,154,490)
Corporate expenditures[1]	(7,778,675)
Estimated real estate selling costs	(2,817,000)
Retention bonus payments to Directors	(1,263,730)
Retention bonus payments to executives and other employees	(680,470)
Less prepaid expenses and other assets	443,108
Liability for estimated costs in excess of estimated receipts during liquidation	$ (13,020,340)

[1]Includes all general and administrative fees, litigation settlement, director and officer liability and reimbursement post liquidation insurance tail coverage policy and final liquidation costs.

The change in the liability for estimated costs in excess of estimated receipts during liquidation from January 1, 2016 through September 30, 2016 is as follows:

	January 1, 2016	Expenditures/ (Receipts)	Remeasurement of Assets and Liabilities	September 30, 2016
Assets:				
Estimated rents and reimbursements	$ 6,440,325	$ (2,874,829)	$ 102,313	$ 3,667,809
Liabilities:				
Property operating costs	(3,596,704)	1,487,488	(30,310)	(2,139,526)
Capital expenditures excluding land development costs and land purchases	(612,704)	320,286	(100,000)	(392,418)
Land development costs	(3,154,490)	770,245	-	(2,384,245)
Corporate expenditures	(7,778,675)	2,467,330	(450,580)	(5,761,925)
Selling costs on real estate assets	(2,817,000)	979,204	103,196	(1,734,600)
Retention bonus payments to Directors (a)	(1,263,730)	762,351	348,316	(153,063)
Retention bonus payments to Executives and other employees (a)	(680,470)	410,497	187,555	(82,418)
Less prepaid expenses and other assets	443,108	(15,271)	-	427,837
Liability for estimated costs in excess of estimated receipts during liquidation	$(13,020,340)	$ 4,307,301	$ 160,490	$(8,552,549)

(a) The value of the real estate reported in the Statement of Net Assets as of September 30, 2016 does not include the appreciation that may result from the estimated land development costs. As a result, fair value as reported does not exceed the adjusted appraised value under the Retention Bonus Plan (the appraisal of the real estate in late 2013 plus the estimated development costs) and accordingly the Company has not included any retention bonuses on the sale of the Cortlandt Manor or Flowerfield Properties in the estimated costs in excess of receipt. However, if the Company concludes in future periodic filings that the value of the real estate exceeds the minimum value required to pay bonuses under the retention bonus plan (whether due to appreciation of the underlying real estate and/or a reduction in estimated land development costs), then the Company will report the updated estimated real estate value and the estimated bonuses related to the value of the Cortlandt Manor and/or Flowerfield Properties in accordance with the provisions of the retention bonus plan.

8. Disposition Activities:

Port Jefferson Professional Park. During 2016, the Company sold five buildings (approximately 4,000 square feet each) in the Port Jefferson Professional Park as follows:

Port Jefferson Medical Park Location	Closing Date	Gross Sales Proceeds
6 Medical Drive	January 2016	$ 850,000
8 Medical Drive	June 2016	820,000
4 Medical Drive	July 2016	900,000
3 Medical Drive	August 2016	876,000
2 Medical Drive	September 2016	800,000
Total		$ 4,246,000

The Company has four remaining buildings within the same medical park which are currently being actively marketed for sale.

Fairfax Medical Center.

On February 4, 2016 the Company's wholly-owned subsidiary Virginia Healthcare Center, LLC, a Virginia limited liability company ("VHC") entered into a Purchase and Sale Agreement (the "Agreement") to sell the Fairfax Medical Center, subsequently amended, for a sales price of $14,315,000 to JAG Associates, L.L.C., a Virginia limited liability company ("JAG"). The material terms of the Agreement provided for: (i) an initial earnest money deposit in the amount of $250,000 payable by JAG to the escrow agent within five business days following the Effective Date that were applied to the purchase price at closing; (ii) an evaluation period that expired on April 11, 2016, during which time JAG had the right to terminate the Agreement by written notice to the Company, for any reason or no reason, prior to the expiration of the evaluation period, in which case JAG had the right to receive a refund of its initial $250,000 earnest money deposit; (iii) if the Agreement was not terminated on or prior to April 11, 2016, JAG was obligated to deliver an additional earnest money deposit to the escrow agent in the amount of $250,000, which together with the initial earnest money deposit were applied toward the purchase price at closing; (iv) unless JAG terminated the Agreement on or prior to April 11, 2016, the closing would occur on or before May 4, 2016. The Agreement also contained a master lease (2 year term for approximately 4,700 square feet) to VHC for approximately $210,000, payments due quarterly if certain vacancies were not re-tenanted. Prior to the sale, the Company marketed, and following the sale, JAG continues to actively market the space, the success of which will directly reduce the master lease obligation. The Agreement also contained additional customary covenants, conditions, representations and warranties. On April 25, 2016, in response to the purchaser's due diligence results, VHC and JAG amended the Agreement as follows:

a. Reduced the purchase price from $14,315,000 to $14,015,000 to address certain property conditions to JAG's satisfaction.
b. Amended the master lease obligation which among other things effectively reduced VHC's obligation on rentable square feet from 4,700 square feet to 3,852 square feet which translates to a reduction in VHC's liability from approximately $210,000 to approximately $155,000. Consistent with the original master lease, VHC will continue to get credit toward the master lease obligation for leases to new tenants and expansions of existing tenants. If the financial obligation under the master lease becomes satisfied through leases to one or more third party tenants, the master lease will terminate and VHC will have no further obligation to pay rent thereunder. JAG has a continuing obligation during the lease term to make commercially reasonable efforts to lease all or a portion of the leased premises at current market rates, as a priority over leasing occupied space in the property. In connection with the execution of the master lease, Gyrodyne agreed to guarantee full performance of the master lease by VHC, including the payment of all rentals but limited to two years of base rent.

On May 4th, 2016, VHC closed on the sale of the Fairfax Medical Center. Based on the aforementioned terms, VHC has a master lease obligation (guaranteed by the Company) on approximately 3,852 square feet for approximately $155,000 over the next two years with payments due quarterly less any new leases or expansions signed by the buyer, which obligations will terminate if the financial obligation is satisfied through leases to one or more third party tenants. Based on the leasing activity since the closing date, the Company estimates the obligation on the master lease has been reduced to $50,593 (net of the August sub lease payment of $16,878).

The Comparison of the Gross sales proceeds to the fair value reported prior to entering the Purchase and Sale Agreement:

Sale Price	Fair Value reported prior to entering the Purchase and Sale Agreement	Fair Value reported in excess of Proceeds excluding the Master Lease Obligation
$ 14,015,000	$ 14,000,000	$ 15,000

9. Investment in Marketable Securities:

The Company determines the appropriate classification of securities at the time of purchase and reassesses the appropriateness of such classification at each reporting date. All marketable securities held by the Company have been classified as available-for-sale and, as a result, are stated at fair value, based on a pricing model that incorporates coupon type, prepayment speeds and the type of collateral backing the securities. The unrealized gains or loss for the period in the securities and the fair value of the securities at the end of the period are reflected in the Condensed Consolidated Statement of Changes in Net Assets in Liquidation and Statements of Net Assets in Liquidation, accordingly.

The Company reviews its investments on a regular basis and adjusts the balance to fair value in the Condensed Consolidated Statement of Changes in Net Assets in Liquidation and Statements of Net Assets in Liquidation, accordingly.

The historical cost and estimated fair value of investments in marketable securities available for sale as of September 30, 2016 and December 31, 2015 are as follows:

	September 30, 2016	December 31, 2015
Amortized cost	$ 4,368,749	$ 5,026,390
Gross unrealized (losses) gains	85,470	(24,668)
Fair value*	$ 4,454,219	$ 5,001,722

* $643,609 in principal repayments was received during the nine months ended September 30, 2016

The Company's investment is in conforming agency fixed rate mortgage pass through securities ("mortgage-backed securities"), each of which contained either AA or AAA ratings, the principal of which is fully guaranteed by agencies of the U.S. Government. At September 30, 2016 and December 31, 2015, marketable securities based on amortized cost, reflect a yield of approximately 2%, have contractual maturities of 15 or 30 years and an adjusted duration of less than four years. The fair value of mortgage-backed securities was estimated based on a Level 2 methodology, additional details of which are discussed further in Footnote 15 – Fair Value of Financial Instruments. As of September 1, 2015, all securities are reported at fair value and the changes are reported in the statement of net assets in liquidation and the statement of changes in net assets in liquidation, accordingly.

10. Income Taxes:

Gyrodyne LLC is not subject to an entity level income tax but rather is treated as a pass-through entity with the taxable income or loss reported annually on a Form K-1 to its shareholders pro rata. FPI is a wholly-owned subsidiary of the Company. FPI is a "C" corporation and therefore any income generated by FPI is subject to a corporate level tax.

11. Incentive Compensation Plan:

The Corporation had an Incentive Compensation Plan (the "ICP"), the remaining benefits of which were vested and not contingent on any future performance. Payment of the limited remaining benefit under the ICP was triggered upon the December 30, 2013 non-cash dividend distribution of $20.70 per share which was comprised of the distribution of interests in Gyrodyne Special Distribution LLC. At that time, the Corporation's board decided that the Corporation should defer the cash payment triggered under the ICP by such dividend, until such time as the Company made cash distributions so as to ensure plan participants were not paid ICP benefits prior to the time the shareholders received cash on the non-cash portion of the dividend (i.e. the GSD shares). Under such deferral and pursuant to the ICP limitation, the cumulative total future payments that were to be made was $233,200. As a result, based on 1,482,680 shares outstanding, for every penny per share dividend declared and paid, an ICP payment of $14,827 was to be paid until such future cumulative ICP payments reached $233,200. On June 15th, the Company paid a dividend of $9.25 per share to shareholders of record on June 6, 2016. As a result, the Company made its final payment of $233,200 to the ICP participants.

Neither Frederick C. Braun III (the Company's Chief Executive Officer), who joined the Company in February 2013, nor Gary Fitlin (the Company's Chief Financial Officer), who joined the Company in 2009, was a participant in the ICP.

The final remaining ICP benefits were paid in June, 2016. The allocation to ICP participants are below:

INCENTIVE PLAN PARTICPANTS	Total
Board of Directors[1]	$ 131,758
Chief Operating Officer	31,482
Former Chief Executive Officer	43,142

Chief Executive Officer	-
Chief Financial Officer	-
Other Employees [2]	26,818
Total	$ 233,200

[1] $17,490 of the $131,758 was paid to a former Director who resigned in September 2013.
[2]Approximately $25,652 of the $26,818 was paid to former employees.

12. Concentration of Credit Risk:

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents and securities issued with the guarantee of U.S. Government Agencies. 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, 2016 and December 31, 2015.

13. Commitments and Contingencies:

Lease revenue commitment

The approximate future minimum revenues from rental property under the terms of all noncancellable tenant leases, assuming no new or renegotiated leases are executed for such premises, are as follows:

Twelve Months Ending September 30,	Amount
2017	$ 1,862,000
2018	1,446,000
2019	1,031,000
2020	391,000
2021	344,000
Thereafter	956,000
Total	$ 6,030,000

Other commitments and contingencies

As of September 30, 2016, other commitments and contingencies are summarized in the below table:

Management Employment agreements with bonus and severance commitment contingencies	600,000
Other employee severance commitment contingencies	77,100
Total	$ 677,100

On May 4th, 2016, the Company's wholly owned subsidiary Virginia Healthcare Center, LLC ("VHC") closed on the sale of the Fairfax Medical Center. The purchase and sale agreement contains a master lease obligation by VHC (guaranteed by the Company) on approximately 3,852 square feet for an initial approximate $155,000 over a period of two years with payments made quarterly less any new leases or expansions signed by the buyer, which obligations will terminate if the financial obligation is satisfied through leases to one or more third party tenants. Under the master lease, VHC receives a credit for any new leases (other than renewals) and expansions from existing tenants. Based on such activity, the Company estimates the total obligation under the master lease will be reduced to approximately $67,000, the amount of which will be paid in quarterly installments over the period from August 3rd 2016 to May 4, 2018. In August, 2016, pursuant to the master lease, the Company paid the first quarterly installment of $16,878, leaving an estimated remaining balance of $50,593. For further discussion see Footnote 8.

***Employment* Agreements and Compensation Arrangements**

The Company has employment agreements with its Chief Executive Officer and Chief Financial Officer, each executed during the quarter ended June 30, 2013. Each of these agreements contains a bonus of $125,000 payable upon a change of control as defined in the agreements. In addition, each agreement provides for severance equivalent to the payment of the aforementioned bonus under the change in control provision, if not previously paid, plus 6 months of base salary.

The Company also has an employment agreement with its Chief Operating Officer executed on May 8, 2014 which provides for severance equivalent to 6 months of base salary.

The aggregate severance commitment contingency to other employees under the Company's severance policy is approximately $77,100.

As of September 30, 2016, the Company's aggregate commitment related to severance is approximately $677,100.

In May 2014, the board of directors approved a Retention Bonus Plan. The estimated aggregate bonus amount payable under this plan and included in the estimated liquidation and operating costs in excess of operating receipts in the statement of net assets in liquidation and the statement of changes in net assets in liquidation (excluding amounts paid through September 30, 2016) is approximately $235,000, of which approximately $153,000 and $82,000 is payable to directors and employees, respectively. Based on the terms of the Retention Bonus Plan, the Company has included estimated amounts based on the fair value of the remaining four buildings it owns in the Port Jefferson Professional Park. However, the Company has not included any bonuses on the sale of the Cortlandt Manor and Flowerfield properties. The change of zone and entitlements for such properties are under the control of the town for each related property and therefore under GAAP, the potential increase in the real estate fair value from the land development effort cannot be included in the Statement of Net Assets. As a result, the fair value being reported does not exceed the adjusted appraisals (adjusted appraisals are defined under the bonus plan as the appraisals dated November 2013 plus the estimated land development costs incurred since such appraisal.) See "Retention Bonus Plan" below for a description of the calculation of the bonus amounts. However, if the Company concludes in future periodic filings that the value of the real estate to the extent actual net proceeds from the ultimate disposition of the properties exceed the value of the real estate reported in the Statement of Net Assets as of September 30, 2016, and such net proceeds exceeds the minimum value required to pay bonuses under the retention bonus plan (whether due to appreciation of the underlying real estate and/or a reduction in estimated land development costs), then the Company will report the updated estimated real estate value and the estimated be required to pay bonuses related to on the value sale of the Cortlandt Manor and/or Flowerfield Properties in accordance with the provisions of the retention bonus plan.

Retention Bonus Plan

In May 2014, the board of directors approved a Retention Bonus Plan designed to recognize the nature and scope of the responsibilities related to the Company's business plan, to reward and incent performance in connection therewith, to align the interests of directors, executives and employees with our shareholders and to retain such persons during the term of such plan. The Retention Bonus Plan provides for bonuses to directors and to officers and employees determined by the gross sales proceeds from the sale of each property and the date of sale.

The Retention Bonus Plan provides for a bonus pool funded with an amount equal to 5% of the specified appraised value of such properties (set forth in the Plan), so long as the gross selling price of a property is equal to or greater than 100% of its 2013 appraised value as designated in the bonus plan. The aggregate amount of the 2013 appraisals for the Company's properties was utilized by the Company to help set the aggregate valuation of the real estate that was included in the non-cash dividend distributed on December 30, 2013. Additional funding of the bonus pool will occur on a property-by-property basis when the gross sales price of a property exceeds its appraised value as follows: 10% on the first 10% of appreciation, 15% on the next 10% of appreciation and 20% on appreciation greater than 20%. Furthermore, if a specified property is sold on or before a designated date specified in the Retention Bonus Plan, an additional amount equal to 2% of the gross selling price of such property also is funded into the bonus pool.

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: 15% for the Chairman, 50% for the directors other than the Chairman (10% for each of the other five directors) and 35% (the "Employee Pool") for the Company's executives and employees. Such share of the bonus pool is earned only upon the completion of the sale of a property at a gross selling price equal to or greater than its appraised value and is paid to the named beneficiaries of the Retention Bonus 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. All allocations to individual beneficiaries of the Employee Pool shall be determined by the board of directors of the Company or its successor in consultation with its President.

On May 24, 2016, the board of directors amended its Retention Bonus Plan to provide that land development costs incurred on a property since the date of the 2013 appraisal will be added to the 2013 appraised value of the property ("Adjusted Appraised Value") in calculating appreciation (gross sales price minus appraised value) for the purpose of

determining the bonus pool. The foregoing change was approved in order to better align the interests of the participants in the Retention Bonus Plan with those of the shareholders. The amendment also provides that each of the ten buildings in the Port Jefferson Professional Park will be treated as a "property", so that a participant's right to bonus payment on the sale of a Port Jefferson building will vest on, and payments to the bonus pool may be made shortly following, the closing of the sale of that building. As originally adopted, all ten buildings in the Port Jefferson Professional Park were treated as one property, so that a participant departing prior to the sale of all ten buildings would forfeit bonus on all ten buildings. The reason for this original designation was that, at the time of adoption, the board of directors believed that Gyrodyne's entire Port Jefferson property would be sold as one block, not as individual buildings. Subsequent to adoption, the Gyrodyne board came to believe that the sale of individual buildings would generate the greatest aggregate values and thus would be in the best interests of the Company and its shareholders.

The value of the real estate reported in the Statement of Net Assets as of September 30, 2016 does not include the appreciation that may result from the estimated land development costs. As a result, fair value as reported does not exceed the adjusted appraised value under the Retention Bonus Plan and accordingly the Company has not included any retention bonuses on the sale of the Cortlandt Manor or Flowerfield Properties in the estimated costs in excess of receipt. However, if the Company concludes in future periodic filings that the value of the real estate exceeds the minimum value required to pay bonuses under the retention bonus plan (whether due to appreciation of the underlying real estate and/or a reduction in estimated land development costs), then the Company will report the updated estimated real estate value and the estimated bonuses related to the value of the Cortlandt Manor and/or Flowerfield Properties in accordance with the provisions of the retention bonus plan.

14. Recent Accounting Pronouncements:

In February 2015, the FASB issued ASU No. 2015-02, *"Consolidation (Topic 810) - Amendments to the Consolidation Analysis."* The amendments in this update provide guidance on evaluating whether a company should consolidate certain legal entities. In accordance with the guidance, all legal entities are subject to reevaluation under the revised consolidation model. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is allowed. The adoption of this pronouncement did not have a material effect on the Company's net assets and changes in net assets.

In May 2015, the FASB issued ASU No. 2015-07, "*Fair Value Measurement* (Topic 820) *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* ("ASU No. 2015-07")." The amendments in this Update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The adoption of this pronouncement did not have a material effect on the Company's net assets and changes in net assets.

In May 2015, the FASB issued ASU No. 2015-08, "*Business Combinations* (Topic 805) ("ASU No. 2015-08")." This update amends various SEC paragraphs pursuant to the issuance of Staff Accounting Bulletin No. 115. The adoption did not have a material effect on the Company's net assets and changes in net assets.

In June 2015, the FASB issued ASU No. 2015-10, *"Technical Corrections and Improvements* ("ASU No. 2015-10")." The amendments in this update cover a wide range of Topics in the Codification. The amendments in this update represent changes to make minor corrections or minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. This update is the final version of Proposed Accounting Standards Update 2014-240—Technical Corrections and Improvements, which has been deleted. The adoption did not have a material effect on the Company's net assets and changes in net assets.

In August 2015, the FASB issued ASU 2015-14, *"Revenue from Contracts with Customers (Topic 606)."* The amendments in this Update defer the effective date of Update 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in Update 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The adoption of this pronouncement is not expected to have a material effect on the Company's net assets and changes in net assets.

In February 2016, the FASB issued ASU No. 2016-02, *"Leases (Topic 842)"*. This update provides revised guidance related to the accounting and reporting of leases. ASU 2016-02 requires lessees to recognize most leases on the balance sheet. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. ASU 2016-02 requires a modified retrospective transition, with a number of practical expedients that entities may elect to apply. ASU 2016-02 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material effect on Company's net assets and changes in net assets.

15. Fair Value of Financial Instruments:

Assets and Liabilities Measured at Fair-Value – 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.

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. Effective with the Merger, the Company adopted the liquidation basis of accounting and reports all assets and liabilities at fair value, accordingly.

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) 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.

The following table represents the carrying value and fair value on a recurring basis of the Company's financial assets and liabilities as of September 30, 2016 and December 31, 2015, respectively.

	September 30, 2016		December 31, 2015	
Description	Carrying Value	Fair Value (Level 2)	Carrying Value	Fair Value (Level 2)
Investment in Marketable Securities	$ 4,454,219	$ 4,454,219*	$ 5,001,722	$ 5,001,722

* $643,609 in principal repayments was received during the first nine-months of 2016.

The Company has investments in mortgage backed securities with either AA or AAA ratings fully guaranteed by US government agencies (the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation). The fair values of mortgage backed securities originated by US government agencies are based on a pricing model that incorporates coupon type, prepayment speeds and the type of collateral backing the securities. A discount rate is applied to the cash flows in the model to arrive at the fair value. Market quotes, current yields, and their spreads to benchmark indices are obtained for each type of security. With this data, a yield curve is derived for each category of mortgage backed securities. Each security is priced by discounting the cash flow stream by the appropriate yield found on the yield curve. As the significant inputs used to derive the value of the mortgage-backed securities are observable market inputs, the fair value of these securities are included in the Level 2 fair value hierarchy.

The Company estimates that fair value approximates carrying value for cash equivalents, rents receivable, prepaid and other assets, and accounts payable due to the relatively short maturity of the instruments.

Fair Value Measurements:

The following table presents the Company's assets and liabilities measured at fair value on a non-recurring basis as of September 30, 2016, aggregated by the level in the fair value hierarchy within which those measurements fall:

		Fair Value Measurements Using		
Description	Balance	(Level 1)	(Level 2)	(Level 3)
Real estate assets	$ 28,910,000	$ —	$ —	$ 28,910,000

The Company estimates the fair value of its real estate assets by using income and market valuation techniques including 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 under estimates forecasted cash outflows (tenant improvements, lease commissions and operating costs) or over estimates forecasted cash inflows (rental revenue rates), the estimated fair value of its real estate assets could be overstated. The following table represents the change in the fair value of the Company's real estate assets during the nine-months ended September 30, 2016:

Real estate assets at December 31, 2015	$ 46,950,000
Real estate sold during the nine-months ended September 30, 2016	(18,261,000)
Change in value of real estate assets	221,000 (a)
Real estate assets at September 30, 2016	$ 28,910,000

(a) The net increase in value of $221,000 is attributable to an increase in value from the sale of the Fairfax Medical Center at $15,000 in excess of the estimated value and the sale of two buildings in the Port Jefferson Professional Park at $206,000 in excess of the estimated value at December 31, 2015. The combined net increase of $221,000 represents the net increase in value of the real estate compared to that which was reported in the Statement of Net Assets at December 31, 2015.

The Company owns a 10.12% limited partnership interest in Callery Judge Grove, L.P. (the "Grove"), a limited partnership which in 2013 sold its only assets, an undeveloped Florida property located in Palm Beach County, Florida (the "Grove Property"), which is the subject of a plan for mixed-use development.

On March 18, 2011, the Grove's lender, Prudential Industrial Properties, LLC ("Prudential"), commenced a foreclosure action against the Grove. On September 19, 2013, the Grove Property was sold, the foreclosure lawsuit was dismissed and the Grove's debt to Prudential was repaid. At December 31, 2014 and 2013, the Company's interest in the Grove was held in a taxable REIT subsidiary of the Company with $0 value. The purchaser of the Grove Property, Minto Group, formally refers to the development project as Westlake.

As of December 31, 2013, the Company had a $1,315,000 deferred tax liability related to the Grove, which represented taxable losses not yet recorded pursuant to the equity method of accounting. Following certain taxable gains received in 2014 but not yet recorded, the Company reversed the deferred tax liability in total in 2014 and recorded a current tax liability of approximately $618,000 (which was paid in the second quarter of 2015) and a tax benefit of $697,000.

While the Company did not receive any distribution in connection with the sale of the Grove Property in 2013, the purchase and sale agreement provided that the Grove had the right to receive certain payments on the sale of single family residential units constructed on the property or on the sale of the property itself. Gyrodyne has been informed by the Grove's managing partner that the purchaser of the Grove Property, Minto Group, transferred the property to an affiliate which triggered an appraisal process that resulted in the payment of a fee by Minto to the Grove of $1,968,750. The Grove's managing partner also informed Gyrodyne that the fee along with some of its existing cash will be utilized to pay back in full debt obligations owed to certain limited partners in the amount of $2.7 million. In light of the foregoing, Gyrodyne believes that the Grove may not receive any additional payments from Minto beyond the aforementioned $1,968,750. In as much as the Grove's obligations to certain limited partners exceed the payment it received from Minto, it is unclear what amount, if any, Gyrodyne could expect to receive, in any final liquidating distribution from the Grove, which may not occur until 2017 at the earliest. The amount of distributions, if any, ultimately received by Gyrodyne will depend on the Grove's assets, liabilities and expenses that must be settled prior to any distributions to the Grove's limited partners.

The Grove does not have an audit, review or compilation of its financial statements, therefore, the Company is challenged to determine the collectability of any income generated by the Grove. As a result, the Company will not recognize income from the Grove and will not include in the statement of net assets any potential distributions from the Grove until the earlier of when cash distributions are received or upon receiving financial data that substantiates its results of operations.

The Grove investment is a distressed asset operating in a distressed environment where an orderly transaction is not available. The facts and circumstances of the Grove make it unreasonable to present a fair value utilizing a Level 3 methodology, the lowest methodology which allows for broad assumptions. Therefore, in accordance with the exception rules for distressed assets that are thinly traded/lack of marketability, the Company is not presenting a fair value for its investment in the Grove. Prior to the Merger, the Company accounted for the investment under the equity method. As of September 30, 2016 and December 31, 2015, the carrying value of the Company's investment was $0.

16. Related Party Transactions:

Paul Lamb, the Chairman of the Board of Gyrodyne LLC was previously the Chairman of the Board of Directors of a not-for-profit corporation under New York law in which he did not earn any compensation or receive any other financial benefit. In late 2015, the Company entered into certain leasing relationships with an entity related to the not-for-profit company under New York Law with which the Chairman also did not have any financial relationship. The leasing terms comprise 1,905 square feet and an annual and total lease commitment of $20,955 and $62,865, respectively. The Company provided certain rent abatements and tenant incentives which the Company believes were

at arm's length market rates. The independent members of the Board of the Company approved the transaction. During April 2016, Paul Lamb resigned as the Chairman of the Board of Directors of the aforementioned not-for-profit corporation, and therefore any post March 31, 2016 revenues, transactions, actions and or costs will not be disclosed under related party transactions.

Mr. Lamb is also a partner in Lamb & Barnosky, LLP which provided pro bono legal representation to the aforementioned not-for-profit corporation on the lease.

During the three months ended March 31, 2016, the Company received rental revenue of $5,715. After such time this was no longer a related party.

In April 2016, Mr. Lamb founded and became the Executive Chairman of the Board of Directors of another not-for-profit corporation under New York law in which he does not earn any compensation or receive any other financial benefit. In May 2016, the Company entered into certain leasing relationships with such entity. The leasing term of 30 months comprise 1,971 square feet and an annual and total lease commitment of $21,078 and $51,816, respectively excluding abatements. The Company believes the lease is at market value.

The independent members of the Board of the Company approved the transaction.

17. Reclassifications:

Certain amounts in the prior period have been reclassified to conform to the classification used in the current period. Prepaid expenses and other assets have been netted against estimated liquidation and operating costs net of receipts on the statement of net assets.

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, except where it is clear that the term means only the parent company, and except where the reference relates to periods prior to September 1, 2015 (i.e., prior to the consummation of the merger of Gyrodyne Company of America, Inc. and Gyrodyne Special Distribution, LLC with and into Gyrodyne, LLC) in which case the term relates to Gyrodyne Company of America, Inc. and all entities the owned or controlled by it. 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, 2016.

Cautionary Statement Concerning Forward- Looking Information. This Quarterly Report and the documents incorporated by reference into this Quarterly Report contain forward-looking statements about the Company within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Statements containing the words "believes," "anticipates," "estimates," "expects," "intends," "plans," "seeks," "will," "may," "should," "would," "projects," "continues" and similar expressions or the negative of these terms constitutes forward-looking statements that involve risks and uncertainties. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and they are included in this Quarterly Report for the purpose of invoking these safe harbor provisions. Such statements are based on current expectations and are subject to risks, uncertainties and changes in condition, significance, value and effect. The risks, uncertainties and changes in condition, significance, value and effect that could cause the Company's actual results to differ materially from anticipated results include risks and uncertainties relating to the plan of liquidation, the risk that the proceeds from the sale of our assets may not be sufficient to satisfy our obligations to our current and future creditors and retention bonus plan participants, the risk of shareholder litigation relating to the tax liquidation, the plan of liquidation or the plan of merger and other unforeseeable expenses related to the proposed liquidation, the tax treatment of condemnation and property sale proceeds, the effect of economic and business conditions, risks inherent in the real estate markets of Suffolk and Westchester Counties in New York, Palm Beach County in Florida and Fairfax County in Virginia, the ability to obtain additional capital to develop the Company's existing real estate and other risks detailed from time to time in the Company's SEC filings. Except as may be required under federal law, we undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur.

Overview

On September 1, 2015, Gyrodyne, LLC, a New York limited liability company ("Gyrodyne", the "Company" or the "Registrant"), announced the completion of the previously announced merger of Gyrodyne Company of America, Inc. (the "Corporation") and Gyrodyne Special Distribution, LLC ("GSD") with and into Gyrodyne (the "Merger"). Where applicable, references in this Report to the Company or the Registrant shall be deemed to be references to Gyrodyne as the successor to the Corporation.

The Merger was approved by the shareholders of the Corporation on August 20, 2015. Gyrodyne is the surviving company in the Merger, which terminated the existence of the Corporation and GSD. On September 1, 2015, trading of common shares of Gyrodyne commenced on the NASDAQ Stock Market under the symbol "GYRO". The number of common shares outstanding in Gyrodyne following the merger is 1,482,680. The common shares of Gyrodyne have a new CUSIP number of 403829104.

The Corporation had previously approved the Merger on behalf of GSD and Gyrodyne in its capacity as managing member of GSD and Gyrodyne.

The Merger resulted in holders of common stock of the Corporation receiving approximately 22.6% (335,086 shares) of the common shares of Gyrodyne in the aggregate (.0904 common share of Gyrodyne per share of Corporation common stock), holders of shares in non-transferable notes issued by the Corporation receiving approximately 30.0% (444,804 shares) of the common shares of Gyrodyne in the aggregate (.024798 common share of Gyrodyne per $1.00 principal amount of the dividend notes issued in January and December 2014, together, in each case, with any interest thereon paid in kind in the form of additional notes), and holders of non-transferable interests in GSD receiving approximately 47.4% (702,790 shares) of the common shares of Gyrodyne in the aggregate (.473999 common share of Gyrodyne per GSD interest).

The Merger completed the Corporation's plan of tax liquidation under the Internal Revenue Code, even though the actual disposition of all of the properties had not yet occurred. The completion of the Corporation's tax liquidation by means of the Merger removes the timing constraints associated with the tax liquidation and now provides Gyrodyne the opportunity to pursue without such constraints the opportunistic disposition of certain properties and the enhancement of the value of the Flowerfield and Cortlandt Manor properties, by pursuing various development or zoning/entitlement opportunities, which the Gyrodyne Board believes will improve the chances of obtaining better values for such properties. Gyrodyne expects that it will dissolve after it has completed the disposition of all of its real property assets, has applied the proceeds of such dispositions first to settle any claims, pending or otherwise, against Gyrodyne, and then has made liquidating distributions to holders of Gyrodyne common shares. We are unable to predict the precise nature, amount or timing of such distributions. The actual nature, amount and timing of all distributions will be determined by Gyrodyne in its sole discretion, and will depend in part upon the ability to convert our remaining assets into cash and pay and settle our remaining liabilities and obligations. Under Gyrodyne's Amended and Restated Limited Liability Company 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 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.

Prior to the Merger, the Corporation was a self-managed and self-administered real estate investment trust ("REIT") formed under the laws of the State of New York. The Corporation managed its business as one operating segment. Prior to December 30, 2013, the Corporation's primary business was the investment in and the acquisition, ownership and management of a geographically diverse portfolio of medical office, industrial properties and the development of industrial and residential properties located in the Northeast region of the United States. On December 30, 2013, the Corporation distributed to its shareholders, as the non-cash portion of the special dividend announced on September 12, 2013 (the "Special Dividend"), all of the equity interests of its subsidiary Gyrodyne Special Distribution LLC, which owned 100% of the interests (through GSD's subsidiaries) in the Corporation's four real estate properties, subject to related mortgage debt in favor of Flowerfield Mortgage Inc. ("FMI"), also a subsidiary of the Corporation, with Flowerfield Properties, Inc. ("FPI") having the contractual right to manage the business and properties of GSD. Based on management provisions set forth in GSD's limited liability company agreement which designated sole management authority to the Corporation, the Corporation concluded that GSD was a variable interest entity and that GSD's financial statements should be consolidated with the Corporation's. Accordingly, we may use references to "we" or "our" to refer to the Company, the Corporation, taxable REIT subsidiary ("TRS"), FPI and GSD, and "the Company's properties" or "GSD's properties", or "TRS's properties", or "FPI's properties" (or derivations thereof) interchangeably in this report as they relate to periods preceding August 31, 2015.

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

The Company owns a 10.12% limited partnership interest in Callery Judge Grove, L.P. (the "Grove"), a limited partnership which in 2013 sold its only asset, an undeveloped Florida property (the "Grove Property"). Following the Merger, the interest continues to be owned indirectly through FPI, its wholly-owned subsidiary. FPI is a "C" corporation

and therefore any income generated by FPI will be subject to a corporate level income tax. For further information see Footnote 15.

After giving effect to the Company's dispositions of real properties through November 10, 2016, (see Footnote 8) the Company controls one remaining medical office park and four of fourteen buildings in a second medical office park, together comprising approximately 49,000 rentable square feet and a multitenant industrial park comprising approximately 130,000 rentable square feet. The Company also owns approximately 68 acres of property in St. James, New York, which includes the aforementioned industrial park which sits on ten of those acres. The medical office park in Cortlandt Manor, the block of four buildings in the Port Jefferson Professional Park and the Flowerfield Industrial Park and the undeveloped property are individually owned in single asset LLCs wholly owned by the Company.

Prior to the Merger, the Corporation operated as a REIT under Section 856(c) (1) of the Internal Revenue Code of 1986 as amended (the "Code"). As a REIT, the Corporation generally was not subject to federal and state income tax, provided that distributions were made to its shareholders equal to at least 90% of its REIT taxable income as defined under the Code. The Corporation was permitted to participate in certain activities from which it was previously precluded in order to maintain its qualifications as a REIT. However, these activities were required to be conducted in an entity that elected to be treated as a TRS under the Code. The Corporation had one TRS, FPI, which was subject to federal and state income tax on the income from these activities. FPI continues as a wholly-owned subsidiary of Gyrodyne LLC and any income generated by FPI will continues to be subject to corporate level taxes.

Pursuant to the Merger, all of the assets and liabilities of the Corporation and GSD were merged with and into and became assets and liabilities of Gyrodyne, LLC, but continue to be owned through single asset LLCs. In addition, the notes issued by the Corporation were redeemed with equity interests in Gyrodyne.

Plan of liquidation:
In adopting the Plan of Liquidation for federal income tax purposes, the Corporation's Board also determined to pursue the actual disposition of our remaining assets in an orderly manner designed to obtain the best value reasonably available for such assets. The Merger on August 31, 2015 completed the liquidation of the Corporation for federal income tax purposes within the two year period from the adoption of the Plan of Liquidation, as provided by Section 562(b)(1)(B) of the Internal Revenue Code of 1986, as amended (the "Code") even though the actual disposition of the properties within the same period had not necessarily occurred. Our Board believed that the prompt completion of the Tax Liquidation by means of the Merger while permitting a longer period to dispose of the remaining assets would help obtain better values by enabling the sales to take place without the potential timing constraints created by completing the Merger as promptly as practicable. In addition, the ability to extend the time of holding the properties would permit the Company to seek enhancements to the value of the Flowerfield and Cortlandt Manor properties by pursuing various development or zoning opportunities.

Properties sold:
Port Jefferson Professional Park.

During 2016, the Company closed on the purchase and sale agreements on five buildings (approximately 4,000 square feet each) in the Port Jefferson Professional Park as follows:

Port Jefferson Medical Park location	Closing Date	Gross Sales proceeds
6 Medical Drive	January 2016	$ 850,000
8 Medical Drive	June 2016	820,000
4 Medical Drive	July 2016	900,000
3 Medical Drive	August 2016	876,000
2 Medical Drive	September 2016	800,000
Total		$ 4,246,000

The Company has four remaining buildings within the same medical park, each of which are currently being actively marketed for sale.

Fairfax Medical Center.

On February 4, 2016 the Company's wholly-owned subsidiary Virginia Healthcare Center, LLC, a Virginia limited liability company ("VHC") entered into a Purchase and Sale Agreement (the "Agreement") to sell the Fairfax Medical Center, subsequently amended, for a sales price of $14,315,000 to JAG Associates, L.L.C., a Virginia limited liability company ("JAG"). The material terms of the Agreement provided for: (i) an initial earnest money deposit in the amount of $250,000 payable by JAG to the escrow agent within five business days following the Effective Date that were applied to the purchase price at closing; (ii) an evaluation period that expired on April 11, 2016, during which

time JAG had the right to terminate the Agreement by written notice to the Company, for any reason or no reason, prior to the expiration of the evaluation period, in which case JAG had the right to receive a refund of its initial $250,000 earnest money deposit; (iii) if the Agreement was not terminated on or prior to April 11, 2016, JAG was obligated to deliver an additional earnest money deposit to the escrow agent in the amount of $250,000, which together with the initial earnest money deposit were applied toward the purchase price at closing; (iv) unless JAG terminated the Agreement on or prior to April 11, 2016, the closing would occur on or before May 4, 2016. The Agreement also contained a master lease (2 year term for approximately 4,700 square feet) to VHC for approximately $210,000, payments due quarterly if certain vacancies were not re-tenanted. Prior to the sale, the Company marketed, and following the sale JAG continues to actively market the space, the success of which will directly reduce the master lease obligation. The Agreement also contained additional customary covenants, conditions, representations and warranties. On April 25, 2016, in response to the purchaser's due diligence results, VHC and JAG amended the Agreement as follows:

a. Reduced the purchase price from $14,315,000 to $14,015,000 to address certain property conditions to JAG's satisfaction.
b. Amended the master lease obligation which among other things effectively reduced VHC's obligation on rentable square feet from 4,700 square feet to 3,852 square feet which translates to a reduction in the VHC's liability from approximately $210,000 to approximately $155,000. Consistent with the original master lease, VHC will continue to get credit toward the master lease obligation for leases to new tenants and expansions of existing tenants. If the financial obligation under the master lease becomes satisfied through leases to one or more third party tenants, the master lease will terminate and VHC will have no further obligation to pay rent thereunder. JAG has a continuing obligation during the lease term to make commercially reasonable efforts to lease all or a portion of the leased premises at current market rates, as a priority over leasing occupied space in the property. In connection with the execution of the master lease, Gyrodyne agreed to guarantee full performance of the master lease by VHC, including the payment of all rentals but limited to two years of base rent.

On May 4th, 2016, VHC closed on the sale of the Fairfax Medical Center. Based on the aforementioned terms, VHC has a master lease obligation (guaranteed by the Company) on approximately 3,852 square feet for approximately $155,000 over the next two years with payments made quarterly less any new leases or expansions signed by the buyer, which obligations will terminate if the financial obligation is satisfied through leases to one or more third party tenants. Based on the leasing activity since the closing date and net of the first installment paid in August 2016 of $16,878, the Company estimates the obligation on the master lease has been reduced to approximately $50,600.

The Comparison of the Net sales proceeds to the fair value reported prior to entering the Purchase and Sale Agreement:

Sale Price	Fair Value Reported Prior To Entering The Purchase and Sale Agreement	Fair Value reported in excess of Sales proceeds excluding the Master Lease Obligation
$ 14,015,000	$ 14,000,000	$ 15,000

Land Development

The Company is considering various options to maximize the total distributions to our shareholders during the liquidation process. Prior to the Merger, GSD did not have sufficient liquidity to effectively pursue the highest and best use zoning/entitlements of the Cortlandt Manor and Flowerfield properties. Following the rights offering and Merger, the Company believes it possesses sufficient liquidity to maximize the value of Flowerfield and Cortlandt Manor through the pursuit of the highest and best use zoning/entitlements. During the first nine months of 2016, the Company incurred $770,000 of land development costs, of which approximately $210,000 was for the purchase of four acres of adjacent land and related closing costs. The Company believes the acquired land will significantly enhance the achievable density we are pursuing under the entitlement efforts. The Company estimates that it may incur approximately $3.15 million (inclusive of the $770,000 incurred during the nine months ended September 30, 2016) in total land development costs through 2018, to continue enhancement efforts, including the pursuit of entitlements inclusive of zoning changes and special permits.

The Company does not intend to develop the properties but rather to focus resources on positioning the properties to be sold with all entitlements necessary to achieve maximum pre-construction value. 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 completing the entitlement processes. While the real estate market is dynamic and the economy is uncertain, the Company believes the return on the estimated investment of $3.15 million will serve to increase the estimated distributions versus selling the properties with their current zoning and entitlements.

Cortlandt Manor Development:
On March 15, 2016, the Town of Cortlandt Manor (the "Town") adopted its 2016 Sustainable Comprehensive Plan (the "Plan") of which one key strategy is the simultaneous creation of a Medical Oriented District ("MOD"). The purpose of the MOD is to expand the Town's existing medical infrastructure and encourage economic development, including capital investment, job creation and housing options. The MOD allows for a continuum of care, i.e., independent living, assisted living and nursing 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 and a wide range of housing.

The Company's 33,871 square foot Cortlandt Medical Center and its approximate twelve acres are 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 the past several months the Company and its planning consultants have been working closely with the Town to identify issues and solutions involved in creating the Plan and more specifically, the MOD. With the Plan and the MOD now approved, we believe the funds being expended by the Company in this effort will be justified through enhancing the value of this property as we move to its eventual disposition.

Flowerfield Development:
Similar to our efforts in the Town of Cortlandt, we are working closely with engineers and consultants on market research and related feasibility studies to identify how we can maximize Flowerfield's value through a highest and best use approach. The Company has been in discussions with the Town of Smithtown to seek out potential real estate development projects identified by the market research and feasibility studies which may not 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, re-zoning or other concessions that would allow for any such development projects currently not permitted within existing development constraints. Such changes could eventually lead to a number of different development plans ranging from single family or age restricted housing to condominiums or other forms of real estate developments in support of the needs of an expanding Stony Brook University and its affiliated medical school and hospital.

In the region surrounding Flowerfield, Stony Brook University serves as an economic engine through capital investment and growth in employment, including high paying positions in the fields of science and medicine. However, adequate housing, both on and off campus, remains a challenge. While construction is nearing completion on the University's campus for additional dormitory rooms, our initial research indicates further supply is needed at several levels - undergraduate, graduate, physician, interns, family and visiting professors. In addition, unlike many universities around the country, Stony Brook lacks a campus-focused center around which many university-related social and professional activities are conducted. Other development options for the Flowerfield property might be along the lines of a continuum of care or stand-alone assisted living or nursing facilities, which we believe would be in demand given Long Island's senior community's increasing needs for such services. Although there can be no assurances, we believe these investments intended to enhance Flowerfield's value will result in higher sale proceeds, similar to our expenditures intended to enhance Cortlandt Manor's potential value.

Competition among industrial and medical office rental properties on Long Island and Cortlandt Manor, New York is intense. Furthermore, the Company also competes in the development of industrial, medical office and residential property where the competition is equally intense. Numerous commercial property owners compete with the Company in attracting tenants. Many are substantially larger than the Company.

Market Outlook

Real estate pricing is generally influenced by market interest rates. However, prices and rates do not move simultaneously; rather, prices generally lag behind interest rate adjustments for a period of time. An uptick in lending rates usually translates into lower cash returns for investors who use leverage to buy investment properties. On the other hand, rising interest rates also suggest that the economy is improving, which in turn could lead to higher demand for commercial property, and potentially higher rental rates. Today's economic environment remains characterized by historically low interest rates which continue to compress capitalization rates for commercial properties. Furthermore, previously owned home sale prices continue to recover and new home construction continues at a pace that restricts supply. Commercial property prices have nearly recovered and or surpassed the 2007 pre-recession values in many sectors. During 2015, a majority of analysts believed that the economy was slowly moving from recovery status toward an expansionary cycle. On December 16, 2015, the Federal Open Market Committee of the Federal Reserve (the "FOMC" or the "Committee") announced an increase in the federal funds rate by 25 basis points. The anticipation of this first increase in the federal funds rate since 2006 has been a primary source of much volatility in equity markets for real estate companies. Shortly after the FOMC meeting in late 2015, global market volatility and economic recoveries

significantly deteriorated. Furthermore, the degradation in the energy industry and perhaps the commodities markets as a whole, which are yet to fully recover, have put further pressure on both global markets and the US economy. Furthermore, the June United Kingdom decision to withdraw from the European Union could have a prolonged economic impact on the US economy. These factors and others have contributed to FOMC statements following the March 2016 FOMC meeting suggesting that the FOMC has softened its views on the pace of the recovery, if any, the pace of further interest rate hikes in 2016, if any, and in fact whether further stimulus may be needed to address the economic stresses on the U.S. economy. Following the July FOMC meeting, FOMC statements indicate a consensus that the economy is more stable and that near term risks on the outlook have diminished. However, while the FOMC has reported that economic activity has expanded at a moderate rate, it also stated that a few risks remain and will continue to monitor inflation indicators and the global economic and financial developments.

Following the September FOMC meeting, FOMC statements indicated that "inflation has moved somewhat since earlier this year". Furthermore, the FOMC stated that while the case for a raise in interest rates is strengthening, they want to see "some further evidence" of economic progress before raising interest rates. Such statements indicate they could move to raise interest rates at the next FOMC meeting scheduled for December 2016. Such statements further suggest that the FOMC has strengthened its views on the pace of the recovery, the pace of further interest rate hikes, and in fact whether any further stimulus may be needed to address the economic stresses on the U.S. economy.

Federal regulators and U.S. government policy can have a major impact on our business. The U.S. Federal Reserve is a major participant in, and its actions significantly impact, the commercial real estate debt markets. For example, quantitative easing, a bond buying program implemented by the U.S. Federal Reserve to keep long-term interest rates low and stimulate the U.S. economy, has had the effect of reducing the difference between short-term and long-term interest rates. On October 29, 2014, however, the FOMC of the Federal Reserve Board announced an end to quantitative easing signaling that the Federal Reserve believed the U.S. economy was growing at a measured but sustained pace and that the need for continued stimulus diminished. These actions and Federal Reserve comments suggest that the Federal Reserve will eventually return to a normalized monetary policy. In December 2015, the FOMC raised the federal funds rate from the zero to one quarter percent target to a target of one quarter to one half percent. Furthermore, the FOMC gave indications that it may raise the rate in quarter point increments up to four times during 2016. However, the FOMC announced on March 16, 2016 that there will be no change in the target range for the federal funds rate, maintaining it at one quarter to one half percent. A second increase in March, following the initial increase in December, was widely expected by analysts after the December 2015 meeting, but expectations quickly changed in light of weak economic data that accumulated in the first quarter. The FOMC attributed its March decision to continuing progress in U.S. economic conditions but concerns about risks posed by global economic and financial developments. Any increase in real time rates could cause a disruption in the commercial lending market which could adversely affect the real estate industry, our real estate operations and or the value of any achievable real estate sales proceeds.

Following the FOMC meeting in April 2016, the FOMC decided to maintain the target range for the federal funds rate at 1/4 to 1/2 percent. The monetary policy remains accommodative, thereby supporting further improvement in labor market conditions and a return to 2 percent inflation. Furthermore, the FOMC is continuing its policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction, and it anticipates doing so until normalization of the level of the federal funds rate is well under way. This policy further supports accommodative financial conditions as it serves to help support maintaining low long term interest rates.

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

As a result of the economic downturn that began in the second half of 2007, demand for medical office, industrial, retail space and undeveloped property declined nationwide due to bankruptcies, downsizing, layoffs and cost cutting. Real estate transactions and development opportunities remain lessened in many markets compared to the period prior to the current economic downturn and capitalization rates rose. While the economy has improved, particularly the real estate industry, the recovery has been slow and not equally experienced across the United States. As a result, the cost and availability of credit during the downturn was, and if down markets return will again be, adversely affected by illiquid credit markets and wider credit spreads. Economic weakness and uncertainty during the prior downturn led many lenders and institutional investors to reduce and, in some cases, cease to provide funding to borrowers. In light of the slow recovery, the adverse impact on commercial lending may continue which could adversely affect the net proceeds from the sale of any properties we currently manage.

The aforementioned economic and industry trends may adversely impact our financial condition and our estimated net assets in liquidation because of the adverse impact they may have on the liquidity and financial condition of tenants and on the perception of investment opportunity on the part of potential real estate property purchasers. Our business may also be adversely affected by local economic conditions, as substantially all of our revenues are derived from our properties located in Westchester and Suffolk Counties in New York and, prior to the sale on May 4th, 2016, Fairfax County in Virginia. Our current portfolio, net of sales through November 10, 2016, consists primarily of medical office and industrial buildings comprising approximately 179,000 rentable square feet, and lacks the diversity of larger

portfolios. If negative economic conditions return or even deteriorate, the Company's estimated net assets in liquidation could be adversely effected, which could reduce our estimated distributions.

Brexit

The United Kingdom referendum was held on Thursday, June 23, 2016 in which 53% of the people in the UK voted to leave ("Brexit") the European Union ("EU") as compared to 47% who voted to remain in the European Union. The referendum turnout was 71.8%, with more than 30 million people voting. It was the highest turnout in a UK-wide vote since the 1992 general election. England voted strongly for Brexit (The word Brexit has become used as a shorthand way of saying the UK leaving the EU - merging the words Britain and exit to get Brexit), by 53.4% to 46.6%, as did Wales, with Leave getting 52.5% of the vote and Remain 47.5%. Scotland and Northern Ireland both backed staying in the EU. Scotland backed Remain by 62% to 38%, while 55.8% in Northern Ireland voted Remain and 44.2% Leave.

For the UK to leave the EU it has to invoke an agreement called Article 50 of the Lisbon Treaty and then negotiate the process to exit. Prime Minister Cameron announced his resignation and will leave the decision to invoke Article 50 to its successor; Effective July 13, 2016, Theresa May was appointed prime minister after which she voiced her commitment to delivering the will of the British people to leave the European Union. Following her appointment, in response to questions, the prime minister explained that the UK would need some time to prepare for the process of negotiating the UK exit and hopes that these could be conducted in a constructive and positive spirit. Until such exit, the UK will continue to abide by EU treaties and laws, but not take part in any decision-making, as it negotiates a withdrawal agreement and the terms of its relationship with the now 27 nation bloc.

The political, cultural, economic and financial ramifications triggered by Brexit are speculative at best as no member nation has ever exited the European Union. However, the event and the process to exit the European Union could have an adverse impact on the US economy, and Gyrodyne in particular. Gyrodyne's has limited real estate diversification as the as the remaining properties are located in Smithtown and Port Jefferson New York and Cortlandt Manor New York. Therefore, any prolonged adverse impact to the US economy and the New York suburban market in particular could affect the real estate market in which Gyrodyne operates. Furthermore, Gyrodyne is in the process of selling its real estate. In the event Brexit adversely affects the market, it could have a negative impact ranging from occupancy and rental rate per square foot to the timing of sales and the sales value achievable. In the short term, the impact of Brexit has been a global flight to quality which has driven interest rates down in the United States, potentially extending growth in the real estate market. However, availability of credit appears to be tightening partially resulting from concern over the potential ramifications stemming from Brexit and any potential future Federal Reserve rate hike.

Health Care Industry

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

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

As of September 30, 2016 the average effective rental revenue per square foot adjusted for tenant improvements was $16.99 compared to $19.52 on December 31, 2015. The Company defines the effective revenue per square foot as the annual rate per square foot stated in the lease reduced by the average annual tenant improvement allowance provided for in such leases. Excluding properties sold through September 30th 2016, the average effective rate at December 31, 2015 was $16.95.

Business Strategy

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

September 25, 2014, the Corporation announced the 2014 Annual meeting and the previously postponed special meeting to vote on the proposed merger would be held coextensively on December 5, 2014 at Flowerfield Celebrations, Mills Pond Road, Saint James, New York 11780, at 11:00 a.m., Eastern Time. The Corporation was advised by its proxy solicitor, MacKenzie Partners, that with approximately 45% of the outstanding shares voted by delivery of proxy cards, approximately 97% of such shares were voted in favor of the Merger. Despite the overwhelming percentage of received votes in favor of the Merger not enough shares were voted to reach the two-thirds majority needed under New York law. Accordingly, on November 4, 2014, the Corporation announced that the Corporation's special meeting originally scheduled for August 14, 2014 and previously postponed to August 27, 2014 and then again to December 5, 2014, was further postponed. Given the small size of holdings of many shareholders of the Corporation and the nature of various holders, the Corporation believed many holders may not have paid enough attention to the Merger to exercise their right to vote in 2014. The Corporation and its advisors continued to analyze potential options in the best interests of the Corporation and its shareholders, which may have included enhancements designed to facilitate the ability to complete the merger transaction. As further discussed above under the "Strategic Process" heading, on March 6, 2015, the Corporation filed a registration statement on Form S-1 with the SEC for a rights offering to its existing shareholders. The Corporation commenced the rights offering to facilitate the vote of two-thirds of the outstanding shares needed under New York law to approve the previously-announced proposed merger of the Corporation and Gyrodyne Special Distribution, LLC ("GSD") with and into Gyrodyne, LLC, as well as raise equity capital in a timely and cost-effective manner while providing all of the Corporation's shareholders the opportunity to participate.

On June 22, 2015, the Corporation announced that it received subscriptions for approximately 7,044,894 shares, greatly exceeding the maximum shares offered of 2,224,020. The rights offering resulted in 2,224,020 common shares issued on June 26, 2015 and net proceeds received (after expenses) of $5,606,190 (Gross proceeds of $6,116,055 less direct expenses of the rights offering of $509,865).

The Corporation also announced on June 22, 2015 that its previously postponed special meeting of shareholders at which shareholders would be asked to authorize the previously announced merger of the Corporation and GSD with and into Gyrodyne LLC would be held on August 20, 2015. More than 99% of votes cast at the special meeting voted in favor of the transaction, representing more than 76% of all outstanding shares. The Merger closed on August 31, 2015 and Gyrodyne, LLC common shares began trading on NASDAQ on September 1, 2015. The Merger completes the plan of liquidation for purposes of the Internal Revenue Code, and resulted in holders of common stock of the Corporation receiving approximately 22.6% (335,086 shares) of the common shares of Gyrodyne, LLC in the aggregate (.0904 common share of Gyrodyne, LLC per share of the Corporation's common stock), holders of non-transferable Notes receiving approximately 30.0% (444,804 shares) of the common shares of Gyrodyne, LLC in the aggregate (.024798 common share of Gyrodyne, LLC per $1.00 principal amount of the Dividend Notes issued in January and December 2014, together, in each case, with any interest thereon paid in kind in the form of additional Notes), and holders of non-transferable interests in GSD receiving approximately 47.4% (702,790 shares) of the common shares of Gyrodyne, LLC in the aggregate (.47399 common share of Gyrodyne, LLC per GSD interest).

We continue to focus our business strategy on maximizing the intrinsic value per share through aligning our operating and investment strategy with our goal of executing on a tax efficient liquidity event or series of tax efficient liquidity events. During the third quarter of 2015 we completed within the two year deadline, the tax plan of liquidation by completing the merger of GSD and the Corporation with and into Gyrodyne, LLC, thereby ensuring the prior 2013 and 2014 distributions and future distributions were and will continue in a tax efficient manner. The remaining strategy involves a balance between preserving capital and improving the market value of the real estate portfolio as the Company works towards accomplishing its overall plan to dissolve. The Company plans to dissolve after disposing all of its real property assets, applying the proceeds of such dispositions first to settle any claims, pending or otherwise, against Gyrodyne, and making liquidating distributions to holders of Gyrodyne common shares. To accomplish this, the Company's intends to:

- manage the real estate portfolio to improve operating cash flow while simultaneously increasing the market values of the underlying operating properties;
- manage the opportunistic sale of certain properties or real estate assets;
- pursue the re-zoning/entitlements on the Flowerfield and Cortlandt Manor properties, to maximize value;
- focus use of capital by the Company to that which preserves or improves the market value of the real estate portfolio;
- balance working capital and funds available for the development process with making distributions during the liquidation process.

The completion of the Corporation's tax liquidation by means of the Merger removes the timing constraints associated with the tax liquidation and now provides Gyrodyne the opportunity to pursue without such constraints the opportunistic disposition of certain properties and the enhancement of the value of the Flowerfield, and Cortlandt Manor properties, by pursuing various development or zoning/entitlement opportunities, which the Gyrodyne Board believes will improve the chances of obtaining better values for such properties. Gyrodyne expects that it will dissolve after it has completed the disposition of all of its real property assets, has applied the proceeds of such dispositions first to settle any claims, pending or otherwise, against Gyrodyne, and then has made liquidating distributions to holders of Gyrodyne common shares. We are unable to predict the precise nature, amount or timing of such distributions.

Sales of properties, by Gyrodyne could take the form of individual sales of assets, sales of groups of assets organized by business, type of asset or otherwise, a single sale of all or substantially all of the assets, or some other form of sale. 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, it is not required or anticipated that any shareholder votes will be solicited. The prices at which the various assets may be sold depends largely on factors beyond our control, including, without limitation, the condition of financial markets, the availability of financing to prospective purchasers of the assets, regulatory approvals, public market perceptions, and limitations on transferability of certain assets.

We cannot give any assurance on the timing of the ultimate sale of all of the Company's properties. Assuming the completion of the liquidation of the Company takes until the end of 2018, and giving effect to its estimated cash flow from operation of its existing properties until their sale, the Company expects Gyrodyne would have a cash balance of approximately $28 million, prior to any future dividend distributions. Such cash would equate to future liquidating distribution of $18.89 per share based on Gyrodyne having 1,482,680 common shares outstanding. These estimated distributions do not include any additional value that the Company believes it can derive from the investments it is making to maximize the value on the Flowerfield and Cortlandt Manor properties. While the real estate market is dynamic and the economy is volatile, the Company believes the internal rate of return from the estimated investment of $3.15 million on enhancement efforts will improve the estimated distributions versus selling the real estate under its current zoning and entitlements. In addition, while it could be argued that approximately $1 million of land development costs are for environmental impact and other infrastructure studies that can be utilized by a potential buyer, such value was not included in the fair value of the real estate disclosed in the statement of net assets. For a further discussion see the 2015 Form 10-K annual report filed on March 31, 2016 and the supplement to the definitive proxy filed on July 1, 2015 and the definitive proxy filed on July 1, 2014 including the section titled "The Estimated Distribution to Shareholders (including Estimated Distribution to holders of Gyrodyne, LLC interests)", which is located on pages 67 through 69.

The statement of net assets is based on certain estimates. Uncertainties as to the precise value of our non-cash assets, which exclude any estimated additional value achievable from the costs incurred to pursue the maximum value on the Flowerfield and Cortlandt Manor properties through certain land development efforts (mainly restricted to researching highest and best use and the pursuit of certain related entitlements, special permits and or zone changes) and the ultimate amount of our liabilities make it impracticable to predict the aggregate net value ultimately distributable to shareholders in a liquidation. Land development 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 the business plan of liquidation, which may include certain enhancement efforts. While certain professional fees, such as legal expenses and the fees of outside financial advisors remained high during 2015, they were mainly incurred to support and complete the Corporation's tax plan of liquidation via the Merger. The Company believes the legal and related consulting fees, excluding advisory fees to support the land development effort, will be significantly reduced going forward. Nevertheless, 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 and amounts received on the sale of assets will be adequate to provide for our obligations, liabilities, expenses and claims and to make cash distributions to shareholders. If such available cash and amounts received on the sale of assets are not adequate to provide for our obligations, liabilities, expenses and claims, distributions of cash and other assets to our shareholders will be reduced and could be eliminated.

Transaction Summary for the period January 1 through September 30, 2016

The following summarizes our significant transactions and other activity during the nine-months ended September 30, 2016.

Acquisition Activity

In March 2016, the Company acquired a four acre undeveloped lot for $210,000, including related costs which the company believes is synergistic to maximizing the value on one of its properties.

Disposition Activity

Port Jefferson Professional Park.

During the nine months ended September 30, 2016, the Company closed on the sale of five buildings (approximately 4,000 square feet each) in the Port Jefferson Professional Park as follows:

Port Jefferson Medical Park location	Closing Date	Gross Sales proceeds
6 Medical Drive	January 2016	$ 850,000
8 Medical Drive	June 2016	820,000
4 Medical Drive	July 2016	900,000
3 Medical Drive	August 2016	876,000
2 Medical Drive	September 2016	800,000
Total		$ 4,246,000

The Company has four remaining buildings within the same medical park which are currently being actively marketed for sale.

Fairfax Medical Center.

On February 4, 2016 the Company's wholly-owned subsidiary Virginia Healthcare Center, LLC, a Virginia limited liability company ("VHC") entered into a Purchase and Sale Agreement (the "Agreement") to sell the Fairfax Medical Center, subsequently amended, for a sales price of $14,315,000 to JAG Associates, L.L.C., a Virginia limited liability company ("JAG"). The material terms of the Agreement provided for: (i) an initial earnest money deposit in the amount of $250,000 payable by JAG to the escrow agent within five business days following the Effective Date that were applied to the purchase price at closing; (ii) an evaluation period that expired on April 11, 2016, during which time JAG had the right to terminate the Agreement by written notice to the Company, for any reason or no reason, prior to the expiration of the evaluation period, in which case JAG had the right to receive a refund of its initial $250,000 earnest money deposit; (iii) if the Agreement was not terminated on or prior to April 11, 2016, JAG was obligated to deliver an additional earnest money deposit to the escrow agent in the amount of $250,000, which together with the initial earnest money deposit were applied toward the purchase price at closing; (iv) unless JAG terminated the Agreement on or prior to April 11, 2016, the closing would occur on or before May 4, 2016. The Agreement also contained a master lease (2 year term for approximately 4,700 square feet) to VHC for approximately $210,000, payments due quarterly if certain vacancies were not re-tenanted. Prior to the sale, the Company marketed, and following the sale JAG continues to actively market the space, the success of which will directly reduce the master lease obligation. The Agreement also contained additional customary covenants, conditions, representations and warranties. On April 25, 2016, in response to the purchaser's due diligence results, VHC and JAG amended the Agreement as follows:

a. Reduced the purchase price from $14,315,000 to $14,015,000 to address certain property conditions to JAG's satisfaction.
b. Amended the master lease obligation which among other things effectively reduced VHC's obligation on rentable square feet from 4,700 square feet to 3,852 square feet which translates to a reduction in VHC's liability from approximately $210,000 to approximately $155,000. Consistent with the original master lease, VHC will continue to get credit toward the master lease obligation for leases to new tenants and expansions of existing tenants. If the financial obligation under the master lease becomes satisfied through leases to one or more third party tenants, the master lease will terminate and VHC will have no further obligation to pay rent thereunder. JAG has a continuing obligation during the lease term to make commercially reasonable efforts to lease all or a portion of the leased premises at current market rates, as a priority over leasing occupied space in the property. In connection with the execution of the master lease, Gyrodyne agreed to guarantee full performance of the master lease by VHC, including the payment of all rentals but limited to two years of base rent.

On May 4th, 2016, VHC closed on the sale of the Fairfax Medical Center. Based on the aforementioned terms, VHC has a master lease obligation (guaranteed by the Company) on approximately 3,852 square feet for approximately $155,000 over the next two years with payments made quarterly less any new leases or expansions signed by the buyer, which obligations will terminate if the financial obligation is satisfied through leases to one or more third party tenants. Based on the leasing activity since the closing date and net of the first installment paid in August 2016 of $16,878, the Company estimates the obligation on the master lease has been reduced to approximately $50,600.

The Comparison of the Net sales proceeds to the fair value reported prior to entering the Purchase and Sale Agreement:

Sale Price	Fair Value Reported Prior To Entering The Purchase and Sale Agreement	Fair Value reported in excess of Sales proceeds excluding the Master Lease Obligation
$ 14,015,000	$ 14,000,000	$ 15,000

Class Action Litigation

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 supplemented its Proxy Statement on August 17, 2015 with certain supplemental disclosures, and agreed that any sales of its properties would be effected in arm's-length transactions at prices at or above their most recent appraised values. 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 in the case (the Corporation, the members of the board of directors, GSD and Gyrodyne) (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. The Company paid the award in full in April 2016 and received a refund from its D&O carrier of approximately $399,000 (the balance in excess of the $1 million deductible on its D&O policy).

Pursuant to the Settlement, the Defendants agreed that Gyrodyne would sell the "Contributed Properties" (defined therein as the Company's St. James, Cortlandt Manor, Fairfax and Port Jefferson properties) at the prices resulting from arms' length negotiations and at or above the appraised value for the Contributed Properties obtained by the Company in 2014. The 2014 appraised values of the Contributed Properties in the aggregate were approximately $100,000 higher than the 2013 aggregate appraised values for such properties.

See Part II, Item I, "Legal Proceedings", below.

Investments

During the nine months ended September 30, 2016, the Company continued to hold investments in hybrid mortgage backed securities with AA and AAA ratings fully guaranteed by US government agencies (the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation). The Company received principal payments during the nine months ended September 30, 2016 of $643,609 from these investments. The portfolio is currently generating a yield of approximately 2%.

Leasing

During the nine months ended September 30, 2016, the Company executed twenty-five lease renewals and two expansions encompassing approximately 30,000 and 1,800 square feet, respectively and approximately $549,000 and $54,000, respectively in annual revenue. Furthermore, nine new leases were signed comprising 12,000 square feet and $206,000 in annual revenue.

The new lease and lease renewals/expansions signed during the nine months ended September 30, 2016 included tenant allowances and rent abatements of approximately $226,000 and $19,000, respectively which were associated with total lease commitments of approximately $823,000. The Company incurred approximately $19,000 in lease commissions during the first nine months ended September 30, 2016. Following the sale of the Virginia Healthcare Center on May 4, 2016, the Company is only responsible for $29,000 and $10,000 of the tenant allowances and rent abatements, respectively associated with $362,000 of lease commitments. Additionally, as part of the sale agreement the Company satisfied in full, its obligation for approximately $24,000 of tenant allowances that relate to the Virginia Healthcare Center.

Lease terminations/defaults

There were eight terminations during the nine month period ended September 30, 2016, comprising approximately 9,000 square feet and approximately $174,000 in annual revenue.

The continued economic volatility for small businesses and medical practices has impacted property management firms, including the Company's ability to renew leases at comparable rates if at all, without providing either rent abatements or comparable other lease incentives. Rental revenues were $739,050, $708,439, $1,210,479 and $1,207,289 for the three-months ended September 20, June 30, 2016, March 31, 2016 and December 31, 2015, respectively. The quarter over quarter decreases are mainly due to the sales of the Virginia Healthcare Center and the 6 buildings in the Port Jefferson Professional Park that closed between December 30, 2015 and September 30, 2016. The increase in revenue from the medical park in the third quarter is mainly due to one high credit risk tenant, the revenue of which is reported on a cash basis when paid supplemented by non-cash revenue reductions in the second quarter affiliated with long term receivables that were sold with the underlying assets. The revenue during the quarter ended December 31, 2015 relating to these properties was $385,350 and $179,697, respectively. Although the Company successfully avoided significant portfolio wide rental revenue degradation, the Company sees continuing challenges to maintain both rental rates and occupancy during the slow economic recovery. The below table reflects the Company's rental revenue at its industrial park vs. the combined rental revenue of its medical parks and the related occupancy rate and effective rental rate of each.

	Three Months Ended			
	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016
Industrial Park Rental Revenue	$389,823	$418,893	$425,993	$415,532
Combined Medical Park Rental Revenue	$817,466	$791,586	$282,446	$323,518
Occupancy Rate Industrial Park	70%	71%	70%	70%
Occupancy Rate Combined Medical Parks	86%	86%	85%	81%
Total Occupancy Rate	78%	78%	75%	73%
Average Effective Rental Rate Per Square Foot – Industrial Park	$14.31	$14.23	$14.34	$13.68
Effective Rental Rate Per Square Foot-Medical Parks	$23.88	$24.47	$25.30	$24.74
Average Total Effective Rental rate per square foot	$19.52	$19.75	$18.31	$16.99

Our leasing activity has resulted in total lease commitments as of September 30, 2016 and December 31, 2015 of $6,030,045 and $16,044,572, respectively. The reduction was mainly due to the sale of the Fairfax Medical Center in May 2016 and the sale of five buildings in the Port Jefferson Professional Park during the first nine months of 2016. The Fairfax Medical Center and the five buildings in the Port Jefferson Professional Park contributed lease commitments of approximately $8.3 million and $1.5 million, respectively at December 31, 2015. There were twenty-five renewals during the period along with nine new leases, with the resulting annual revenue commitment partially offset by eight terminations during the period. During the first nine months the Company provided tenant incentives of approximately $245,000. However, the economy continues to be challenging and, to compete effectively with other local landlords, the Company may offer aggressive tenant improvements in exchange for signing medium and long term lease commitments.

Included in the leasing activity above is one new lease, one expansion and one termination relating to the Fairfax Medical Center that was sold on May 4, 2016. Tenant incentives relating to this property were $205,000 of which the Company is only responsible for $24,000, half which have been settled, and the remaining incentives are the responsibility of the purchaser of the Fairfax Medical Center.

Retention bonus plan

As a result of the determination by the Corporation's board of directors in September 2013 that it was in the best interests of the Corporation and its shareholders to pursue the actual disposition of the its remaining assets, the Company's properties have been and will continue to be managed and marketed in an orderly manner designed to obtain the best value reasonably available for such assets. Accordingly, in May 2014, the Corporation's board of directors approved a Retention Bonus Plan designed to recognize the nature and scope of the responsibilities related to such business plan, to

reward and incent performance in connection therewith, to align the interests of directors, executives and employees with our shareholders and to retain such persons during the term of such plan. The Retention Bonus 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.

The Retention Bonus Plan provides for a bonus pool that would be funded upon the sale of each of the Company's properties with an initial amount equal to 5% of the specified appraised value of such properties (set forth in the Plan), so long as the gross selling price of the property is equal to or greater than 100% of its appraised value as designated in the bonus plan. The aggregate amount of the 2013 appraisals for the Company's properties was utilized by the Company to help set the aggregate valuation of the real estate that was included in the non-cash dividend distributed on December 30, 2013. Additional funding of the bonus pool would occur on a property-by-property basis when the gross sales price of a property is in excess of its appraised value as follows: 10% on the first 10% of appreciation, 15% on the next 10% of appreciation and 20% on appreciation greater than 20%. Furthermore, if a specified property is sold on or before a designated date to be specified in the Retention Bonus Plan, an additional amount equal to 2% of the gross selling price of such property also would be funded into the bonus pool.

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: 15% for the Chairman, 50% for the directors other than the Chairman (10% for each of the other five directors) and 35% (the "Employee Pool") for the Company's executives and employees. Such share of the bonus pool is earned only upon the completion of the sale of a property at a gross selling price equal to or greater than its appraised value and is paid to the named beneficiaries of the Retention Bonus 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. All allocations to individual beneficiaries of the Employee Pool shall be determined by the board of directors of the Company in consultation with its President.

On May 24, 2016, the Company amended its Retention Bonus Plan to provide that land development costs incurred on a property since the date of the 2013 appraisal will be added to the appraised value of the property in calculating appreciation (gross sales price minus appraised value) for the purpose of determining the bonus pool. The foregoing change was approved in order to better align the interests of the participants in the Retention Bonus Plan with those of the shareholders. The amendment also provides that each of the ten buildings in the Port Jefferson Professional Park will be treated as a "property", so that a participant's right to bonus payment on the sale of a Port Jefferson building will vest on, and payments to the bonus pool may be made shortly following, the closing of the sale of that building. As originally adopted, all ten buildings in the Port Jefferson Professional Park were treated as one property, so that a participant departing prior to the sale of all ten buildings would forfeit bonus on all ten buildings. The reason for this original designation was that, at the time of adoption, the board of directors believed that Gyrodyne's entire Port Jefferson property would be sold as one block, not as individual buildings. Subsequent to adoption, the Gyrodyne board came to believe that the sale of individual buildings would generate the greatest aggregate values and thus would be in the best interests of the Company and its shareholders.

The value of the real estate reported in the Statement of Net Assets as of September 30, 2016 does not include the appreciation that may result from the estimated land development costs. As a result, fair value as reported does not exceed the adjusted appraised value under the Retention Bonus Plan and accordingly the Company has not included any retention bonuses on the sale of the Cortlandt Manor or Flowerfield Properties in the estimated costs in excess of receipt. However, if the Company concludes in future periodic filings that the value of the real estate exceeds the minimum value required to pay bonuses under the retention bonus plan (whether due to appreciation of the underlying real estate and/or a reduction in estimated land development costs), then the Company will report the updated estimated real estate value and the estimated bonuses related to the value of the Cortlandt Manor and/or Flowerfield Properties in accordance with the provisions of the retention bonus plan.

Payments made during the nine months ended September 30, 2016 under the Retention Bonus Plan relating to the sales of 5 buildings in the Port Jefferson Professional Park and the Virginia Healthcare Center were as follows:

RETENTION BONUS PLAN PARTICPANTS	Total
Board of Directors	$ 768,708
Chief Operating Officer	126,146
Chief Executive Officer	126,146
Chief Financial Officer	126,146
Other Employees	35,480
Total	$ 1,182,626

Subsequent Events

Leasing- Subsequent to September 30, 2016, the Company signed one lease extension and one lease expansion encompassing approximately 2,400 square feet and approximately $37,000 in annual revenue. There were no terminations.

Subsequent to September 30, 2016, there were Retention Bonus payments made as follows:

RETENTION BONUS PLAN PARTICPANTS	Total
Board of Directors	$ 46,554
Chief Operating Officer	7,640
Chief Executive Officer	7,640
Chief Financial Officer	7,640
Other Employees	2,148
Total	$ 71,622

Critical Accounting Policies

Liquidation Basis of Accounting - The condensed consolidated financial statements for periods prior to September 1, 2015 were prepared on the going concern basis of accounting, which contemplates realization of assets and satisfaction of liabilities in the normal course of business. Upon the effectiveness of the merger, the Company adopted the liquidation basis of accounting, effective September 1, 2015. This basis of accounting is considered appropriate when, among other things, liquidation of the Company is imminent.

Under the liquidation basis of accounting the consolidated balance sheet, consolidated statement of operations and the consolidated statement of cash flows are no longer presented (except for periods prior to the adoption of the liquidation basis of accounting). The consolidated statement of net assets in liquidation and the consolidated statement of changes in net assets in liquidation are the principal financial statements presented under the liquidation basis of accounting.

Under the liquidation basis of accounting, all of the Company's assets have been stated at their estimated net realizable value and are based on current contracts, estimates and other indications of sales value net of estimated selling costs. 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 statement of net assets in liquidation. These estimates will be 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 are expected to 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 the end of 2018. Accordingly, it is not possible to predict with certainty the timing or aggregate amount which may ultimately be distributed to common interest holders and no assurance can be given that the distributions will equal or exceed the estimate presented in the accompanying statement of net assets in liquidation.

Management's discussion and analysis of financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The condensed consolidated financial statements of the Company include accounts of the Company and all majority-owned and controlled subsidiaries. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the Company's condensed consolidated financial statements and related notes. In preparing these financial statements, management has utilized information available including its past history, industry standards and the current economic environment, among other factors, in forming its estimates and judgments of certain amounts included in the condensed consolidated financial statements, giving due consideration to materiality. On a regular basis, we evaluate our assumptions, judgments and estimates. However, application of the critical accounting policies below involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. In addition, other companies may utilize different estimates, which may impact comparability of the Company's results of operations to those of companies in similar businesses. We believe there have been no material changes to the items that we disclosed as our critical accounting policies under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K for the year ended December 31, 2015.

Principles of consolidation - The accompanying condensed consolidated financial statements include the accounts of Gyrodyne LLC and all majority owned subsidiaries.

The Company consolidates its wholly-owned subsidiaries, partnerships and joint ventures which it controls (i) through voting rights or similar rights or (ii) by means other than voting rights if the Company is the primary beneficiary of a variable interest entity ("VIE"). Prior to the Merger, GSD was the only VIE and was included in the consolidated financial statements. As a result of the Merger, GSD merged with and into Gyrodyne, LLC, accordingly, effective with such merger, there is no longer a VIE.

Investments in affiliates in which the Company has the ability to exercise significant influence, but not control, are accounted for under the equity method. Investment interests in excess of 5% in limited partnerships are accounted for under the equity method. All consolidated subsidiaries are wholly owned. All inter-company balances and transactions have been eliminated. With the exception of the investment in the Grove, which has a carrying value of $0, there were no investments accounted for under the equity method for the two months ended August 31, 2015. The equity method of accounting is not applicable to the financial statements prepared under the liquidation basis of accounting.

Effective with the Merger, the Company adopted the liquidation basis of accounting effective September 1, 2015. As a result, any costs incurred and income received since then will be included in the condensed consolidated statements of changes in net assets in liquidation. During the nine months ended September 30, 2016, net liquidation value increased by

$491,628. The change was mainly due to the increase in the value of the Company's investments and real estate of $110,138 and $221,000, respectively, supplemented by the increase in the remeasurement of assets and liabilities in liquidation of $160,490. In May 2016 and August 2016, the Company declared non-recurring special dividends of $9.25 per share ($13,714,790) and $1.50 per share ($2,224,020). This resulted in a decrease in net assets in liquidation for the nine months ended September 30, 2016 of $15,447,182 to $28,008,395.

Discussion of the Statement of Net Assets

The Merger was effective as of August 31, 2015. The completion of the Corporation's tax liquidation by means of the Merger removed the timing constraints associated with the tax liquidation and provided Gyrodyne the opportunity to pursue without such constraints the opportunistic disposition of certain properties and the enhancement of the value of Flowerfield and Cortlandt Manor, by pursuing various development or zoning opportunities, which the Gyrodyne Board believes will improve the chances of obtaining better values for such properties. Gyrodyne expects that it will dissolve after it has completed the disposition of all of its real property assets, has applied the proceeds of such dispositions first to settle any claims, pending or otherwise, against Gyrodyne, and then has made liquidating distributions to holders of Gyrodyne common shares. Therefore beginning September 1, 2015, the Company reports its financial results on the Statement of Net Assets and the Statement of Changes in Net Assets, both of which track the Company's estimated remaining liquidating distributions. Assuming the forecasted liquidation of Gyrodyne is completed by the end of 2018, and giving effect to the estimated cash flow from operations of its existing properties until their sale, the Company expects Gyrodyne would have a cash balance of approximately $28 million, prior to any future dividend distributions.

The cash balance at the end of the liquidation period (currently estimated to be December 31, 2018), excluding any interim distributions, is estimated based on the September 30, 2016 combined cash balance and marketable securities of $8.7 million plus adjustments for the following items which are estimated through December 31, 2018:

1. The estimated cash receipts for the operation of the properties net of rental property related expenditures as well as costs expected to be incurred to maintain the fair value of the property at its estimated gross sales proceeds.
2. Proceeds from the sale of all its real estate holdings
3. The net cash used to settle the working capital accounts.
4. The general and administrative expenses and or liabilities associated with operations and the liquidation of the Company have been included, including severance, director and officer liability inclusive of post liquidation tail policy coverage, and financial and legal fees to complete the liquidation.
5. In addition, the Company is incurring land development costs to determine and position itself for the highest and best use for the Flowerfield and Cortlandt Manor properties.
6. Based on the terms of the Retention Bonus Plan, the Company has included estimated amounts based on the fair value of the remaining four buildings it owns in the Port Jefferson Professional Park. The fair value of the Flowerfield and Cortlandt Manor properties do not exceed the adjusted appraisals (adjusted appraisals are defined under the bonus plan as the appraisals dated November 2013 plus estimated land development costs incurred since such appraisal), therefore, the Company has not included any bonuses on the sale of these properties. The change of zone and entitlements for such properties are under the control of the town for each related property and therefore under GAAP, the potential increase in the real estate fair value from the land development effort cannot be included in the Statement of Net Assets.

The following table summarizes the estimates to arrive at the Net Assets in Liquidation as of September 30, 2016 (dollars are in millions).

September 30, 2016 cash and investment balance	$	8.7	(i)
Interest income offset by net cash used to settle current working capital acct and security deposits		(0.6)	(ii)
Free cash flow from rental operations		1.1	(iii)
General and administrative expenses including final liquidation and dissolution		(4.7)	(iv)
Land development costs to determine highest and best use		(2.4)	(v)
Other		0.2	
Gross real estate proceeds		28.9	
Selling costs on real estate		(1.7)	
Retention bonus plan for directors		(0.2)	(vi)
Retention bonus plan for officers and employees		(0.1)	(vi)
Severance		(0.7)	
Directors and officers insurance ("D&O") – tail policy		(0.5)	
Net Assets in Liquidation at December 31, 2018	$	28.0	(vii)

(i) As of September 30, 2016 the Company has a cash and cash equivalent balance of $4.2 and investments in marketable securities of $4.5, which result in a combined balance of $8.7.

(ii) The Company estimates interest income from both its investments in marketable securities as well as its cash accounts will be offset by the settlement of its working capital accounts resulting in a balance of $(0.6).

(iii) The Company estimates the cash proceeds from rental operations net of commissions and rental costs, inclusive of expenditures to maintain the properties at its current estimated market value will total $1.1.

(iv) The General and Administrative expenses are estimated to be $4.7. The costs represent all costs to liquidate the company excluding rental operating costs and non-operating costs (D&O tail and severance).

(v) The Company is considering various options to maximize total distributions to our shareholders during the liquidation process. The Company estimates that it will incur approximately $3.15 million in costs over the two year period ending December 31, 2017 to obtain entitlements, inclusive of zone changes and special permits that it believes will result in an internal rate of return through the improvement of values in the Flowerfield and Cortlandt Manor properties. 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. 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.

(vi) The gross real estate proceeds do not include any appreciation that may result from the estimated land development costs. As a result, fair value as reported does not exceed the minimum value under the retention bonus plan (the appraisal of the real estate in late 2013 plus the estimated development costs) and accordingly the Company has not included any estimated bonuses on the sale of the Cortlandt Manor or Flowerfield Properties. However, if the Company concludes in future periodic filings that the value of the real estate to the extent actual net proceeds from the ultimate disposition of the properties exceed the value of the real estate reported in the Statement of Net Assets as of September 30, 2016, and such net proceeds exceeds the minimum value required to pay bonuses under the retention bonus plan (whether due to appreciation of the underlying real estate and/or a reduction in estimated land development costs), then the Company will report the updated estimated real estate value and the estimated be required to pay bonuses related to on the value sale of the Cortlandt Manor and/or Flowerfield Properties in accordance with the provisions of the retention bonus plan.

(vii) The net assets in liquidation at September 30, 2016 would result in liquidating distributions of approximately $18.89 per Common Share ($28 million with 1,482,680 shares outstanding), excluding any additional sales proceeds, that may result directly or indirectly from the $3.15 million in land development costs. The Company believes there will be a higher internal rate of return resulting from the land development costs that 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, favorable or unfavorable changes in the land development costs, the performance of the underlying assets and any changes in the underlying assumptions of the projected cash flows. The gross real estate proceeds do not include the any appreciation that may result from the estimated land development costs. As a result, fair value as reported does not exceed the minimum value required to pay bonuses under the Company's retention bonus plan (the appraisal of the real estate in late 2013 plus the estimated development costs), accordingly the Company has not included any estimated bonuses on the sale of the Cortlandt Manor or Flowerfield properties in the net assets in liquidation at December 31, 2018. However, if the Company concludes in future periodic filings that the value of the real estate to the extent actual net proceeds from the ultimate disposition of the properties exceed the value of the real estate reported in the Statement of Net Assets as of September 30, 2016, and such net proceeds exceeds the minimum value required to pay bonuses under the retention bonus plan (whether due to appreciation of the underlying real estate and/or a reduction in estimated land development costs), then the Company will report the updated estimated real estate value and the estimated be required to pay bonuses related to on the value sale of the Cortlandt Manor and/or Flowerfield Properties in accordance with the provisions of the retention bonus plan.

Discussion of Changes in Net Assets

The completion of the Corporation's tax liquidation by means of the Merger removes the timing constraints associated with the tax liquidation and now provides Gyrodyne the opportunity to pursue without such constraints the opportunistic disposition of certain properties and the enhancement of the value of Flowerfield and Cortlandt Manor, by pursuing various development or zoning opportunities, which the Gyrodyne Board believes will improve the chances of obtaining better values for such properties. Gyrodyne expects that it will dissolve after it has completed the disposition of all of its real property assets, has applied the proceeds from such dispositions and from the liquidation of other assets first to settle any claims, pending or otherwise, against Gyrodyne, and then has made liquidating distributions to holders of Gyrodyne common shares. Therefore, the Statement of Changes in Net Assets contains fair value adjustments to the August 31, 2015 ending going concern equity to arrive at liquidating value. In addition and separately stated are the changes in the Statement of Net Assets for the period September 1, 2015 through December 31, 2015. For a further discussion of these adjustments see the Company's 2015 Form 10-K annual report – Management Discussion and analysis – "Statement of Changes in Net Assets". The changes in the Statement of Net Assets for the period January 1, 2016 through September 30, 2016 are discussed below:

Change in market value of securities	$ 110,138	
Remeasurement of assets and liabilities in liquidation	$ 160,490	
Change in liquidation value of real estate	$ 221,000	(a)
Liquidating Distributions to Shareholders	$ (15,938,810)	(b)
Total change in net assets	$ (15,447,182)	

(a) The net increase in value of $221,000 is attributable to an increase in value from the sale agreements of two buildings in the Port Jefferson Professional Park and the increase in value from the sale agreement of the Virginia Healthcare Center at $206,000 and $15,000, respectively, in excess of the estimated value at December 31, 2015. The combined net increase of $221,000 represents the net increase in value of the real estate compared to that which was reported in the Statement of Net Assets at December 31, 2015.

(b) On May 26, 2016, the Company declared a non-recurring special cash dividend on the Company's common shares of limited liability company interests of $9.25 per share, payable June 15, 2016 to shareholders of record at the close of business on June 6, 2015. The special dividend consisted of proceeds from the sale of the Fairfax Medical Center and the sale of two buildings in the Port Jefferson Professional Park. NASDAQ set the ex-dividend date as June 16, 2016. On August 29, 2016 the Company declared another non-recurring special cash dividend on the Company's common shares of limited liability company interests of $1.50 per share, payable September 15, 2016 to shareholders of record at the close of business on September 9, 2016. The special dividend consisted of proceeds from the recent sale of three buildings in the Port Jefferson Professional Park.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows: As we pursue our plan to sell our properties opportunistically, including certain enhancement efforts, we believe that a main focus of management is to effectively manage our statement of net assets in liquidation through cash flow management of our tenant leases, maintaining or improving occupancy, and pursuing and recycling capital.

As the Company executes on the sale of assets, it will no less than annually, review its capital needs and declare and distribute dividends of any excess cash, accordingly. Upon completion of these activities, if successful, Gyrodyne will distribute the remaining cash to its shareholders and then proceed to complete the dissolution of the Company, delist its shares from NASDAQ 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 and acquisitions through cash on hand.

As of September 30, 2016, the Company had cash and cash equivalents totaling approximately $4.2 million and investments in U.S. guaranteed hybrid mortgage backed securities of approximately $4.5 million. The Company anticipates that the combination of its current cash balance and cash flow from its operations will be adequate to fund the Plan of Liquidation and dissolution over the next twelve months. The Company has approximately $8.7 million comprised of cash and investments in mortgage backed securities which will be partially used to fund the pursuit of the highest and best use of its Flowerfield and Cortlandt Manor properties while simultaneously pursuing the business plan of liquidation. The Company estimated and reported in the Statement of Net Assets total gross cash proceeds from the sale of its assets of approximately $28.9 million. Assuming the completion of the liquidation of Gyrodyne takes until the end of 2018, and based on its current cash balance and giving effect to its estimated cash flow from operation of its existing properties until their sale, the Company expects Gyrodyne would have a cash balance of approximately $28 million, prior to any future dividend distributions. Such cash would equate to future liquidating distribution of $18.89 per share based on Gyrodyne LLC, having 1,482,680 common shares outstanding.

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

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

The Company has invested in medical office buildings, an asset class that has been facing challenges, partially attributable to the Patient Protection and Affordable Care Act and the Healthcare and Education Reconciliation Act of 2010 (together, the "Healthcare Legislation"). If the conditions triggered by the healthcare legislation continue, our portfolio may experience lower occupancy and effective rents, which would result in a corresponding decrease in net income, funds from operations and cash flows. The Company experienced a reduction in lease commitments to $6.0 million at September 30, 2016 compared to $16.0 million at December 31, 2015. The reduction was mainly due to the sale of the Fairfax Medical Center in May 2016 and the sale of five medical office buildings in the Port Jefferson Professional Park which contributed lease commitments of approximately $8.3 million and $1.5 million respectively at December 31, 2015. The Company continues to face a competitive leasing environment which may adversely impact its ability to grow its lease commitments.

LIMITED PARTNERSHIP INVESTMENT

The Company owns a 10.12% limited partnership interest in Callery Judge Grove, L.P. (the "Grove"), a limited partnership which in 2013 sold its only assets, an undeveloped Florida property located in Palm Beach County, Florida (the "Grove Property"), which is the subject of a plan for mixed-use development.

On March 18, 2011, the Grove's lender, Prudential Industrial Properties, LLC ("Prudential"), commenced a foreclosure action against the Grove. On September 19, 2013, the Grove Property was sold, the foreclosure lawsuit was dismissed and the Grove's debt to Prudential was repaid. At December 31, 2014 and 2013, the Company's interest in the Grove was held in a taxable REIT subsidiary of the Company with $0 value. The purchaser of the Grove Property, Minto Group, formally refers to the development project as Westlake.

As of December 31, 2013, the Company had a $1,315,000 deferred tax liability related to the Grove, which represented taxable losses not yet recorded pursuant to the equity method of accounting. Following certain taxable gains received in 2014 but not yet recorded, the Company reversed the deferred tax liability in total in 2014 and recorded a current tax liability of approximately $618,000 (which was paid in the second quarter of 2015) and a tax benefit of $697,000.

While the Company did not receive any distribution in connection with the sale of the Grove Property in 2013, the purchase and sale agreement provided that the Grove had the right to receive certain payments on the sale of single family residential units constructed on the property or on the sale of the property itself. Gyrodyne has been informed by the Grove's managing partner that the purchaser of the Grove Property, Minto Group, transferred the property to an affiliate which triggered an appraisal process that resulted in the payment of a fee by Minto to the Grove of $1,968,750. The Grove's managing partner also informed Gyrodyne that the fee along with some of its existing cash will be utilized to pay back in full debt obligations owed to certain limited partners in the amount of $2.7 million. In light of the foregoing, Gyrodyne believes that the Grove may not receive any additional payments from Minto beyond the aforementioned $1,968,750. Inasmuch as the Grove's obligations to certain limited partners exceed the payment it received from Minto, it is unclear what amount, if any, Gyrodyne could expect to receive in any final liquidating distribution from the Grove, which may not occur until 2017 at the earliest. The amount of distributions, if any, ultimately received by Gyrodyne will depend on the Grove's assets, liabilities and expenses that must be settled prior to any distributions to the Grove's limited partners.

The Grove does not have an audit, review or compilation of its financial statements, therefore, the Company is challenged to determine the collectability of any income generated by the Grove. As a result, the Company will not recognize income from the Grove and will not include in the statement of net assets any potential distributions from the Grove until the earlier of when cash distributions are received or upon receiving financial data that substantiates its results of operations.

The Grove investment is a distressed asset operating in a distressed environment where an orderly transaction is not available. The facts and circumstances of the Grove make it unreasonable to present a fair value utilizing a Level 3 methodology, the lowest methodology which allows for broad assumptions. Therefore, in accordance with the exception rules for distressed assets that are thinly traded/lack of marketability, the Company is not presenting a fair value for its investment in the Grove. Prior to the Merger, the Company accounted for the investment under the equity method. As of September 30, 2016 and December 31, 2015, the carrying value of the Company's investment was $0.

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, 2016. As of September 30, 2016, the Company's investment is in conforming agency fixed rate mortgage pass through securities ("mortgage-backed securities"), having either AA or AAA ratings, the principal of which is fully guaranteed by agencies of the U.S. Government.

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, 2015.

Item 4. Controls and Procedures.

The Company's management, including the Chief Executive Officer ("CEO") and 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 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 that 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 September 30, 2016. 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, 2016.

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, 2016, 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 the Company and members of its board of directors (the "Individual Defendants"), and against GSD and Gyrodyne, LLC (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 and (ii) the Company and the Individual Defendants breached their fiduciary duties by failing to disclose material information in the Proxy Statement/Prospectus.

On July 20, 2015, the plaintiff filed a supplemental complaint with the Court. The claims, relief sought, and Defendants named in the supplemental complaint remained the same.

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 supplemented its Proxy Statement on August 17, 2015 with certain supplemental disclosures, and has agreed that any sales of its properties would be affected in arm's-length transactions at prices at or above their then most recent appraised values. The plaintiff, on behalf of itself and the members of the putative class it represents, has 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.

Pursuant to the Settlement, the Defendants agreed that Gyrodyne would sell the "Contributed Properties" (defined therein as the Company's St. James, Cortlandt Manor, Fairfax and Port Jefferson properties) at the prices resulting from arms' length negotiations and at or above the appraised value for the Contributed Properties obtained by the Company in 2014. The 2014 appraised values of the Contributed Properties in the aggregate were approximately $100,000 higher than the 2013 aggregate appraised values for such properties.

Gyrodyne Company of America, Inc. v. The State of New York

In July 2012, the Corporation received $167,530,657 from the State of New York (the "State") in payment of the judgments in the Corporation's favor in the Corporation's condemnation litigation with the State, which consisted of $98,685,000 in additional damages (the "2012 proceeds"), $1,474,941 for the Corporation's costs, disbursements and expenses, and $67,370,716 in interest. Subsequent to receiving the payment the Corporation was notified by the State of a $29,000 overpayment, which the Corporation returned, due to an error in the interest calculation by the State of New York.

The $167,530,657 payment concluded the Corporation's case commenced in 2006 for just compensation for the 245.5 acres of its Flowerfield property in St. James and Stony Brook, New York (the "Property") taken by the State. The State had paid the Corporation $26,315,000 for the Property in March 2006, which the Corporation elected, under New York's eminent domain law, to treat as an advance payment while it pursued its claim for just compensation. The Court of Claims ruled in the Corporation's favor in June 2010 when it awarded the Corporation $125,000,000, thereby requiring the State to pay an additional $98,685,000 plus statutory interest of nine percent from the date of taking on November 2, 2005 to the date of payment. That Judgment, as well as a related Judgment for costs, disbursements and expenses, was affirmed by the Appellate Division of the Supreme Court of the State of New York for the Second Judicial Department and subsequently by the New York State Court of Appeals.

The Corporation recorded income of $167,425,729 including interest through June 30, 2012 in the quarter then ended and recorded the balance of the interest earned through July 3, 2012 of $104,928 in the financial statements for the third quarter ended September 30, 2012. Following notification from the State, the Corporation returned $29,000 due to an error in the original interest calculation and remittance which was prepared by New York State.

In addition to the foregoing, 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 condition or results of operations.

Items 2 through 5 are not applicable to the Company in the nine months ended September 30, 2016.

Item 6. Exhibits.

3.1 Restated Certificate of Incorporation of Gyrodyne Company of America, Inc. (1)

3.2 Amended and Restated Bylaws of Gyrodyne Company of America, Inc. (2)

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

3.4 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.)

3.5 Amendment No. 1, dated June 26, 2014, to the Limited Liability Company Agreement of Gyrodyne, LLC (4)

10.1 Amended and Restated Retention Bonus Plan (5)

31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer. (6)

31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer. (6)

32.1 CEO Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (7)

32.2 CFO Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (7)

101.INS XBRL Instance (6)

101.SCHXBRL Taxonomy Extension Schema (6)

101.CALXBRL Taxonomy Extension Calculation (6)

101.DEF XBRL Taxonomy Extension Definition (6)

101.LABXBRL Taxonomy Extension Labels (6)

101.PRE XBRL Taxonomy Extension Presentation (6)

(1) Incorporated herein by reference to the Annual Report on Form 10-KSB/A, filed with the Securities and Exchange Commission on September 5, 2001.

(2) Incorporated herein by reference to Form 8-K, filed with the Securities and Exchange Commission on June 18, 2008.

(3) Incorporated herein by reference to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 21, 2013 and is incorporated herein by reference.

(4) Incorporated herein by reference to Amendment No. 4 to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on June 26, 2014 and is incorporated herein by reference.

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

(6) Filed as part of this Report.

(7) 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 certifications 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, 2016	/s/ Frederick C. Braun III By Frederick C. Braun III President and Chief Executive Officer
Date: November 14, 2016	/s/ Gary Fitlin By Gary Fitlin Chief Financial Officer and Treasurer

EXHIBIT INDEX

3.1 Restated Certificate of Incorporation of Gyrodyne Company of America, Inc. (1)

3.2 Amended and Restated Bylaws of Gyrodyne Company of America, Inc. (2)

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

3.4 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.)

3.5 Amendment No. 1, dated June 26, 2014, to the Limited Liability Company Agreement of Gyrodyne, LLC (4)

10.1 Amended and Restated Retention Bonus Plan (5)

31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer. (6)

31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer. (6)

32.1 CEO Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (7)

32.2 CFO Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (7)

101.INS XBRL Instance (6)

101.SCHXBRL Taxonomy Extension Schema (6)

101.CALXBRL Taxonomy Extension Calculation (6)

101.DEF XBRL Taxonomy Extension Definition (6)

101.LABXBRL Taxonomy Extension Labels (6)

101.PRE XBRL Taxonomy Extension Presentation (6)

(1) Incorporated herein by reference to the Annual Report on Form 10-KSB/A, filed with the Securities and Exchange Commission on September 5, 2001.

(2) Incorporated herein by reference to Form 8-K, filed with the Securities and Exchange Commission on June 18, 2008.

(3) Incorporated herein by reference to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 21, 2013 and is incorporated herein by reference.

(4) Incorporated herein by reference to Amendment No. 4 to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on June 26, 2014 and is incorporated herein by reference.

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

(6) Filed as part of this Report.

(7) 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 certifications 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.

EX-31.1 2 ex31-1.htm EXHIBIT 31.1

Exhibit 31.1

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

I, Frederick C. Braun, III, 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, 2016

/s/ Frederick C. Braun, III

By Frederick C. Braun, III,
President and Chief Executive Officer

EX-31.2 3 ex31-2.htm EXHIBIT 31.2

Exhibit 31.2

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, 2016

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

EX-32.1 4 ex32-1.htm EXHIBIT 32.1

Exhibit 32.1

CEO 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, 2016, as filed with the Securities and Exchange Commission (the "Report"), I, Frederick C. Braun, III, Chief Executive 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, 2016

/s/ Frederick C. Braun, III
By Frederick C. Braun, III,
President and Chief Executive Officer

EX-32.2 5 ex32-2.htm EXHIBIT 32.2

Exhibit 32.2

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, 2016, as filed with the Securities and Exchange Commission (the "Report"), I, Gary Fitlin, 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, 2016

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