

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

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): January 25, 2018

GYRODYNE, LLC

(Exact name of Registrant as Specified in its Charter)

New York
(State or other jurisdiction
of incorporation)

001-37547
(Commission File
Number)

46-3838291
(I.R.S. Employer
Identification No.)

ONE FLOWERFIELD
SUITE 24
ST. JAMES, NEW YORK 11780

(Address of principal executive
offices) (Zip Code)

(631) 584-5400

Registrant's telephone number,
including area code

N/A

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company []

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

Item 1.01. Entry into a Material Definitive Agreement

Amendment to Employment Agreement

On January 25, 2018, Gyrodyne, LLC, a New York limited liability company (the "Company"), and Peter Pitsiokos, its Executive Vice President, Chief Operating Officer, Secretary and Chief Compliance Officer, entered into Amendment No. 1 (the "Employment Agreement Amendment") to that certain employment agreement effective as of May 15, 2014 between the Company and Mr. Pitsiokos. The Employment Agreement Amendment defines with greater specificity Mr. Pitsiokos' duties and responsibilities with respect to the Company's properties.

The description of the Employment Agreement Amendment in this Report is only a summary of its material terms, does not purport to be complete and is qualified in its entirety by reference to the full text of the Employment Agreement Amendment which is attached to this Report as Exhibit 10.1 and incorporated into this Item 1.01 by reference.

Amendment to Retention Bonus Plan

On January 26, 2018, the Board of Directors of the Company approved Amendment No. 2 to its Retention Bonus Plan (the "Plan Amendment"). The Plan Amendment provides for (i) vesting of benefits upon the sale of each individual post-subdivision lot at Flowerfield and Cortlandt Manor, (ii) entitlement to a future benefit in the event of death, voluntary termination following substantial reduction in compensation or board fees, mutually agreed separation to right-size the board or involuntary termination without cause, and (iii) clarification of how development costs are calculated. As to any of the events referred to in clause (ii) above, a participant will only be eligible to receive a benefit to the extent that a property is sold within three years following the event and the sale produces an internal rate of return equal to at least four percent of the property's value as of December 31 immediately preceding such event. The Plan Amendment does not have the effect of increasing the size of the participant pool, but rather only how benefits are divided among plan participants.

The description of the Plan Amendment in this Report is only a summary of its material terms, does not purport to be complete and is qualified in its entirety by reference to the full text of the Plan Amendment which is attached to this Report as Exhibit 10.2 and incorporated into this Item 1.01 by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

- 10.1 [Amendment No. 1 to Employment Agreement](#)
- 10.2 [Amendment No. 2 to Retention Bonus Plan](#)

Forward-Looking Statement Safe Harbor

The statements made in this report that are not historical facts constitute "forward-looking information" within the meaning of the Private Securities Litigation Reform Act of 1995, and Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, both as amended, which can be identified by the use of forward-looking terminology such as "may," "will," "anticipates," "expects," "projects," "estimates," "believes," "seeks," "could," "should," or "continue," the negative thereof, other variations or comparable terminology as well as statements regarding the evaluation of strategic alternatives. Important factors, including certain risks and uncertainties, with respect to such forward-looking statements that could cause actual results to differ materially from those reflected in such forward-looking statements include, but are not limited to, risks and uncertainties relating to the plan of liquidation, the risk that the proceeds from the sale of Gyrodyne, LLC's assets may be substantially below Gyrodyne, LLC's estimates, the risk that the proceeds from the sale of our assets may not be sufficient to satisfy Gyrodyne, LLC's obligations to its current and future creditors, and other unforeseeable expenses related to the proposed liquidation, the tax treatment of condemnation proceeds, the effect of economic and business conditions, including risks inherent in the real estate markets of Suffolk and

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SIGNATURE

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

By: /s/ Gary Fitlin

Gary Fitlin

President and Chief Executive Officer

Date: January 30, 2018

AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT

AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT (this “Amendment”) dated as of January 25, 2018 (the “Amendment Date”) by and between Gyrodyne, LLC, a New York limited liability company (the “Company”) and Peter Pitsiokos, an individual (the “Employee”).

WHEREAS, the Employee and Gyrodyne Company of America, Inc., a New York corporation (the “Corporation”), entered into an employment agreement effective as of May 15, 2014 (as amended from time to time, the “Agreement”); and

WHEREAS, as a result of the merger of the Corporation and Gyrodyne Special Distribution, LLC with and into the Company, the Company succeeded to and assumed all the rights and obligations of the Corporation; and

WHEREAS, Section 2 of the Agreement provides that the Employee will generally provide the services under the Agreement from the Fairfax Medical Center in Fairfax, Virginia, which was then owned by the Company; and

WHEREAS, the Company sold the Fairfax Medical Center in May, 2016; and

WHEREAS, the Company and the Employee wish to supplement and amend the Employment Agreement upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Effective Date. This Amendment shall be effective as of the Amendment Date.
2. Definitions. For purposes of this Amendment, any capitalized term not otherwise defined herein shall have the meaning set forth in the Agreement.
3. Amendments.

a. Section 2 of the Agreement is hereby amended by restating the fourth and seventh sentences, respectively, of the first paragraph thereof, so that as restated, such sentences shall read as follows:

“With regard to your property management duties, you will continue to be responsible for the management of the Company’s Flowerfield, Port Jefferson, and Cortlandt Manor properties, which shall be managed directly by you or indirectly through your supervision, oversight and coordination of the activities of the Company’s property managers. In the interest of clarity, in any particular instance where the Company does not have a property manager managing a property, you shall assume the responsibilities that would otherwise be performed by such property manager.”

“You shall be permitted to perform the services required by you hereunder primarily from your home office in Virginia; provided, however, that you shall be required to travel to the Company’s Flowerfield and/or Cortlandt Manor locations at least twice per month (the “Minimum Trips”) for a minimum of two days per trip (excluding travel), with each trip to be pre-authorized in writing by the Company’s Chief Executive Officer, and with the number of such trips in excess of the Minimum Trips and the number of days per trip to be determined by the Company’s Chief Executive Officer as necessary to fulfill your responsibilities relating to the Company’s efforts to secure entitlements for its Flowerfield and Cortlandt Manor properties or for the effective management, marketing and sale of the Company’s remaining properties or as otherwise determined by the Company’s Chief Executive Officer in his sole discretion.”

b. Section 3(e) of the Agreement is hereby amended and restated to read in its entirety as follows:

- e. **Expense Reimbursement**. Gyrodyne shall reimburse you for reasonable and customary expenses that you

“You shall be permitted to perform the services required by you hereunder primarily from your home office in Virginia; provided, however, that you shall be required to travel to the Company’s Flowerfield and/or Cortlandt Manor locations at least twice per month (the “Minimum Trips”) for a minimum of two days per trip (excluding travel), with each trip to be pre-authorized in writing by the Company’s Chief Executive Officer, and with the number of such trips in excess of the Minimum Trips and the number of days per trip to be determined by the Company’s Chief Executive Officer as necessary to fulfill your responsibilities relating to the Company’s efforts to secure entitlements for its Flowerfield and Cortlandt Manor properties or for the effective management, marketing and sale of the Company’s remaining properties or as otherwise determined by the Company’s Chief Executive Officer in his sole discretion.”

b. Section 3(e) of the Agreement is hereby amended and restated to read in its entirety as follows:

e. “**Expense Reimbursement.** Gyrodyne shall reimburse you for reasonable and customary expenses that you incur in the performance of services under this Agreement, including without limitation travel from your home office to New York and internet connectivity and incidental office supplies for your home office, but subject, however, to the following conditions: (i) general compliance with the Company’s Expense Reimbursement Policy, a copy of which is attached hereto as Exhibit A, with any conflict resolved in favor of this Agreement, (ii) submission of appropriate documentation and/or receipts satisfactory to the Company, (iii) pre-authorization in writing by the Company’s Chief Executive Officer of any travel expense (whether to or from New York or otherwise) and the purchase of any office equipment (e.g., laptop, printer, phones, etc.), (iv) no reimbursement for rental of any office space, and (v) no reimbursement for lodging except as specifically pre-authorized in writing by the Company’s Chief Executive Officer.”

4. **Entire Agreement; Ratification.** This Amendment supersedes all previous agreements, and constitutes the entire agreement of whatsoever kind or nature existing between the parties, relating to the subject matter within. As between the parties, no oral statement or prior written material not specifically incorporated herein shall be of any force and effect. Except as specifically amended herein, the Agreement is to remain in full force and effect, and, as amended by this Amendment, is hereby ratified and confirmed in all respects.

5. **Amendments.** No further changes in or additions to the Agreement shall be recognized unless and until made in writing and signed by both the Company and the employee.

6. **Captions Not Controlling.** The divisions of this Amendment into sections and the use of captions and headings in connection therewith are solely for convenience and shall have no legal effect in construing the provisions of this Amendment.

7. **Governing Law.** This Amendment shall be construed and enforced in accordance with the laws of the State of New York, without giving effect to any choice or conflict of law provision or rule thereof.

8. **Successors and Assigns.** The parties hereto agree that the covenants and agreements herein contained shall be binding on and shall inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns.

9. This Amendment may be executed in counterparts, each of which will be deemed to be an original copy of this Amendment and both of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Amendment and of signature pages by facsimile or other electronic transmission shall constitute effective execution and delivery of this Amendment as to the parties and may be used in lieu of the original Amendment for all purposes.

[signatures appear on next page]

IN WITNESS WHEREOF, this Amendment has been executed by the parties as of the date and year first above written.

/s/ Peter Pitsiokos
Peter Pitsiokos

GYRODYNE, LLC

By: /s/ Gary Fitlin
Gary Fitlin
President and Chief Executive Officer

Exhibit A
Expense Reimbursement Policy

SOP # _____ Revision: _____
Effective Date: _____

Prepared by: _____
Approved by: _____

Title: GYRODYNE, LLC TRAVEL AND ENTERTAINMENT

Policy: Travel and entertainment expenses are to be within established Company guidelines and will be reimbursed with proper documentation. Employees are expected to spend the Company’s money as carefully and judiciously as they would their own.

The Company recognizes that employees who travel far from home to represent the Company's business interests must forego their living accommodations and may forfeit personal time. Accordingly, the Company will make efforts to provide comfortable and secure accommodations for lodging, meals and travel for employees. However, these items are not intended to be perquisites and the Company reserves the right to deny reimbursement of expenses that are considered lavish or extravagant.

Purpose: To provide guidelines for travel and entertainment expenses before expenses are incurred, account for all advances promptly and accurately and to communicate the procedures for reimbursement.

Scope: This procedure applies to all departments and individuals who travel or entertain for the Company.

Responsibilities:

The Accounting Department will receive and review the expense report documentation and process necessary employee reimbursement.

Procedure:

1.0 TRAVEL ARRANGEMENTS

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Procedure:

1.0 TRAVEL ARRANGEMENTS

1.1 All arrangements required for business travel should be made at least 15 days in advance, unless an emergency trip is required, to achieve the lower rates on airline, hotel and car rentals versus last minute premium rates.

1.2 **Direct Billings** - Direct billings include the utilization of a credit card that is billable to the Company. Direct billings should be restricted to charges for product or services directly connected to the Companies operations which include among other items the following:

- Purchase of fixtures or other improvements for the Companies real estate.
- Purchase of services in support of the Companies real estate or operation.

-
- Purchase of office equipment with prior approval only.

Direct billings from airlines, hotels, restaurants, etc. that meet the Travel and Entertainment guidelines within this policy document are permitted to be charged to the Corporate credit card.

2.0 EXPENSE GUIDELINES

2.1 Air Travel – Airline reservations should be based on the following criteria:

- Expediency: Getting the employee to their destination in an expedient way. (Direct flights when possible or connecting flights if necessary for faster flight schedules).
- Cost: Employees will fly **coach class** unless extenuating circumstances apply. Fees for mileage boosters will not be reimbursed unless part of a pre-board seat assignment fee.

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- Cost: Employees will fly **coach class** unless extenuating circumstances apply. Fees for mileage boosters will not be reimbursed unless part of a pre-board seat assignment fee.
- Air Carrier: An employee's preferred airline can be utilized as long as expediency and cost factors are equal.

If an employee is accompanied by a non-employee such as family or a friend, and therefore requires additional airfare, the employee will be responsible for payment of any separate airfare, except where a spouse or friend is reasonably expected to attend an event or function for business reasons.

2.2 Lodging - The lodging arrangements should be based on value, convenience for the traveler and according to what are usual and customary Company guidelines.

If an employee is accompanied by a non-employee such as family or a friend, and therefore requires separate accommodations, the employee will be responsible for payment of any excess lodging accommodations.

2.3 Meals - Employees will generally be responsible for obtaining their own meals while traveling. Meals do not include entertaining guests, which should be itemized as entertainment expenses.

Meals and miscellaneous sundry items will be reimbursed according to the lesser of actual expenses or \$57 (There is no per diem allowance. Receipts must be submitted) (maximum IRS rate or \$68 in 2017 if staying in a high cost IRS defined locality (i.e., NYC but not Long Island or Westchester) per day.

Occasionally, an employee may be traveling to a location with a higher than normal cost of living (ie NYC but not Long Island or Westchester). For these locations, including any approved foreign travel, an employee can request an increase in the daily per diem rate to \$68 (the maximum rate IRS defined rate for 2017), but should have it substantiated and authorized prior to departure.

2.4 Car Rentals - Advance arrangements should be made if a car is required at the destination. Vehicle selection will be based upon the most cost-effective class that satisfies requirements for the employee(s) and any demonstration/other equipment.

Supplemental auto insurance coverage offered by car rental agencies is to be **declined** as Liability and Collision coverage is provided by the Company's insurance policy.

2.5 Personal Vehicles - An employee required to use their own automobile for business will be reimbursed at the prevailing rate per tax guidelines for per-mile deductions (\$.535 per mile in 2017). The employee must provide on the expense report, documentation including dates, miles traveled and purpose of each trip.

The Company assumes no responsibility for personal automobiles used for business. Further, any parking or speeding violation is the sole responsibility of the employee. Please also refer to the Company Policy precluding use of cell phones or other devices if driving on Company business.

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The Company assumes no responsibility for personal automobiles used for business. Further, any parking or speeding violation is the sole responsibility of the employee. Please also refer to the Company Policy precluding use of cell phones or other devices if driving on Company business.

2.6 Telephone - Business-related telephone charges on an itemized lodging receipt and/or telephone charge card should be itemized under telephone expense.

If an employee is out-of-town on business for several days, the employee may make personal telephone calls home, as long as the charges and length of call are reasonable.

Use of Company provided cell phones is encouraged to avoid unnecessary charges.

2.7 Entertainment - In order for entertainment to be a valid deductible entertainment expenses it must be an ordinary and necessary expense directly related or associated with the active conduct of business. For tax purposes, it is very important to properly document entertainment expenses and substantiate the following elements:

- The date.
- The place (name and location).
- Description or type of entertainment.
- The business purpose and the nature of the business benefit expected to be gained by the Company. Expenses in excess of \$75 per person should be further substantiated with a memorandum summarizing the discussion unless at least two officers and or a director are present.
- The business relationship to the Company of the persons entertained (name, occupation, title, etc.).

2.8 Miscellaneous Expenses - Any additional business expenses that are not categorized above should be listed under miscellaneous expenses and documented with all pertinent information to substantiate the expense.

2.9 Non-Reimbursable Expenses - Some expenses are **not considered valid business expenses** by the Company, yet may be incurred for the convenience of the traveling individual. Since these are not expenses for the business then they are not reimbursable. The following Examples can be used as a guide of expenses, which are not reimbursable:

- Airline or travel insurance.
- Airline or travel lounge clubs.
- Shoe shine or dry-cleaning (except for extended travel beyond 5 days).
- Movies or personal entertainment.
- Books, magazines or newspapers other than professional publications.
- Theft or loss of personal property.
- Doctor bills, prescriptions, or other medical services.

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- Airline or travel lounge clubs.
- Shoe shine or dry-cleaning (except for extended travel beyond 5 days).
- Movies or personal entertainment.
- Books, magazines or newspapers other than professional publications.
- Theft or loss of personal property.
- Doctor bills, prescriptions, or other medical services.
- Parking tickets, traffic tickets or car towing if illegally parked.
- Health club memberships.
- Baby sitter or pet care fees.
- Barbers and hairdressers.

3.0 **EXPENSE REPORT PREPARATION AND REIMBURSEMENT**

3.1 All business travel and entertainment expenditures incurred by employees of the Company are reimbursed through the use of the TRAVEL AND MISCELLANEOUS EXPENSE REPORT Form. Expense Reports should be completed and turned in within 2 weeks of return or incurrence of expenses but no later than 2 weeks after month end.

Expense Report Forms must be filled out and totaled completely. Use the appropriate headings and total on a daily basis. Required receipts for items charged must be attached to the Report. Any questions regarding completion of the Report should be directed to the employee's supervisor or the Accounting Department.

3.2 Upon completion, the Expense Report along with all attachments should be turned into the employee's supervisor for approval. After approval, the Expense Report is submitted to the Accounting Department for processing and reimbursement. In order to expedite reimbursement, the employee should ensure that the Report is completed properly, required documentation is attached, proper authorization is obtained, and any unusual items properly explained and documented.

The Company credit card may be suspended for any individuals with more than 2 months of incomplete expense reports.

Authorized expense reports that address expenses not charged on the Company credit card will be reimbursed by a Company check, normally within 2 or 3 weeks after receipt by the Accounting Department.

4.0 **ADDITIONAL INFORMATION RESOURCES**

More information is available from the following resources:

**AMENDMENT NUMBER 2
TO THE
GYRODYNE LLC RETENTION BONUS PLAN**

WHEREAS, Gyrodyne Company of America, Inc. (“Gyrodyne Company”) established the Gyrodyne Company of America, Inc. Retention Bonus Plan (the “Retention Bonus Plan” or the “Plan”), effective as of May 30, 2014, the date it was approved by the Board of Directors of Gyrodyne Company (the “Board”); and

WHEREAS, Gyrodyne LLC (“Gyrodyne”), is the surviving entity in the merger of Gyrodyne Company of America, Inc. (the “Corporation”) and Gyrodyne Special Distribution, LLC (“GSD”) with and into Gyrodyne, LLC (the “Merger”), effective August 31, 2015; and

WHEREAS, the Retention Bonus Plan was amended and restated by Gyrodyne effective as of May 24, 2016; and

WHEREAS, Amendment Number 1 to the Plan was executed to provide that land development costs incurred on a property since the date of the appraisal designated therein shall be added to the appraised value for the property in calculating appreciation (gross sales price minus appraised value) for the purpose of determining the Bonus Pool; and

WHEREAS, Amendment Number 1 to the Plan also provided that each of the ten buildings in the Port Jefferson Professional Park shall be treated as a “property”, so that a Participant’s right to bonus payment on the sale of a Port Jefferson building shall vest on, and payments to the Bonus Pool may be made shortly following the closing of the sale of that building; and

WHEREAS, no Participants in the Plan, including active employees and members of the Board of Directors (the “Board”), are currently vested in any benefits under the Plan; and

WHEREAS, Gyrodyne wishes each of the post subdivision lots at Flowerfield and Cortlandt Manor to be treated as a “property” so that a Participant’s right to a bonus payment on the sale of a lot shall vest on, and payments to the Bonus Pool may be made shortly following the closing of the sale of such lots; and

WHEREAS, Gyrodyne wishes to provide that Board members and employees shall be eligible to receive payments under the Plan in the event of a separation from service as a result of death, Disability and any involuntary separations from service without “Cause”; and

WHEREAS, all changes are deemed to be appropriate to encourage Participants to remain employed or to continue to serve as Board members through the date of the sale of various properties; and

WHEREAS, employee Participants shall not receive any benefits in the event of a termination for Cause or a voluntary separation from service other than Disability or resignation following a substantial reduction in compensation or conversion from full time to part time status, thereby retaining a “substantial risk of forfeiture”, as defined under Section 409A of the Internal Revenue Code (the “Code”) for employee Participants; and

WHEREAS, Board members shall not receive any benefits in the event of a termination for Cause or a voluntary separation from service from the Board other than Disability or resignation following a substantial reduction in director fees, thereby retaining a “substantial risk of forfeiture”, as defined under Section 409A of the Code for Board member Participants; and

WHEREAS, Gyrodyne wishes to also require a specific Internal Rate of Return (“IRR”) on the sale of any properties following a separation from service, and to require such sales to occur within 3 years following a separation from service to receive any future payments, to help preserve the exemption from Code Section 409A for the Plan; and

WHEREAS, Gyrodyne also wishes to clarify certain expenses that shall be included in all development costs, as provided for in the Plan; and

WHEREAS, Gyrodyne retains the authority, under Section 9.5 of the Plan, to periodically amend the Plan.

WHEREAS, employee Participants shall not receive any benefits in the event of a termination for Cause or a voluntary separation from service other than Disability or resignation following a substantial reduction in compensation or conversion from full time to part time status, thereby retaining a “substantial risk of forfeiture”, as defined under Section 409A of the Internal Revenue Code (the “Code”) for employee Participants; and

WHEREAS, Board members shall not receive any benefits in the event of a termination for Cause or a voluntary separation from service from the Board other than Disability or resignation following a substantial reduction in director fees, thereby retaining a “substantial risk of forfeiture”, as defined under Section 409A of the Code for Board member Participants; and

WHEREAS, Gyrodyne wishes to also require a specific Internal Rate of Return (“IRR”) on the sale of any properties following a separation from service, and to require such sales to occur within 3 years following a separation from service to receive any future payments, to help preserve the exemption from Code Section 409A for the Plan; and

WHEREAS, Gyrodyne also wishes to clarify certain expenses that shall be included in all development costs, as provided for in the Plan; and

WHEREAS, Gyrodyne retains the authority, under Section 9.5 of the Plan, to periodically amend the Plan.

NOW, THEREFORE, effective as of February 1, 2018, the Plan shall be amended as follows:

1. **Definitions.** The following terms shall have the following meanings or amended meanings:

a. Section 2.1, “**Adjusted Appraised Value**” of a Property shall include the following new sentence:

“For purposes of clarity, the term “land development and other costs” shall include the following: Costs (excluding all indirect costs) incurred by third parties for the pursuit of entitlements on the Flowerfield and Cortlandt Manor properties, respectfully. These costs include and are limited to, the acquisition of property, architectural, engineering and related entitlement costs inclusive of consulting costs incurred to prepare and file the subdivision or site application to the respective towns (excluding any joint venture or other transaction related costs or costs not absorbed by Gyrodyne), costs to pursue the opening of the LIRR gate crossing separating the Flowerfield and Stony Brook University property, construction costs and other related soft costs and legal fees in pursuit of such entitlements. Costs exclude capitalized real estate taxes and other costs related to holding but not developing the subject real estate.”

b. Section 2.21, “**Cause**” means conduct by a Participant reasonably likely to cause material harm to Gyrodyne that consists of:

-
- (i) The conviction of any felony, or the entry by a Participant of a plea of guilty or nolo contendere with respect to the foregoing;
 - (ii) The commission of any act or failure to act that involves gross negligence, moral turpitude, dishonesty, theft, destruction of property, fraud, embezzlement, willful misconduct or unethical business conduct, or that is otherwise materially harmful to Gyrodyne’s business interests or reputation;
 - (iii) Any material violation of any written rule or policy of Gyrodyne that is harmful to Gyrodyne’s business interests or reputation;
 - (iv) Any refusal, or repeated failure to substantially perform any duties and obligations as an employee or a Board member (other than any such failure resulting from incapacity due to physical or mental illness or injury) over a period of not less than 30 days after a demand for substantial performance is delivered by Gyrodyne;
 - (v) Any willful failure to abide by any lawful directive of the Board or its duly appointed designee.

c. Section 2.22, “**Disability**” means a Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment, which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, as determined by an independent third party physician, selected within the discretion of the Committee. The determination of whether a Participant is disabled shall be determined by the Committee, in its sole discretion,

- (i) The conviction of any felony, or the entry by a Participant of a plea of guilty or nolo contendere with respect to the foregoing;
 - (ii) The commission of any act or failure to act that involves gross negligence, moral turpitude, dishonesty, theft, destruction of property, fraud, embezzlement, willful misconduct or unethical business conduct, or that is otherwise materially harmful to Gyrodyne's business interests or reputation;
 - (iii) Any material violation of any written rule or policy of Gyrodyne that is harmful to Gyrodyne's business interests or reputation;
 - (iv) Any refusal, or repeated failure to substantially perform any duties and obligations as an employee or a Board member (other than any such failure resulting from incapacity due to physical or mental illness or injury) over a period of not less than **30** days after a demand for substantial performance is delivered by Gyrodyne;
 - (v) Any willful failure to abide by any lawful directive of the Board or its duly appointed designee.
- c. Section 2.22, "**Disability**" means a Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment, which can be expected to result in death or can be expected to last for a continuous period of not less than **12** months, as determined by an independent third party physician, selected within the discretion of the Committee. The determination of whether a Participant is disabled shall be determined by the Committee, in its sole discretion, but subject to the provisions of Section 409A.
- d. Section 2.23, "**Internal Rate of Return**" means an amount limited to **4%** of the Adjusted Appraised Value plus any incurred land development and other costs.

2. **Vesting.** Article IV, Vesting, shall be amended to add the following new paragraph:

"In the event of death or Disability of an employee or a Board member, a voluntary termination following a substantial reduction in compensation or Board fees (deemed to be an involuntary termination), or a mutually agreed separation from the Board to "right size" the Board, or in the event of an involuntary termination without Cause, such Participants shall be entitled to a future benefit to be paid in accordance with the provisions of Plan only if the following requirements are satisfied:

- a. A property is sold within a period of **3** years following the date of a Participant's separation from service with Gyrodyne or the Board for any of the above reasons; and

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- b. The property is sold with an Internal Rate of Return ("IRR") equal to at least **4%** of the value of the property as determined under the annual appraisals obtained effective as of each December 31 (the "Valuation Date"), and measured from the **earlier of** the December 31 Valuation Date preceding the date of death, or Disability, or the Participant's separation from service or separation from the Board.

3. **Reduction in Benefits After Vesting.** To the extent that a Participant is vested in their benefits following a separation from service, the amount to be paid to a Participant shall be reduced by a fraction measured from June 1, 2014 when the Plan was established, whereby the numerator is the number of full months measured from June 1, 2014 when the Plan was established, until the date of termination; and the denominator is the number of full months measured from June 1, 2014, the date of establishment of the Plan, until the date the property is sold. The effect of this fraction shall be to compensate a Participant for the full value of the property sold, but to reduce the benefit by the period of time during which a Participant is not employed or a Board member. This reduction is clarified in the attached **Exhibit C.** (Exh-C-Ret-Bon-Plan) The above reductions shall occur regardless of the reason for any separation from service.

4. **Revised Exhibit B.** Members of the Board already have a "specific percentage" of the Retention Bonus Pool allocated to each Director on an individual basis. Attached is a revised **Exhibit B** providing for specific employee bonus percentages that shall apply for any sales on or after February 1, 2018, subject to the provisions of the Plan and this Amendment. (Exh-B-Ret-Bon-Plan-rev)

IN WITNESS WHEREOF, this Amendment Number 2 to the Gyrodyne LLC Retention Bonus Plan is executed the 30th day of January, 2018.

- b. The property is sold with an Internal Rate of Return (“IRR”) equal to at least **4%** of the value of the property as determined under the annual appraisals obtained effective as of each December 31 (the “Valuation Date”), and measured from the **earlier of** the December 31 Valuation Date preceding the date of death, or Disability, or the Participant’s separation from service or separation from the Board.
3. **Reduction in Benefits After Vesting.** To the extent that a Participant is vested in their benefits following a separation from service, the amount to be paid to a Participant shall be reduced by a fraction measured from June 1, 2014 when the Plan was established, whereby the numerator is the number of full months measured from June 1, 2014 when the Plan was established, until the date of termination; and the denominator is the number of full months measured from June 1, 2014, the date of establishment of the Plan, until the date the property is sold. The effect of this fraction shall be to compensate a Participant for the full value of the property sold, but to reduce the benefit by the period of time during which a Participant is not employed or a Board member. This reduction is clarified in the attached **Exhibit C.** (Exh-C-Ret-Bon-Plan) The above reductions shall occur regardless of the reason for any separation from service.
4. **Revised Exhibit B.** Members of the Board already have a “specific percentage” of the Retention Bonus Pool allocated to each Director on an individual basis. Attached is a revised **Exhibit B** providing for specific employee bonus percentages that shall apply for any sales on or after February 1, 2018, subject to the provisions of the Plan and this Amendment. (Exh-B-Ret-Bon-Plan-rev)

IN WITNESS WHEREOF, this Amendment Number 2 to the Gyrodyne LLC Retention Bonus Plan is executed the 30th day of January, 2018.

GYRODYNE LLC

BY: /s/ Gary Fitlin
 Gary Fitlin
 President and Chief Executive Officer

January 30, 2018

EXHIBIT B

**GYRODYNE, LLC
BOARD OF DIRECTORS – EMPLOYEE BONUS PERCENTAGES**

Board Members/Employees	Bonus Pool Percentage
Board Members	
Paul Lamb, Chairman	15.00%
Richard Smith	10.00%
Ronald Macklin	10.00%
Philip Palmedo	10.00%
Elliot Levine	10.00%
Nader Salour	10.00%
Subtotal	65.00%
Employees	
Gary Fitlin	15.474%
Peter Pitsiokos	13.926%
Patricia Lara	0.75%
Dawn Ibrahim	3.10%
Subtotal	33.250%
Officer Discretionary Amount	1.750%

EXHIBIT B

**GYRODYNE, LLC
BOARD OF DIRECTORS – EMPLOYEE BONUS PERCENTAGES**

Board Members/Employees	Bonus Pool Percentage
Board Members	
Paul Lamb, Chairman	15.00%
Richard Smith	10.00%
Ronald Macklin	10.00%
Philip Palmedo	10.00%
Elliot Levine	10.00%
Nader Salour	10.00%
Subtotal	65.00%
Employees	
Gary Fitlin	15.474%
Peter Pitsiokos	13.926%
Patricia Lara	0.75%
Dawn Ibrahim	3.10%
Subtotal	33.250%
Officer Discretionary Amount	1.750%
Total	100.00%

Notes:

1. An amount equal to **95%** of the bonuses payable to employees, of the **35%** total allocation to employees, has been allocated above and is vested.
2. An amount equal to **5%** of the **35%** allocation to employees is vested, but not allocated, and will be paid to Fitlin and/or Pitsiokos, within the discretion of the Board.

January 30, 2018

EXHIBIT C

**CALCULATION OF
REDUCTION OF BENEFITS FOR SEPARATION OF SERVICE
PRIOR TO SALE**

The following Example illustrates the intent of Item 3 of Amendment Number 2 to the Retention Bonus Plan:

1. Original Plan was approved May 30, 2014, effective as of June 1, 2014.
2. Assume T1 is June 1, 2014.
3. Assume an employee separates from service on June 1, 2018; T2 = **48** (number of months between June 1, 2018 and June 1, 2014).
4. Assume a property is sold December 31, 2018 = T3 = **55** (**55** months between T1 and T3).

EXHIBIT C

**CALCULATION OF
REDUCTION OF BENEFITS FOR SEPARATION OF SERVICE
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The following Example illustrates the intent of Item 3 of Amendment Number 2 to the Retention Bonus Plan:

1. Original Plan was approved May 30, 2014, effective as of June 1, 2014.
2. Assume T1 is June 1, 2014.
3. Assume an employee separates from service on June 1, 2018; T2 = **48** (number of months between June 1, 2018 and June 1, 2014).
4. Assume a property is sold December 31, 2018 = T3 = **55** (**55** months between T1 and T3).
5. The termed employee shall receive **87.27%** (**48/55**) of any expected Bonus.

January 30, 2017