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 March 31, 2018

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 (Do not check if a smaller reporting company)	Smaller reporting company
Emerging growth company	

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

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

On May 11, 2018, there were 1,482,680 common shares outstanding.

INDEX TO QUARTERLY REPORT OF GYRODYNE, LLC
QUARTER ENDED MARCH 31, 2018

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements.

GYRODYNE, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF NET ASSETS
AT MARCH 31, 2018 AND DECEMBER 31, 2017
(Liquidation Basis)

	March 31, 2018 (Unaudited)	December 31, 2017
ASSETS:		
Real estate held for sale	$ 33,016,665	$ 33,016,665
Cash and cash equivalents	4,642,307	5,265,368
Rent receivable	176,889	41,226

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	March 31, 2018 (Unaudited)	December 31, 2017
ASSETS:		
Real estate held for sale	$ 33,016,665	$ 33,016,665
Cash and cash equivalents	4,642,307	5,265,368
Rent receivable	176,889	41,226
Other receivables	49,673	53,392
Total Assets	$ 37,885,534	$ 38,376,651
LIABILITIES:		
Accounts payable	$ 491,020	$ 532,671
Accrued liabilities	149,111	261,160
Deferred rent liability	57,532	26,675
Tenant security deposits payable	280,510	293,978
Mortgage loan payable	1,100,000	-
Estimated liquidation and operating costs net of receipts	9,192,965	10,624,817
Total Liabilities	11,271,138	11,739,301
Net assets in liquidation	$ 26,614,396	$ 26,637,350

See notes to consolidated financial statements

GYRODYNE, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE THREE-MONTHS ENDED MARCH 31, 2018
(Liquidation Basis)
(Unaudited)

Net assets in liquidation, at December 31, 2017		$ 26,637,350
Changes in assets and liabilities in liquidation:		
Remeasurement of assets and liabilities	(22,954)	
Net decrease in liquidation value		(22,954)
Net assets in liquidation, at March 31, 2018		$ 26,614,396

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2018 (unaudited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2018 (unaudited)

1. The Company

Gyrodyne, LLC ("Gyrodyne", the "Company" or the "Registrant") is a limited liability company formed under the laws of the State of New York whose primary business is the management of a geographically diverse portfolio of medical office and industrial properties and the pursuit of entitlement/re-zoning on properties located in Suffolk and Westchester Counties, New York.

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

The Company manages its business as one operating segment. The Company's corporate strategy is to pursue re-zoning and/or entitlement opportunities which are intended to increase the values of our two remaining major properties (Flowerfield and Cortlandt Manor) so that they can be sold at higher prices (than those achievable under their current entitlements) that will maximize distributions to our shareholders during the liquidation process and then dissolve the Company. The value of the real estate reported in the Statements of Net Assets as of March 31, 2018 and December 31, 2017 (predicated on current asset values) does not include the potential value impact that may result from such value enhancement efforts. There can be no assurance that our value enhancement efforts will result in property value increases that exceed the costs we incur in such efforts, or even any increase at all.

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

After giving effect to the Company's dispositions of real property, the Company currently owns one medical office park and one of fourteen buildings in a second medical office park, together comprising approximately 37,000 rentable square feet and a multitenant industrial park comprising approximately 130,000 rentable square feet. The aforementioned industrial park is situated on ten acres of a 68-acre property in St. James, New York, all of which is owned by the Company. Each of the medical office park in Cortlandt Manor, the building in the Port Jefferson Professional Park and the Flowerfield Industrial Park (including its undeveloped portion) is individually held in a single asset LLC wholly-owned by the Company.

2. Strategic Plan to Enhance Property Values, Liquidate and Dissolve

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

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

- balancing working capital and funds available for the entitlement process.

Gyrodyne's strategy is to enhance the value of Flowerfield and Cortlandt Manor by pursuing possible entitlement and/or zoning opportunities, which the Board believes will improve the chances of obtaining better values for such properties. The value of the real estate reported in the Statements of Net Assets as of March 31, 2018 and December 31, 2017 (predicated on current asset values) does not include the potential value impact that may result from such value enhancement efforts. There can be no assurance that our value enhancement efforts will result in property value increases that exceed the costs we incur in such efforts, or even any increase at all. Our efforts to generate the highest values for Flowerfield and Cortlandt Manor may involve, in limited circumstances, the acquisition of certain adjacent properties, pursuit of joint venture relationships, entitlements and/or zoning changes and other investments and/or other strategies to maximize the returns for our shareholders. The Company does not expect the acquisition of properties or the pursuit of joint ventures, if any, to adversely affect the timing of the return of capital to our shareholders. Gyrodyne intends to dissolve after it completes the disposition of all of its real property assets, applies the proceeds of such dispositions first to settle any debts and claims, pending or otherwise, against Gyrodyne, and then makes liquidating distributions to holders of Gyrodyne common shares. We are unable to predict the precise nature, amount or timing of such distributions.

The Company is making tenant improvements at Flowerfield to convert certain existing industrial space into office space to meet our expanding relationship with Stony Brook University, which the Company believes will enhance the value of the property as a whole by improving the building space and drawing a high quality long-term tenant. Expanding the aforementioned relationship will increase the synergy with the University and allow for a portion of the vehicle trip generation from this office space to be accommodated using the internal access point between the properties (contingent on the Company's success in re-opening the respective LIRR crossing gate). The Company believes positioning the industrial park buildings to mitigate traffic impact on the local roads will maximize the entitlements and related value it is pursuing on the Flowerfield property. The planned tenant improvements for leases signed in the first quarter are estimated to cost approximately $1,100,000 and will be financed with a non-revolving credit line (rather than cash on hand) secured by the Flowerfield industrial buildings and the specific tax lot they reside on. The additional value from the Stony Brook lease expansion signed in the first quarter of 2018 and the estimated cost of the related tenant improvements were included in the real estate value and estimated costs in excess of receipts, respectively, of both the March 31, 2018 and the December 31, 2017 financial statements.

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

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

We cannot give any assurance on the timing of the ultimate sale of all of the Company's properties. Assuming the liquidation process continues through the end of 2019 and after giving effect to the estimated flow of cash from the operation of our existing properties, we expect that Gyrodyne will have a cash balance of approximately $26.6 million, prior to any future special distributions, based on the estimate of net assets in liquidation presented in our Consolidated Statements of Net Assets. Such cash would equate to future liquidating distribution of approximately $17.95 per share based on Gyrodyne having 1,482,680 common shares outstanding. These estimated distributions are based on values at March 31, 2018 and do not include the potential value that may be derived from the entitlement efforts to maximize the value on Flowerfield and Cortlandt Manor. While the real estate market is dynamic, and the economy is volatile, the Company believes that the increase in estimated distributions resulting from these enhancement efforts will exceed the estimated remaining $2.3 million investment in those efforts, although there can be no assurance of any such excess.

The Statements of Net Assets are based on certain estimates. Uncertainties as to the precise value of our non-cash assets, which exclude the estimated additional value achievable from the costs incurred to pursue the maximum value on Flowerfield and Cortlandt Manor through certain land entitlement efforts (including the pursuit of 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 entitlement costs, claims, liabilities and expenses from operations, including operating costs, salaries, income taxes, payroll and local taxes, legal, accounting and consulting fees and miscellaneous office expenses, will continue to be incurred during our liquidation process, which includes certain enhancement efforts. Excluding the value that may be achieved from the entitlement efforts, expenses incurred in pursuing the Company's business plan will reduce the amount of assets available for ultimate distribution to shareholders, and, while a precise estimate of those expenses cannot currently be made, management and our Board believe that available cash and amounts received on the sale of assets will be adequate to provide for our obligations, liabilities, expenses and claims (including contingent liabilities) and to make cash distributions to shareholders. However, no assurances can be given that available cash and amounts received on the sale of assets will be adequate to provide for our obligations, liabilities, expenses and claims and to

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3. 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 three-months ended March 31, 2018.

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

This report should be read in conjunction with the audited financial statements and footnotes therein included in the Annual Report on Form 10-K for the year ended December 31, 2017.

4. Summary of Significant Accounting Policies

Gyrodyne is pursuing the strategic disposition of its remaining property in Port Jefferson and the enhancement of the value of the Flowerfield and Cortlandt Manor properties, by pursuing various zoning/entitlement opportunities, which the Gyrodyne Board believes will improve the chances of obtaining better values for such properties. Gyrodyne intends to dissolve after it completes the disposition of all of its real property assets, applies the proceeds of such dispositions first to settle any debts and claims, pending or otherwise, against Gyrodyne, and then makes liquidating distributions to holders of Gyrodyne common shares. Therefore, effective September 1, 2015, Gyrodyne adopted the liquidation basis of accounting. This basis of accounting is considered appropriate when, among other things, liquidation of the entity is imminent, as defined in ASC 205-30, Presentation of Financial Statements Liquidation Basis of Accounting. Under the Gyrodyne's Amended and Restated Limited Liability Company Agreement the Board has the ability to sell all the Company's assets without further approval. As a result, liquidation is "imminent" in accordance with the guidance provided in ASC 205-30.

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

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

Under the liquidation basis of accounting, all the Company's assets have been stated at their estimated net realizable value, or liquidation value (which represents the estimated amount of cash that Gyrodyne will collect on the disposal of assets as it carries out the plan of liquidation), which is based on current contracts, estimates and other indications of sales value (predicated on current values). All liabilities of the Company, including those estimated costs associated with implementing the plan of liquidation, have been stated at their estimated settlement amounts. These amounts are presented in the accompanying statements of net assets. These estimates are periodically reviewed and adjusted as appropriate. There can be no assurance that these estimated values will be realized. Such amounts should not be taken as an indication of the timing or amount of future distributions or our actual dissolution. The valuation of assets at their net realizable value and liabilities at their anticipated settlement amount represent estimates, based on present facts and circumstances, of the net realizable value of the assets and the costs associated with carrying out the plan of liquidation. The actual values and costs associated with carrying out the plan of liquidation may differ from amounts reflected in the accompanying 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 2019. The Company is in the process of pursuing entitlements, density and/or rezoning, and our ability to obtain required permits and authorizations is subject to factors beyond our control, including environmental concerns of governmental entities and community groups. The process will involve extensive analysis internally at the government entity level, as well as between government entities such as town planning departments and Gyrodyne, and will continue up until such time as entitlement, rezoning and density decisions are made by the relevant government entities. We hope to secure favorable decisions on entitlements, rezoning and density so that we can then seek the sale of our remaining properties at higher prices (than those achievable under their current entitlements) and then proceed with the liquidation and dissolution of the Company. The Company expects the process of pursuing entitlements, rezoning and density could take up to 21 months with the ultimate timing to a certain extent managed by Gyrodyne but ultimately dependent and under the control of the applicable municipality's planning board or other governmental authority. Accordingly, it is not possible to predict with certainty the timing or aggregate amount which may ultimately be distributed to common shareholders and no assurance can be given that the distributions will equal or exceed the estimate presented in the

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The Company is incurring expenses in its pursuit of value associated with the highest and best use for Flowerfield and 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.

The Company's assumptions and estimates (including the sales proceeds of all its real estate holdings, selling costs, retention bonus payments, rental revenues, rental expenses, capital expenditures, land entitlement/re-zoning costs, general and administrative fees, director and officer liability and reimbursement, post liquidation insurance tail coverage policy and final liquidation costs) are based on completing the liquidation by the end of 2019. As previously stated, on an ongoing basis, Gyrodyne evaluates the estimates and assumptions that can have a significant impact on the reported net assets in liquidation and will update accordingly for any costs and value associated with a change in the duration of the liquidation, as we cannot give any assurance on the timing of the ultimate sale of all the Company's properties.

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

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

New Accounting Pronouncements - Management has evaluated the impact of newly issued accounting pronouncements, whether effective or not as of March 31, 2018, and has concluded that they will not have a material impact on the Company's consolidated financial statements since the Company reports on a liquidation basis.

5. Statements of Net Assets in Liquidation

Net assets in liquidation at March 31, 2018 would result in estimated liquidating distributions of approximately $17.95 per common share. This is a decrease of $0.02 from the December 31, 2017 net assets in liquidation of $17.97 per common share.

The cash balance at the end of the liquidation period (currently estimated to be December 31, 2019, although the estimated completion of the liquidation period may change), excluding any interim distributions, is estimated based on the March 31, 2018 cash balance of $4.6 million plus adjustments for the following items which are estimated through December 31, 2019:

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 preserve or improve the net realizable value of the property at its estimated gross sales proceeds.
2. Proceeds from the sale of all the Company's 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 including severance, director and officer liability inclusive of post liquidation tail policy coverage, and financial and legal fees to complete the liquidation.
5. Costs for the pursuit of entitlement/re-zoning of the Flowerfield and Cortlandt Manor properties, to maximize value.
6. Estimated retention bonus amounts based on the net realizable value of the real estate under the Retention Bonus Plan (See Note 10).
7. Proceeds from the draw downs on the debt facility to fund tenant improvements and costs to repay such outstanding debt.

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

The Company is incurring expenses in its pursuit of value associated with the highest and best use for Flowerfield and 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.

The Company's assumptions and estimates (including the sales proceeds of all its real estate holdings, selling costs, retention bonus payments, rental revenues, rental expenses, capital expenditures, land entitlement/re-zoning costs, general and administrative fees, director and officer liability and reimbursement, post liquidation insurance tail coverage policy and final liquidation costs) are based on completing the liquidation by the end of 2019. As previously stated, on an ongoing basis, Gyrodyne evaluates the estimates and assumptions that can have a significant impact on the reported net assets in liquidation and will update accordingly for any costs and value associated with a change in the duration of the liquidation, as we cannot give any assurance on the timing of the ultimate sale of all the Company's properties.

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

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

New Accounting Pronouncements **-** Management has evaluated the impact of newly issued accounting pronouncements, whether effective or not as of March 31, 2018, and has concluded that they will not have a material impact on the Company's consolidated financial statements since the Company reports on a liquidation basis.

5. Statements of Net Assets in Liquidation

Net assets in liquidation at March 31, 2018 would result in estimated liquidating distributions of approximately $17.95 per common share. This is a decrease of $0.02 from the December 31, 2017 net assets in liquidation of $17.97 per common share.

The cash balance at the end of the liquidation period (currently estimated to be December 31, 2019, although the estimated completion of the liquidation period may change), excluding any interim distributions, is estimated based on the March 31, 2018 cash balance of $4.6 million plus adjustments for the following items which are estimated through December 31, 2019:

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 preserve or improve the net realizable value of the property at its estimated gross sales proceeds.
2. Proceeds from the sale of all the Company's 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 including severance, director and officer liability inclusive of post liquidation tail policy coverage, and financial and legal fees to complete the liquidation.
5. Costs for the pursuit of entitlement/re-zoning of the Flowerfield and Cortlandt Manor properties, to maximize value.
6. Estimated retention bonus amounts based on the net realizable value of the real estate under the Retention Bonus Plan (See Note 10).
7. Proceeds from the draw downs on the debt facility to fund tenant improvements and costs to repay such outstanding debt.

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

The Company is pursuing various avenues to maximize total distributions to our shareholders during the liquidation process. The Company estimates that it will incur approximately $2.3 million (included in the Statement of Net Assets as part of the estimated liquidation and operating costs net of receipts, See Note 6) in land entitlement/re-zoning costs over the remainder of 2018 and 2019, in an effort to obtain entitlements, including zone changes and special permits. The Company believes the commitment of these resources will enable the Company to position the properties for sale with all entitlements necessary to maximize the Flowerfield and Cortlandt Manor property values. During the three-months ended March 31, 2018, the Company incurred approximately $230,000 of land entitlement/re-zoning costs. The Company believes the remaining balance of $2.3 million will be incurred from April 2018 through the end of the liquidation period. The Company does not intend to develop the properties but rather to commit resources to position the properties for sale in a timely manner with all entitlements necessary to achieve maximum pre-construction values. The costs and time frame to achieve the entitlements could change due to a range of factors including a shift in the value of certain entitlements making it more profitable to pursue a different mix of zones/entitlements and the dynamics of the real estate market. As a result, the Company has focused and will continue to focus its land entitlement/re-zoning efforts on achieving the highest and best use. During the process of pursuing such entitlements, the Company may entertain offers from potential buyers who may be willing to pay premiums for the properties that the Company finds more acceptable from a timing or value perspective than completing the entitlement processes itself. The value of the real estate reported in the Statements of Net Assets as of March 31, 2018 and December 31, 2017 (predicated on current asset values) does not include the potential value impact that may result from the land entitlement/re-zoning costs. There can be no assurance that our value enhancement efforts will result in property value increases that exceed the costs we incur in such efforts, or even any increase at all.

The Company is making tenant improvements at Flowerfield to convert certain existing industrial space into office space to meet our expanding relationship with Stony Brook University, which the Company believes will enhance the value of the property as a whole by improving the building space and drawing a high quality long-term tenant. The Company is pursuing the re-opening of the Long Island Railroad ("LIRR") crossing gate connecting the Flowerfield property and the University. This re-opening would increase the synergy with the University and allow for a portion of the vehicle trip generation from this office space to be accommodated using the internal access point between the properties. The planned tenant improvements for leases signed in the first quarter of 2018 will cost approximately $1.1 million which will largely be financed, rather than using our cash on hand. To finance the tenant improvements, we secured a non-revolving credit line with a bank for up to $3 million, with the first advance of $1.1 million to be used to finance the foregoing tenant improvements with Stony Brook Hospital. The balance of the credit line would be available for improvements under future leases with Stony Brook University or its affiliates or other tenant spaces with bank approval. The additional value from the Stony Brook lease expansion signed in the first quarter of 2018 and the estimated cost of the related tenant improvements were included in the real estate value and estimated costs in excess of receipts, respectively, of both the March 31, 2018 and the December 31, 2017 financial statements. There can be no assurance that the Flowerfield property will increase in value as a result of the tenant improvements or that any resulting increase in value of the Flowerfield property will exceed the cost of our planned tenant improvements including the cost of the related financing.

The net assets in liquidation at March 31, 2018 ($26,614,396) and December 31, 2017 ($26,637,350) results in estimated liquidating distributions of approximately $17.95 and $17.97, respectively, per common share (based on 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 our land entitlement/re-zoning efforts. The primary reason for the decline in net assets for the three months ended March 31, 2018 was due to the costs associated with obtaining the debt facility. Neither the additional value that may be derived from the land entitlement/re-zoning costs, nor the retention bonuses on certain properties are included in the estimated liquidating distributions as of March 31, 2018 and December 31, 2017. The Company believes the land entitlement/re-zoning costs will enhance estimated distributions per share through the improved values from the sales of the Flowerfield and Cortlandt Manor properties. This estimate of liquidating distributions includes projections of costs and expenses to be incurred during the period required to complete the plan of liquidation. There is inherent uncertainty with these projections, and they could change materially based on the timing of the sales, improved values of the Cortlandt Manor and/or Flowerfield properties resulting from the land entitlement efforts net of any bonuses if such values exceed the minimum values required to pay bonuses under the retention bonus plan, favorable or unfavorable changes in the land entitlement efforts, 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.

6. 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 entitlement/re-zoning costs, the timing and estimates for executing and renewing leases, capital expenditures to maintain the real estate at its current estimated realizable value and estimates of tenant improvement costs, the timing of property sales and any direct/indirect costs incurred that are related to the sales (e.g., retention bonuses on the sale of the Cortlandt Manor and Flowerfield properties, costs to address buy side due diligence inclusive of administrative fees, legal fees and property costs to address items arising from such due diligence and not previously known), the timing and amounts associated with discharging known and contingent liabilities and the costs associated with the winding up of operations. These costs are estimated and are anticipated to be paid during the liquidation period.

The change in the liability for estimated costs in excess of estimated receipts during liquidation from January 1, 2018 through March 31, 2018 is as follows:

	January 1, 2018	Expenditures/ (Receipts)	Remeasurement of Assets and Liabilities	March 31, 2018
Assets:				
Estimated rents and reimbursements	$ 4,044,202	$ (611,182)	$ 42,492	$ 3,475,512
Liabilities:				
Property operating costs	(2,403,872)	394,943	(12,874)	(2,021,803)
Tenant improvements	(1,304,109)	568,809	(11,834)	(747,134)
Common area capital expenditures	(500,000)	45,013	6,834	(448,153)
Land entitlement costs	(2,516,394)	230,011	-	(2,286,383)
Corporate expenditures	(5,650,775)	613,456	(47,572)	(5,084,891)
Selling costs on real estate assets*	(1,981,000)	-	-	(1,981,000)
Retention bonus payments to Directors (a)*	(417,469)	-	-	(417,469)
Retention bonus payments to Executives and other employees (a)*	(224,790)	-	-	(224,790)
Less prepaid expenses and other assets	329,390	213,756	-	543,146
Liability for estimated costs in excess of estimated receipts during liquidation**	$ (10,624,817)	$ 1,454,806	$ (22,954)	$ (9,192,965)

*The amounts reported are based on the provisions of the retention bonus plan and the reported amount of the real estate assets estimated net realizable value.

** These estimates are based on the liquidation being completed by the end of 2019.

(a) The value of the real estate reported in the Statement of Net Assets as of March 31, 2018, does not include the increased value, if any, that may result from the estimated land entitlement costs. As a result, net realizable 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) for certain properties and accordingly the Company has not included any retention bonuses on the sale of such properties.

7. Mortgage Loan Payable

The Company's wholly-owned subsidiary GSD Flowerfield, LLC secured a non-revolving credit line with a bank for up to $3,000,000, which closed on March 21, 2018. There is an interest only phase for the first eight months of the loan ("Interest-Only Phase") after which it automatically converts to a permanent loan maturing on November 30, 2025 (84 months after conversion to a permanent loan) (the "Permanent Phase"). The interest rate during the Interest-Only Phase is a variable rate equal to the daily highest prime rate published by the Wall Street Journal plus 100 basis points (1% rounded up to the nearest 1/8 percent). During the Permanent Phase, the Company will pay interest at a fixed rate based on the Federal Home Loan Bank rate for a 7-year maturity as made available by the Federal Home Loan Bank of New York plus a margin of 200 basis points (2%) rounded up to the nearest 1/8 percent but in no event less than 4.25%, plus principal based on a 20-year amortization period.

The first advance of $1.1 million is being used to finance the tenant improvements pursuant to the expanded signed leasing relationship with SBU Hospital described above. The balance of the loan can be drawn upon for improvements to be completed by the Company, as landlord, pursuant to future leases with State University of New York or its affiliates (or other tenants subject to the bank's approval) anytime during the Interest-Only Phase.

The mortgage loan is secured by approximately 31.8 acres of the Flowerfield Industrial Park including the respective buildings and related leases. The only significant financial covenant associated with the loan is a debt service ratio on GSD Flowerfield, LLC of 1.35 to 1. The Company anticipates modifying the terms of the loan following the completion of its subdivision. As of March 31, 2018, the Company is in compliance with the loan covenants. The mortgage loan is guaranteed by Gyrodyne LLC.

The mortgage loan payable matures upon the earlier of the sale of the Flowerfield Industrial Park (unless assigned) or as follows:

Years Ending December 31,	
2018	$ 2,537

The change in the liability for estimated costs in excess of estimated receipts during liquidation from January 1, 2018 through March 31, 2018 is as follows:

	January 1, 2018	Expenditures/ (Receipts)	Remeasurement of Assets and Liabilities	March 31, 2018
Assets:				
Estimated rents and reimbursements	$ 4,044,202	$ (611,182)	$ 42,492	$ 3,475,512
Liabilities:				
Property operating costs	(2,403,872)	394,943	(12,874)	(2,021,803)
Tenant improvements	(1,304,109)	568,809	(11,834)	(747,134)
Common area capital expenditures	(500,000)	45,013	6,834	(448,153)
Land entitlement costs	(2,516,394)	230,011	-	(2,286,383)
Corporate expenditures	(5,650,775)	613,456	(47,572)	(5,084,891)
Selling costs on real estate assets*	(1,981,000)	-	-	(1,981,000)
Retention bonus payments to Directors (a)*	(417,469)	-	-	(417,469)
Retention bonus payments to Executives and other employees (a)*	(224,790)	-	-	(224,790)
Less prepaid expenses and other assets	329,390	213,756	-	543,146
Liability for estimated costs in excess of estimated receipts during liquidation**	$ (10,624,817)	$ 1,454,806	$ (22,954)	$ (9,192,965)

*The amounts reported are based on the provisions of the retention bonus plan and the reported amount of the real estate assets estimated net realizable value.

** These estimates are based on the liquidation being completed by the end of 2019.

(a) The value of the real estate reported in the Statement of Net Assets as of March 31, 2018, does not include the increased value, if any, that may result from the estimated land entitlement costs. As a result, net realizable 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) for certain properties and accordingly the Company has not included any retention bonuses on the sale of such properties.

7. Mortgage Loan Payable

The Company’s wholly-owned subsidiary GSD Flowerfield, LLC secured a non-revolving credit line with a bank for up to $3,000,000, which closed on March 21, 2018. There is an interest only phase for the first eight months of the loan (“Interest-Only Phase”) after which it automatically converts to a permanent loan maturing on November 30, 2025 (84 months after conversion to a permanent loan) (the “Permanent Phase”). The interest rate during the Interest-Only Phase is a variable rate equal to the daily highest prime rate published by the Wall Street Journal plus 100 basis points (1% rounded up to the nearest 1/8 percent). During the Permanent Phase, the Company will pay interest at a fixed rate based on the Federal Home Loan Bank rate for a 7-year maturity as made available by the Federal Home Loan Bank of New York plus a margin of 200 basis points (2%) rounded up to the nearest 1/8 percent but in no event less than 4.25%, plus principal based on a 20-year amortization period.

The first advance of $1.1 million is being used to finance the tenant improvements pursuant to the expanded signed leasing relationship with SBU Hospital described above. The balance of the loan can be drawn upon for improvements to be completed by the Company, as landlord, pursuant to future leases with State University of New York or its affiliates (or other tenants subject to the bank’s approval) anytime during the Interest-Only Phase.

The mortgage loan is secured by approximately 31.8 acres of the Flowerfield Industrial Park including the respective buildings and related leases. The only significant financial covenant associated with the loan is a debt service ratio on GSD Flowerfield, LLC of 1.35 to 1. The Company anticipates modifying the terms of the loan following the completion of its subdivision. As of March 31, 2018, the Company is in compliance with the loan covenants. The mortgage loan is guaranteed by Gyrodyne LLC.

The mortgage loan payable matures upon the earlier of the sale of the Flowerfield Industrial Park (unless assigned) or as follows:

Years Ending December 31,	
2018	$ 2,537
2019	31,359
2020	33,114
2021	34,968

2022	36,926
Thereafter	961,096
Total	$ 1,100,000

8. Income Taxes

As a limited liability company, Gyrodyne is not subject to an entity level income tax but rather is treated as a partnership for tax purposes, with its items of income, gain, deduction, loss and credit being reported on the Company’s information return, on Form 1065, and allocated annually on Schedule K-1 to its members pro rata. Flowerfield Properties Inc. (“FPI”) is a wholly-owned subsidiary of the Company. FPI is a “C” corporation. Any income generated by FPI is subject to a corporate level tax; therefore FPI files separate federal and state income tax returns. The only asset owned by FPI is the investment in The Grove.

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

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

Tax legislation signed into law on December 22, 2017, makes numerous changes to the tax rules. For example, the top federal income tax rate for individuals is reduced to 37%, there is a new deduction available for certain Qualified Business Income, that reduces the top effective tax rate applicable to ordinary dividends from REITs to 29.6% (through a 20% deduction for ordinary REIT dividends received) and various deductions are eliminated or limited. Most of the changes applicable to individuals are temporary. There are only minor changes to the REIT rules (other than the 20% deduction applicable to individuals for ordinary REIT dividends received). To date, the Internal Revenue Service has issued only limited guidance on the changes made by the new legislation. It is unclear at this time whether Congress will address these issues or when the Internal Revenue Service will issue additional administrative guidance on the changes made by the new legislation.

As of March 31, 2018 and December 31, 2017, Statements of Net Assets include federal and state tax current receivables of $12,544. During the three-months ended March 31, 2018, the Company filed a net operating loss carryback claim, resulting from the write-off of its investment in the Grove, and received a refund of $73,085, the benefit of which was included in the Statement of Net Assets at December 31, 2017. The Company does not expect to receive any further distributions from the Grove.

9. Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents. The Company places its temporary cash investments with high credit quality financial institutions and generally limits the amount of credit exposure in any one financial institution. The Company maintains bank account balances, which exceed insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash. Management does not believe significant credit risk existed at March 31, 2018 and December 31, 2017. As the Company executes on the sale of its assets, its regional concentration in tenants will shrink thereby resulting in the increased credit risk from exposure of the local economies.

For the three-months ended March 31, 2018 rental income from the three largest tenants represented approximately 18%, 17% and 6% of total rental income. The three largest tenants by revenue as of March 31, 2018 consist of a state agency located in the industrial park and two medical tenants in the Cortlandt Manor Medical Center. During the three-months ended March 31, 2018 we increased the space leased to the state agency, by approximately 93%, which will increase the concentration of credit risk respectively.

10. Commitments

As of March 31, 2018, other commitments and contingencies are summarized in the below table:

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

Employment agreements - The Company has an employment agreement with its Chief Executive Officer (the "Agreement"), executed during the quarter ended June 30, 2013. The Agreement contains a bonus of $125,000 payable upon a change of control as defined in the agreement. In addition, the agreement provides for severance equal to 6 months of base salary and the vesting and related payment of the change of control bonus.

The Company also has an employment agreement with its Chief Operating Officer executed on May 8, 2014 which provides for severance equal to 6 months of base salary. On January 25, 2018, Gyrodyne entered into an amendment to the employment agreement with Mr. Pitsiokos effective January 25, 2018, to define with greater specificity Mr. Pitsiokos' duties and responsibilities with respect to the Company's properties.

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

Retention Bonus Plan- In May 2014, the Board of Directors approved a Retention Bonus Plan 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%.

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.

On May 24, 2016, the Company's Board of Directors amended the 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 for determining the bonus pool. The foregoing change was approved 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.

On January 26, 2018, the Board of Directors of the Company approved Amendment No. 2 to the 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, On January 26, 2018, the Board of Directors of the Company approved Amendment No. 2 to the 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 allocations are as follows:

Board Members/Employees	Bonus Pool Percentage
Board Members	65.000%
Chief Executive Officer	15.474%
Chief Operations Officer	13.926%
Officer Discretionary Amount (a)	1.750%
Other Employees	3.850%
Total	100.000%

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

The value of the real estate reported in the Statements of Net Assets as of March 31, 2018 and December 31, 2017, does not include the increase in value that may result from the estimated land entitlement/re-zoning costs. As a result, net realizable value as reported does not exceed the Adjusted Appraised Value under the Retention Bonus Plan on certain properties and accordingly the Company has not included any retention bonuses on such sales in the estimated costs in excess of receipt.

There were no payments made during the three-months ended March 31, 2018 under the Retention Bonus Plan.

11. Contingencies

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

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

The 2014 aggregate appraised value of Gyrodyne's properties was approximately $100,000 higher than the 2013 aggregate appraised value for such properties. As of March 31, 2018, the aggregate value of the remaining unsold properties was $4,416,665 higher than the 2014 appraised value.

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

12. Fair Value of Financial Instruments

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

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

The guidance emphasizes that fair-value is a market-based measurement, not an entity-specific measurement. Therefore, a fair-value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair-value measurements, the guidance establishes a fair-value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy, as defined under FASB ASC Topic No. 820, Fair Value Measurements) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). In instances where the determination of the fair-value measurement is based on inputs from different levels of the fair-value hierarchy, the level in the fair-value hierarchy within which the entire fair-value measurement falls is based on the lowest level input that is significant to the fair-value measurement in its entirety. Our assessment of the significance of a particular input to the fair-value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

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

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

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 thinly traded/lack of marketability of distressed assets, the Company is not presenting a fair value or assuming the fair value is zero. The Company is accounting for the investment under the equity method. As of March 31, 2018 and December 31, 2017, the carrying value of the Company's investment was $0.

13. Related Party Transactions

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

Term	Square Feet	Annual Rent	Rent Abatement	Total Commitment (net of abatement, excluding renewal options)	Additional Commitment (assumes both two-year renewal options are exercised)
May 2016-Dec 2018	1,971	$ 16,754	$14,153(a)	$ 29,825	$ 67,014
Aug 2016-Dec 2018	2,130	-(b)	-(b)	-(b)	-(b)
May 2017-Dec 2018	1,905	$ 16,193	$ 5,398	$ 21,590	$ 64,770

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(a) In exchange for the rent abatement, the tenant completed capital improvements that exceeded the abatement amount. In addition, the tenant signed a multi-year lease.

(b) In April 2017, the Company extended the term of a master lease with the not-for-profit originally entered into in August 2016. The Company understood that the tenant's main intent was to sublease the space to artists, on a short-term basis, after which such subtenant artists would transition into their own space leased directly from the Company. Under the master lease, the tenant has the right to sublease the space without prior written consent for use as an art studio, art school or related use. Under the terms of the master lease, rent is payable by the tenant only to the extent the space is sublet, at the rent amount per square foot payable by the subtenant up to a maximum of $10 per square foot per year. The lease term of 29 months covers 2,130 square feet with a maximum annual and total lease commitment of up to $21,300 and $51,475, respectively. Approximately $3,500 in improvements were provided. Any space not subleased may be used by the tenant rent-free for certain stated art uses, although the tenant is responsible for certain passthrough expenses such as electric and heat. Since rent is only due if the space is sublet, the Company believes the fair value of the space to the extent not sublet reflects a below market lease over the term ending December 31, 2018 of up to $ 51,475 and total commitments including both two-year renewal options of $136,675. The Company believes the lease is in the best interest of the Company as it supports the Company vision to achieve the highest and best use value for Flowerfield. The

Company believes establishing an art community at Flowerfield compliments the interests identified in the subdivision application all of which supports maximizing the value of the real estate.

During 2017, the Company extended the term of the first of the above two leases to coincide with the expiration of the third lease as well as provide for two two-year renewals at the tenant's option.

During the three-months ended March 31, 2018 and the twelve months ended December 31, 2017, respectively, the Company received rental revenue of $20,336 and $22,165, respectively. In addition, the Company made total tenant improvements of $4,220, all of which were completed in 2016.

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

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

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

When we use the terms "Gyrodyne," the "Company," "we," "us," and "our," we mean Gyrodyne, LLC and all entities owned or controlled by us, including non-consolidated entities. References to "common shares" in this report refer to Gyrodyne, LLC's common shares representing limited liability company interests. References herein to our Quarterly Report are to this Quarterly Report on Form 10-Q for the three-months ended March 31, 2018.

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 our efforts to enhance the values of our remaining major properties and seek the orderly, strategic sale and liquidation of such properties as soon as reasonably practicable, 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 effect of economic and business conditions, risks inherent in the real estate markets of Suffolk and Westchester Counties in New York, the ability to obtain additional capital in order to enhance the value of the Flowerfield and Cortlandt Manor properties, risks and uncertainties associated with any litigation that may develop in connection with our efforts to sell our properties strategically, including related enhancement efforts and other risks detailed from time to time in the Company's SEC 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

Gyrodyne, LLC ("Gyrodyne", the "Company" or the "Registrant") is a limited liability company formed under the laws of the State of New York whose primary business is the management of a geographically diverse portfolio of medical office and industrial properties and the pursuit of entitlement/re-zoning on the properties located in Suffolk and Westchester Counties, New York.

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 (the "Merger"), effective August 31, 2015. The Merger completed the Corporation's plan of liquidation under the Internal Revenue Code.

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

The Company manages its business as one operating segment. The Company's corporate strategy is to pursue zoning and/or entitlement opportunities intended to increase the values of our two remaining major properties so that they can be sold at higher prices (than those achievable

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

The Company manages its business as one operating segment. The Company's corporate strategy is to pursue zoning and/or entitlement opportunities intended to increase the values of our two remaining major properties so that they can be sold at higher prices (than those achievable under current entitlements) that will maximize distributions to our shareholders during the liquidation process and then dissolve the Company. The value of the real estate reported in the Statement of Net Assets as of March 31, 2018 (predicated on current asset values), does not include the potential value impact that may result from such value enhancement efforts. There can be no assurance that our value enhancement efforts will result in property value increases that exceed the costs we incur in such efforts, or even any increase at all.

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

After giving effect to the Company's dispositions of real property through March 31, 2018, the Company owns one medical office park and one of fourteen buildings in a second medical office park, together comprising approximately 37,000 rentable square feet and a multitenant industrial park comprising approximately 130,000 rentable square feet. The Company's industrial park is situated on ten acres of a 68-acre property in St. James, New York. Each of the medical office park in Cortlandt Manor, the building in the Port Jefferson Professional Park and the Flowerfield Industrial Park (including its undeveloped portion) are individually owned in single asset LLCs wholly-owned by the Company.

Strategic Plan to Enhance Property Values, Liquidate and Dissolve

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

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

The value of the real estate reported in the Statement of Net Assets as of March 31, 2018 (predicated on current asset values), does not include the potential value impact that may result from the Company's value enhancement efforts. Our efforts to generate the highest values of Flowerfield and Cortlandt Manor may involve, in limited circumstances, the acquisition of certain adjacent properties, pursuit of joint venture relationships, entitlement and/or zoning changes and other investments and/or other strategies to maximize the returns for our shareholders. The Company does not expect the acquisition of properties or the pursuit of joint ventures, if any, to adversely affect the timing of distributions to our shareholders. Gyrodyne intends to dissolve after it completes the disposition of all of its real property assets, applies the proceeds of such dispositions first to settle any debts and claims, pending or otherwise, against Gyrodyne, and then makes liquidating distributions to holders of Gyrodyne common shares. We are unable to predict the precise nature, amount or timing of such distributions.

The Company is making tenant improvements at Flowerfield to convert certain existing industrial space into office space to meet our expanding relationship with Stony Brook University, which the Company believes will enhance the value of the property as a whole by improving the building space and drawing a high quality long-term tenant. The Company is pursuing the re-opening of the LIRR crossing gate connecting the Flowerfield property and the University. This re-opening would increase the synergy with the University and allow for a portion of the vehicle trip generation from this office space to be accommodated using the internal access point between the properties. The Company believes positioning the industrial park buildings to mitigate traffic impact on the local roads will maximize the entitlements and related value it is pursuing on the Flowerfield property. The planned tenant improvements for leases signed in the first quarter are believed to cost approximately $1.1 million and will be financed with a non-revolving credit line (rather than cash on hand) secured by the Flowerfield industrial buildings and the specific tax lot they reside on. The additional value from the Stony Brook lease expansion signed in the first quarter of 2018 and the estimated cost of the related tenant improvements were included in the real estate value and estimated costs in excess of receipts, respectively, of both the March 31, 2018 and

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

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

We cannot give any assurance on the timing of the ultimate sale of all of the Company's properties. Assuming the liquidation process continues through the end of 2019 and after giving effect to the estimated cash flows from the operation of our existing properties, we expect that Gyrodyne will have a cash balance of approximately $26.6 million, prior to any future special distributions based on the estimate of net assets in liquidation presented in our Consolidated Statements of Net Assets. Such cash would equate to future liquidating distributions of $17.95 per share based on Gyrodyne having 1,482,680 common shares outstanding. These estimated distributions are based on values at March 31, 2018 and do not include the potential value that may be derived from the entitlement efforts to maximize the value of Flowerfield and Cortlandt Manor. While the real estate market is dynamic and the economy is volatile, the Company believes that the increase in estimated distributions resulting from these enhancement efforts will exceed the estimated remaining $2.3 million investment in those efforts, although there can be no assurance of any such excess or whether any appreciation at all will be realized.

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

Property Value Enhancement

The Company is pursuing entitlements/zoning to maximize the value of Flowerfield and Cortlandt Manor. During the three-months ended March 31, 2018, the Company incurred $230,000 of land entitlement/re-zoning costs, mainly engineering costs to support the Company's respective entitlement/zoning efforts. We estimate that the Company may incur approximately $2.3 million in additional land entitlement/re-zoning costs through 2019 in pursuit of entitlements (approximately $0.5 million in Cortlandt Manor and $1.8 million in Flowerfield).

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

Cortlandt Manor. On March 15, 2016, the Town of Cortlandt Manor (the "Town") adopted a 2016 Sustainable Comprehensive Plan (the "Plan") of which one key strategy was the simultaneous creation of a Medical Oriented District ("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.

Cortlandt Manor. On March 15, 2016, the Town of Cortlandt Manor (the "Town") adopted a 2016 Sustainable Comprehensive Plan (the "Plan") of which one key strategy was the simultaneous creation of a Medical Oriented District ("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/hospital care, within or in neighboring facilities by centralizing medical services and related activities. As a designated zoning district, the MOD could include hospital, ambulatory surgery, primary and urgent care, hospice, laboratories, social services, boutique hotels and a wide range of housing.

The Company's existing 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 approximately two years the Company along with its planner and engineers have been working closely with the Town to identify issues and solutions involved in creating the Plan and more specifically, the MOD.

On April 20, 2017, the Company closed on the purchase of a 1,950-square foot single-family residential dwelling located on approximately 0.3 acres. The purchase price, inclusive of closing costs, was approximately $353,000. The Company was able to take advantage of a distressed sale following foreclosure action by the lender. The property, adjacent to the Cortlandt Medical Center and across the street from New York Presbyterian Hudson Valley Hospital Center, is expected to become part of the Cortlandt Manor MOD. The property may provide additional vehicular access to the site from Buttonwood Drive and State Route 202 and additional parking which, although there can be no assurances, the Company believes will further increase the yield in a manner that is cost effective and should provide a significant return on investment to the shareholders.

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

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

The Company has been working closely with Town officials on entitlement complexity, environmental impact studies, traffic mitigation, effluent, financial impact and other variables to ensure the application synchronizes with the Town's vision on the MOD. Furthermore, while we are pursuing the above entitlements, we are also seeking the approval of yield that can be transferred among the three proposed uses as market demand changes.

The entitlement/re-zoning costs from December 2013 through March 31, 2018 associated with the ownership and development of this property consisted of architectural and engineering costs, legal expenses, economic analysis, soil management, surveys and land acquisitions totaling $1,378,431.

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

We anticipate the Town of Cortlandt Planning Department to host a public hearing (community outreach meeting) in June 2018, at which the Company will present its development plan for the Cortlandt Manor property. We anticipate that the hearing will result in the Town Planning Board formally issuing a "positive declaration" under the State Environmental Quality Review Act ("SEQRA"), i.e., a declaration that the project may result in one or more significant environmental impacts and will require the preparation of an Environmental Impact Statement. The Town will then prepare a targeted Generic Environmental Impact Statement with input from Gyrodyne for both the MOD zoning and the proposed uses so that upon adoption, minimal further SEQRA review should be required to develop the property. The Company does not plan on developing the property but rather positioning the properties to be sold with all entitlements necessary to achieve maximum pre-construction value for the Company in the shortest period of time with the least amount of risk to the Company.

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

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

On August 2, 2017, the Suffolk County Planning Commission voted 11-0 to approve Gyrodyne's subdivision application without conditions. Although the approval by the Suffolk County Planning Commission is not binding on the Town of Smithtown, the approval without conditions means that the requisite vote threshold at the Town of Smithtown's Planning Board is a simple majority. Had the Suffolk County Planning Commission approved the subdivision application with conditions, those conditions would have to be incorporated into the subdivision plan unless a supermajority of the Town of Smithtown's Planning Board voted to override any Planning Commission conditions.

On November 15, 2017, the Town of Smithtown Planning Board conducted a public hearing where the Company presented its subdivision plan of the Flowerfield property. On April 11, 2018, the Planning Board determined that the subdivision plan may result in one or more significant environmental impacts which will require the preparation of an Environmental Impact Statement. As a result, at the Planning Board meeting dated April 11, 2018, the Planning Board issued a SEQRA Positive Declaration, which was rescinded and re-issued by Planning Board Resolution dated May 9, 2018. The former Town Plan Board Chairman communicated that a Positive Declaration will require up to one year to complete the SEQRA process. The Company has begun the preparation of the Environmental Impact Statement and has already submitted various studies (which are intended to support its Environmental Impact Statement) to the Town of Smithtown Planning Department prior to the public hearing that it hopes will reduce the time frame to complete the SEQRA process. The Company does not plan on developing the property but rather positioning the properties to be sold with all entitlements necessary to achieve maximum pre-construction values in the shortest period of time with the least amount of risk to the Company.

The details of the Company's subdivision application are as follows:

SUBDIVISION LOT #	LOT SIZE (acres)	LAND USE	BUILDING SIZE/YIELD
1	13	Existing Industrial Park – Mixed Use	132,719 sft
3	13	Catering Hall (sold in 2002)	34,685sft
3	2	Parking to support Lot 1	N/A
4	6	Hotel with Restaurant, Spa/Fitness and Conference Center	150 Rooms plus 150 seat restaurant 10,000 sft 500 seats
5	5	Medical Office /R&D Office Building	55,350 sft
6	6	Medical Office/R&D Office Building	74,650 sft
7	3	Assisted Living	110 units
8	3	Assisted Living	110 units
9	24	Common Area	

In addition to the common area within Lot 9, the plan envisions an open space network of trails, benches and passive recreation that will serve as a recreational amenity to tie together the uses within the overall Flowerfield campus landscape. The entitlement costs from December 2013 through March 31, 2018 associated with the ownership and development of this property consisted of architectural and engineering costs, legal expenses, economic analysis, soil management and surveys totaling $2,077,603. The Company has an additional 5.2 acres bordering the industrial park that are currently zoned residential and are not part of the subdivision application.

While we cannot predict the outcome of the subdivision application, we have undertaken to subdivide the Flowerfield property in a manner that is economically advantageous to the Company.

As envisioned in the chart above, the subdivision application will seek to subdivide the Flowerfield property using a low-impact development campus approach that provides a complementary mix of land uses with a green space network throughout the subdivision. Opportunities for shared green space, roads, utilities and parking are incorporated into the plan and preserves the historic 200-foot setback from Route 25A. The Flowerfield campus would be a beautiful, environmentally sound and amenity enriched community that wouldn't overly burden existing infrastructure and the local community with the additional costs of public education. We believe the campus will generate a significant new real estate tax base for the

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The Company's subdivision application is expected to include proposed uses for the subdivided lots, although the specific uses will be determined by the eventual purchasers. It is anticipated that the proposed uses described herein would be typical of those chosen by the future owners and as a result we requested that the subdivision be considered with those uses so that the purchasers of the lots would have an assigned density. Furthermore, while we are pursuing the above entitlements, we are also seeking the approval of yield that can be transferred between the proposed uses as market demand changes. The Company's subdivision application includes perfecting the subdivision of the catering facility (12 acres hereafter referred to as lot 2) which the Company sold in 2002.

The new additions to the Flowerfield campus conform with the 2015 draft Smithtown Comprehensive Plan Update as they would be focused on uses supportive and beneficial to Stony Brook University (SBU), inclusive of Stony Brook University Hospital, namely, the development of a first class 150 bed hotel with conference facilities, restaurant and health club; medical office facilities; and assisted living facilities. Furthermore, the connection with SBU via the existing LIRR crossing, which we are actively negotiating the re-opening of, will help to foster synergies between Flowerfield and SBU. It is noted that the Town has recently issued an RFP for a new Comprehensive Plan Update and will not adopt the Update prepared in 2015.

Lot 1 encompasses the existing uses of the current light industrial park being retained thereby keeping in place jobs from the local business community, locations for back office operations of SBU, and studios for a vibrant arts community that yields cultural benefits to Smithtown and the surrounding communities.

Lot 2 owned by a catering facility that sits on a 12-acre lot that was sold in 2002. The subdivision was deferred by the town until the overall plan for Flowerfield was submitted.

Lot 3 is set aside for additional parking to support Lot 1, with a potential for a small building in the future if the uses on Lot 1 do not require all of the Lot 3 parking.

Lot 4 is planned as a 150-room hotel that would include a 150-seat restaurant. The hotel could also have a 500-seat conference space and a 10,000-square foot day spa/fitness center. It is envisioned that this hotel would serve the adjacent catering facility, as well as the office uses on-site and the nearby SBU.

Lots 5 and 6 are envisioned as medical office, general office, or tech space (R&D) in support of SBU, its Hospital and Children's Hospital, and its Center of Excellence in Wireless and Information Technology (CEWIT). The two lots could be developed separately or as one larger lot. Approximately 130,000 square feet of office space in two buildings (55,350 and 74,650 sf) would be provided.

Lots 7 and 8 are envisioned as assisted living communities, comprising a total of 220 units, again either as two separate lots or one combined lot. There would be a synergy with the SBU Hospital and with the medical office uses for medical care of the residents of the assisted living facilities.

Lot 9 houses a wastewater treatment plant to serve all of the development in the subdivision, as well as an open space network including the 200-foot buffer and the onsite pond.

Summary. The Company is in the process of pursuing entitlements, density and/or rezoning (rezoning applies to Cortlandt Manor only), and our ability to obtain required permits and authorizations is subject to factors beyond our control, including environmental concerns of governmental entities and community groups. The process involves extensive analysis internally at the government entity level, as well as between government entities such as town planning departments and Gyrodyne, and will continue up until such time as entitlement, rezoning and density decisions are made by the relevant government entities. We hope to secure favorable decisions on entitlements, rezoning and density so that we can then seek the sale of our remaining properties at higher prices than otherwise obtainable and then proceed with the intended liquidation and dissolution of the Company. As referred to above, the Suffolk County Planning Commission voted on August 2, 2017 to approve the Company's subdivision application without conditions. Accordingly, the application will require approval of a simple majority, and not a supermajority, of the Town Board for the Company to be able to proceed with its subdivision plan. The Town is now obligated to comply with the provisions of SEQRA in connection with its review of the subdivision application. On April 11, 2018, the Planning Board determined that the subdivision plan may result in one or more significant environmental impacts which will require the preparation of an Environmental Impact Statement, which was rescinded and re-issued by Planning Board Resolution dated May 9, 2018. As a result, at the Planning Board meeting dated May 9, 2018, the Planning Board issued a SEQRA Positive Declaration. The time period for the Town of Smithtown to complete its review of the subdivision application will not begin to run until the SEQRA process has been completed. The Company cannot predict with any reasonable degree of certainty the length of time it will take for the Town of Smithtown to complete the SEQRA process. The Company expects the process of pursuing entitlements, rezoning and density could take up to an additional 21 months with the ultimate timing to a certain extent managed by Gyrodyne but ultimately dependent and under the control of the applicable municipality's planning board or other governmental authority. During this process, the subdivision plan could be amended depending on market forces.

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Flowerfield Industrial Park Value Enhancement Strategy. The Company's primary strategy is to pursue the entitlements. In addition, the Company is also implementing a secondary but parallel strategy of maximizing the value of the Flowerfield Industrial Park's current buildings through targeting certain uses which the Company also believes will help maximize the achievable density from the entitlements it is pursuing on the undeveloped property.

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

Our business relationship with Stony Brook University is expanding. Effective October 24, 2017, the Company and the State of New York acting through Stony Brook University Hospital ("SBU Hospital") entered into an amendment to the existing lease with SBU Hospital (approved by the New York State Controller's Office on January 19, 2018) for the expansion of the existing space currently occupied by SBU Hospital from approximately 13,747 square feet at a rate of $24.76 per square foot to 26,573 square feet at rate of $19.00 (plus annual escalators) per square foot. The total lease commitment from the amendment net of the existing lease is approximately $3.5 million and extends through 2025. The lease amendment obligates the Company, at its sole cost and expense, to build out the additional 12,826 square feet (the "Additional Space") and provide a "turnkey" facility in accordance with an agreed-upon work letter.

To finance the buildout of the additional space, the Company secured a non-revolving credit line with a bank for up to $3,000,000, which closed on March 21, 2018. There is an interest only phase for the first eight months of the loan ("Interest-Only Phase") after which it automatically converts to a permanent loan maturing on November 30, 2025 (84 months after conversion to a permanent loan) (the "Permanent Phase"). The interest rate during the Interest-Only Phase shall be a variable rate equal to the daily highest prime rate published by the Wall Street Journal plus 100 basis points (1% rounded up to the nearest 1/8 percent). During the Permanent Phase, the Company will pay interest at a fixed rate based on the Federal Home Loan Bank rate for a 7-year maturity as made available by the Federal Home Loan Bank of New York plus a margin of 200 basis points (2%) rounded up to the nearest 1/8 percent but in no event less than 4.25%, plus principal based on a 20-year amortization period.

The first advance of $1.1 million is being used to finance the tenant improvements pursuant to the expanded signed leasing relationship with SBU Hospital described above. The balance of the loan can be drawn upon for improvements to be completed by the Company, as landlord, pursuant to future leases with State University of New York or its affiliates (or other tenants subject to the bank's approval) anytime during the Interest-Only Phase.

The mortgage loan is secured by approximately 31.8 acres of the Flowerfield Industrial Park including the respective buildings and related leases. The only significant financial covenant associated with the loan is a debt service ratio on GSD Flowerfield, LLC of 1.35 to 1. The Company anticipates modifying the terms of the loan following the completion of its subdivision.

The Company is committed to focusing its current capital on supporting operations and the pursuit of entitlements. The loan is financing the Company's secondary but dual strategy of maximizing the value of the Flowerfield.

Health Care Industry

Our tenants in our Cortlandt Manor and Port Jefferson properties are healthcare service providers. Furthermore, the Company is repositioning the industrial buildings, in the Flowerfield Industrial Park, to expand and support Stony Brook University and Stony Brook University Hospital. The healthcare industry is subject to substantial regulation and faces increased regulation particularly relating to fraud, waste and abuse, cost control and healthcare management. The healthcare industry may experience a significant expansion of applicable federal, state or local laws and regulations, previously enacted or future healthcare reform, new interpretations of existing laws and regulations or changes in enforcement priorities, all of which could materially impact the business and operations of our tenants and therefore the marketability of our medical office properties.

The Patient Protection and Affordable Care Act of 2010 (the "ACA") impacted the healthcare marketplace by decreasing the number of uninsured individuals in the United States through the establishment of health insurance exchanges to facilitate the purchase of health insurance, expanded Medicaid eligibility, subsidized insurance premiums and included requirements and incentives for businesses to provide healthcare benefits. The ACA remains subject to continuing and increasing legislative and administrative scrutiny, including current efforts by Congress and the current presidential administration to repeal, alter and replace the ACA in total or in part. In 2017, Congress unsuccessfully sought to replace substantial parts of the ACA with different mechanisms for facilitating insurance coverage in the commercial and Medicaid markets, but was able to enact legislation eliminating the tax penalty for individuals who do not purchase insurance. Additionally, the Centers for Medicare and Medicaid Services ("CMS") discontinued providing cost-sharing reduction subsidies to insurance providers, which is expected to have the result of increasing the cost of insurance premiums. Further, CMS has begun approving waivers permitting states to alter state Medicaid programs by, among other things, requiring individuals to meet certain requirements, such as work requirements, in order to maintain eligibility for Medicaid.

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

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The mortgage loan is secured by approximately 31.8 acres of the Flowerfield Industrial Park including the respective buildings and related leases. The only significant financial covenant associated with the loan is a debt service ratio on GSD Flowerfield, LLC of 1.35 to 1. The Company anticipates modifying the terms of the loan following the completion of its subdivision.

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Health Care Industry

Our tenants in our Cortlandt Manor and Port Jefferson properties are healthcare service providers. Furthermore, the Company is repositioning the industrial buildings, in the Flowerfield Industrial Park, to expand and support Stony Brook University and Stony Brook University Hospital. The healthcare industry is subject to substantial regulation and faces increased regulation particularly relating to fraud, waste and abuse, cost control and healthcare management. The healthcare industry may experience a significant expansion of applicable federal, state or local laws and regulations, previously enacted or future healthcare reform, new interpretations of existing laws and regulations or changes in enforcement priorities, all of which could materially impact the business and operations of our tenants and therefore the marketability of our medical office properties.

The Patient Protection and Affordable Care Act of 2010 (the "ACA") impacted the healthcare marketplace by decreasing the number of uninsured individuals in the United States through the establishment of health insurance exchanges to facilitate the purchase of health insurance, expanded Medicaid eligibility, subsidized insurance premiums and included requirements and incentives for businesses to provide healthcare benefits. The ACA remains subject to continuing and increasing legislative and administrative scrutiny, including current efforts by Congress and the current presidential administration to repeal, alter and replace the ACA in total or in part. In 2017, Congress unsuccessfully sought to replace substantial parts of the ACA with different mechanisms for facilitating insurance coverage in the commercial and Medicaid markets, but was able to enact legislation eliminating the tax penalty for individuals who do not purchase insurance. Additionally, the Centers for Medicare and Medicaid Services ("CMS") discontinued providing cost-sharing reduction subsidies to insurance providers, which is expected to have the result of increasing the cost of insurance premiums. Further, CMS has begun approving waivers permitting states to alter state Medicaid programs by, among other things, requiring individuals to meet certain requirements, such as work requirements, in order to maintain eligibility for Medicaid.

These and other actions may impact the insurance markets and reduce the number of individuals purchasing insurance or qualifying for Medicaid and may negatively impact the operations and financial condition of our medical office tenants, which in turn may adversely impact us. Congress may revisit ACA or Medicaid reform legislation in 2018. If the ACA is repealed or further substantially modified, or if implementation of certain aspects of the ACA are suspended, such actions could negatively impact the operations and financial condition of our medical office tenants, which in turn may adversely impact us.

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

Transaction Summary for the Three Months Ended March 31, 2018

The following summarizes our significant transactions and other activity during the three-months ended March 31, 2018.

Debt Facility. To finance the buildout of the SBU expansion, the Company secured a non-revolving credit line with a bank for up to $3,000,000, which closed on March 21, 2018. There is an interest only phase for the first eight months of the loan ("Interest-Only Phase") after which it automatically converts to a permanent loan maturing on November 30, 2025 (84 months after conversion to a permanent loan) (the "Permanent Phase"). The interest rate during the Interest-Only Phase shall be a variable rate equal to the daily highest prime rate published by the Wall Street Journal plus 100 basis points (1% rounded up to the nearest 1/8 percent). During the Permanent Phase, the Company will pay interest at a fixed rate based on the Federal Home Loan Bank rate for a 7-year maturity as made available by the Federal Home Loan Bank of New York plus a margin of 200 basis points (2%) rounded up to the nearest 1/8 percent but in no event less than 4.25%, plus principal based on a 20-year amortization period.

The first advance of $1.1 million is being used to finance the tenant improvements pursuant to the expanded signed leasing relationship with SBU Hospital described above. The balance of the loan can be drawn upon for improvements to be completed by the Company, as landlord, pursuant to future leases with State University of New York or its affiliates (or other tenants subject to the bank's approval) anytime during the Interest-Only Phase.

The mortgage loan is secured by approximately 31.8 acres of the Flowerfield Industrial Park including the respective buildings and related leases. The only significant financial covenant associated with the loan is a debt service ratio on GSD Flowerfield, LLC of 1.35 to 1. The Company anticipates modifying the terms of the loan following the completion of its subdivision.

Leasing Activity. During the three-months ended March 31, 2018, the Company executed one new lease comprising approximately 1,100 square feet and approximately $12,000 in annual revenue plus tenant reimbursements. In addition, the Company executed seven renewals comprising approximately 7,000 square feet and approximately $83,000 in annual revenue. The Company also executed one expansion and one down-size resulting in a net increase of approximately 10,500 square feet, approximately $82,000 in annual revenue and approximately $3.2 million in total lease commitments.

The new lease, lease renewals, expansion and down-size signed during the three-months ended March 31, 2018 included tenant allowances and rent abatements of approximately $1 million and $41,000, respectively which were associated with total lease commitments of approximately $3.2 million. The Company incurred approximately $210,000 in lease commissions during the three-months ended March 31, 2018.

There were two terminations during the three-months ended March 31, 2018, comprising approximately 1,600 square feet and approximately $13,800 in annual revenue.

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

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.

During the three-months ended March 31, 2018, there were no payments made under the Retention Bonus Plan.

Critical Accounting Policies

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

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

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

Under the liquidation basis of accounting, all the Company's assets have been stated at their estimated net realizable value, or liquidation value, (which represents the estimated amount of cash that Gyrodyne will collect on the disposal of assets as it carries out the plan of liquidation), which is based on current contracts, estimates and other indications of sales value (predicated on current values). All liabilities of the Company, including those estimated costs associated with implementing the plan of liquidation, have been stated at their estimated settlement amounts. These amounts are presented in the accompanying statements of net assets. These estimates are periodically reviewed and adjusted as appropriate. There can be no assurance that these estimated values will be realized. Such amounts should not be taken as an indication of the timing or amount of future distributions or our actual dissolution. The valuation of assets at their net realizable value and liabilities at their anticipated settlement amount represent estimates, based on present facts and circumstances, of the net realizable value of the assets and the costs associated with carrying out the plan of liquidation. The actual values and costs associated with carrying out the plan of liquidation may differ from amounts reflected in the accompanying 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 2019. The Company is in the process of pursuing entitlements, density and/or rezoning, and our ability to obtain required permits and authorizations is subject to factors beyond our control, including environmental concerns of governmental entities and community groups. The process will involve extensive analysis internally at the government entity level, as well as between government entities such as town planning departments and Gyrodyne, and will continue up until such time as entitlement, rezoning and density decisions are made by the relevant government entities. We hope to secure favorable decisions on entitlements, rezoning and density so that we can then seek the sale of our remaining properties at higher prices (than those achievable under their current entitlements) and then proceed with the liquidation and dissolution of the Company. The Company expects the process of pursuing entitlements, rezoning and density could take up to two years with the ultimate timing to a certain extent managed by Gyrodyne but ultimately dependent and under the control of the applicable municipality's planning board or other governmental authority. Accordingly, it is not possible to predict with certainty the timing or aggregate amount which may ultimately be distributed to common shareholders and no assurance can be given that the distributions will equal or exceed the estimate presented in the accompanying Statement of Net Assets

The Company is pursuing value associated with the highest and best use for Flowerfield and 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.

The Company's assumptions and estimates (including the sales proceeds of all its real estate holdings, selling costs, retention bonus payments, rental revenues, rental expenses, capital expenditures, land entitlement/re-zoning costs, general and administrative fees, director and officer liability and reimbursement, post liquidation insurance tail coverage policy and final liquidation costs) are based on completing the liquidation by the end of 2019. As previously stated, on an ongoing basis, Gyrodyne evaluates the estimates and assumptions that can have a significant impact on the reported net assets in liquidation and will update accordingly for any costs and value associated with a change in the duration of the liquidation, as we cannot give any assurance on the timing of the ultimate sale of all the Company's properties.

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

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

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

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

Income taxes - The Company follows the guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification, Accounting for Uncertainty in Income Taxes. This guidance, among other things, creates a two-step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. This interpretation specifically prohibits the use of a valuation allowance as a substitute for derecognition of tax positions, and it has expanded disclosure requirements. The Company believes it is more likely than not that its tax positions will be sustained in any tax examinations. The Company has no income tax expense, deferred tax assets or liabilities, associated with any such uncertain tax positions. The Company's open tax years are 2015, 2016, and 2017.

Tax legislation signed into law on December 22, 2017, makes numerous changes to the tax rules. For example, the top federal income tax rate for individuals is reduced to 37%, there is a new deduction available for certain Qualified Business Income, that reduces the top effective tax rate applicable to ordinary dividends from REITs to 29.6% (through a 20% deduction for ordinary REIT dividends received) and various deductions are eliminated or limited. Most of the changes applicable to individuals are temporary. There are only minor changes to the REIT rules (other than the 20% deduction applicable to individuals for ordinary REIT dividends received). To date, the Internal Revenue Service has issued only limited guidance on the changes made by the new legislation. It is unclear at this time whether Congress will address these issues or when the Internal Revenue Service will issue additional administrative guidance on the changes made by the new legislation.

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

New Accounting Pronouncements - Management has evaluated the impact of newly issued accounting pronouncements, whether effective or not as of March 31, 2018, and has concluded that they will not have a material impact on the Company's consolidated financial statements since the Company reports on a liquidation basis.

Discussion of the Statements of Net Assets

Net assets in liquidation at March 31, 2018 would result in estimated liquidating distributions of approximately $17.95 per common share. This decrease of $0.02 from the December 31, 2017 net assets in liquidation of $17.97 per common share is the result of costs associated with obtaining the debit facility which closed in March 2018.

The cash balance at the end of the liquidation period (currently estimated to be December 31, 2019, although the estimated completion of the liquidation period may change), excluding any interim distributions, is estimated based on the March 31, 2018 cash balance of $4.6 million plus adjustments for the following items which are estimated through December 31, 2019:

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 preserve or improve the net realizable value of the property at its estimated gross sales proceeds.
2. Proceeds from the sale of all the Company's 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 including severance, director and officer liability inclusive of post liquidation tail policy coverage, and financial and legal fees to complete the liquidation.
5. Costs for the pursuit of the entitlement/rezoning of the Flowerfield and Cortlandt Manor properties, to maximize value.
6. Estimated retention bonus amounts based on the net realizable value of the real estate under the Retention Bonus Plan.
7. Proceeds from the draw downs on the debt facility to fund tenant improvements and costs to repay such outstanding debt.

The Company estimates the net realizable value of its real estate assets by using income and market valuation techniques. The Company may estimate net realizable values using market information such as broker opinions of value, appraisals, and recent sales data for similar assets or discounted cash flow models, which primarily rely on Level 3 inputs. 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 net realizable value of its real estate assets could be overstated.

The Company is pursuing various avenues to maximize total distributions to our shareholders during the liquidation process. The Company estimates that it will incur approximately $2.3 million (included in the statements of net assets as part of the estimated liquidation and operating costs net of receipts) in land entitlement/re-zoning costs over the 21 months ended December 31, 2019, inclusively, in an effort to obtain entitlements, inclusive of zone changes and special permits. The Company believes the commitment of these resources will enable the Company to position the properties for sale with all entitlements necessary to maximize the Flowerfield and Cortlandt Manor property values. During the three-months ended March 31, 2018, the Company incurred approximately $230,000 of land entitlement/re-zoning costs. The Company believes the remaining balance of $2.3 million will be incurred from April 2018 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 the dynamics of the real estate market. As a result, the Company has focused and will continue to focus its land entitlement/re-zoning efforts on achieving the highest and best use. During the process of pursuing such entitlements, the Company may entertain offers from potential buyers who may be willing to pay premiums for the properties that the Company finds more acceptable from a timing or value perspective than completing the entitlement processes itself. The value of the real estate reported in the Statements of Net Assets as of March 31, 2018 (predicated on current asset values) does not include the potential value impact that may result from the estimated remaining $2.3 million in land entitlement/re-zoning costs. There can be no assurance that our value enhancement efforts will result in property value increases that exceed the costs we incur in such efforts, or even any increase at all.

The Company is making tenant improvements at Flowerfield to convert certain existing industrial space into office space to meet our expanding relationship with Stony Brook University, which the Company believes will enhance the value of the property as a whole by improving the building space and drawing a high quality long-term tenant. It would also increase the synergy with the University and allow for a portion of the vehicle trip generation from this office space to be accommodated using the internal access point between the properties. The Company believes that the planned tenant improvements for leases signed in the first quarter of 2018 will cost approximately $1.1 million and that we are financing

The Company is making tenant improvements at Flowerfield to convert certain existing industrial space into office space to meet our expanding relationship with Stony Brook University, which the Company believes will enhance the value of the property as a whole by improving the building space and drawing a high quality long-term tenant. It would also increase the synergy with the University and allow for a portion of the vehicle trip generation from this office space to be accommodated using the internal access point between the properties. The Company believes that the planned tenant improvements for leases signed in the first quarter of 2018 will cost approximately $1.1 million and that we are financing the cost of such tenant improvements with a debit facility, rather than using our cash on hand. To finance the tenant improvements, we secured a non-revolving credit line with a bank for up to $3 million, with the first advance of $1.1 million to be used to finance the foregoing tenant improvements with Stony Brook Hospital. The balance of the credit line would be available for improvements under future leases with Stony Brook University or its affiliates or other tenant spaces with bank approval. The additional value from the Stony Brook lease expansion signed in the first quarter of 2018 and the estimated cost of the related tenant improvements were included in the real estate value and estimated costs in excess of receipts, respectively, of both the March 31, 2018 and the December 31, 2017 financial statements. There can be no assurance that the Flowerfield property will increase in value as a result of the tenant improvements or that any resulting increase in value of the Flowerfield property will exceed the cost of our planned tenant improvements including the cost of the related financing.

The net assets in liquidation at March 31, 2018 ($26,614,396) results in estimated liquidating distributions of approximately $17.95 per common share (based on 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 our land entitlement/re-zoning efforts. Neither the additional value that may be derived from the land entitlement/re-zoning costs, nor the retention bonuses for the sale of the Flowerfield property are included in the estimated liquidating distributions as of March 31, 2018. The Company believes the land entitlement/re-zoning costs will enhance estimated distributions per share through the improved values from the sales of the Flowerfield and Cortlandt Manor properties. This estimate of liquidating distributions includes projections of costs and expenses to be incurred during the period required to complete the plan of liquidation. There is inherent uncertainty with these projections, and they could change materially based on the timing of the sales, improved values of the Cortlandt Manor and/or Flowerfield properties resulting from the land entitlement/re-zoning efforts net of any bonuses if such values exceed the minimum values required to pay bonuses under the retention bonus plan, favorable or unfavorable changes in the land entitlement/re-zoning 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.

The following table summarizes the estimates to arrive at the Net Assets in Liquidation as of March 31, 2018 (dollars are in millions).

March 31, 2018 cash and cash equivalents balance	$4.64	
Interest income offset by net cash used to settle current working capital acct and security deposits	(0.76)	(i)
Principal payments on mortgage loan	(1.10)	
Free cash flow from rental operations	0.78	(ii)
General and administrative expenses including final liquidation and dissolution	(4.18)	(iii)
Land entitlement costs in pursuit of the highest and best use	(2.29)	(iv)
Gross real estate proceeds	33.02	
Selling costs on real estate	(1.98)	
Retention bonus plan for directors, officers and employees	(0.64)	(v)
Severance	(0.43)	
Directors and officers insurance (“D&O”) – tail policy	(0.45)	
Net Assets in Liquidation	$26.61	(vi)

(i) The Company estimates interest income will be offset by the settlement of its working capital accounts resulting in a balance of $(0.76).

(ii) The Company estimates the cash proceeds from rental operations net of commissions and rental costs, inclusive of expenditures to preserve or improve the properties at its current estimated market value will total $0.78.

(iii) The General and Administrative expenses are estimated to be $4.18. The costs represent all costs to liquidate the company excluding rental operating costs and non-operating costs (D&O tail and severance).

(iv) 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 $2.29 million in costs over the liquidation period ending December 31, 2019 to obtain entitlements, inclusive of zone changes and special permits that it believes will result in maximizing the 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.

(v) The gross real estate proceeds do not include the value impact that may result from the estimated land entitlement/re-zoning efforts. 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 entitlement costs) on certain properties and accordingly the Company has not included any estimated bonuses on the sale of the Flowerfield property. 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 March 31, 2018, 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 entitlement/re-zoning costs), then the Company will report the updated estimated real estate value and the estimated bonuses related to such value of the Flowerfield property in accordance with the provisions of the retention bonus plan.

(vi) The net assets in liquidation at March 31, 2018 would result in liquidating distributions of approximately $17.95 per common share ($26.6 million with 1,482,680 shares outstanding), excluding any additional sales proceeds, that may result directly or indirectly from the remaining $2.3 million in land entitlement/re-zoning costs. The Company believes the land entitlement/re-zoning costs will enhance estimated distributions per share through the improved values from the sales of the Flowerfield and Cortlandt Manor properties. This estimate of liquidating distributions includes projections of costs and expenses to be incurred during the period required to complete the liquidation process. There is inherent uncertainty with these projections, and they could change materially based on the timing of the sales, favorable or unfavorable changes in the land entitlement/re-zoning costs, the performance of the underlying assets and any changes in the underlying assumptions of the projected cash flows.

Discussion of Changes in Net Assets

Gyrodyne's strategy is to enhance the value of Flowerfield and Cortlandt Manor, by pursuing various zoning or entitlement opportunities, which the Gyrodyne Board believes will improve the chances of obtaining better values for such properties. The pursuit of the highest and best use of Flowerfield and Cortlandt Manor may involve the acquisition of properties, pursuit of joint venture relationships and other investments and or other strategies to maximize the returns for our shareholders. Gyrodyne intends to dissolve after it completes the disposition of all of its real property assets, applies the proceeds of such dispositions first to settle any debts and claims, pending or otherwise, against Gyrodyne, and then makes liquidating distributions to holders of Gyrodyne common shares. Therefore, the Company includes in its financial statements the Statement of Changes in Net Assets for the three-months ended March 31, 2018 which is discussed below:

Net assets in liquidation at January 1, 2018	$	26,637,350
Changes in net assets in liquidation for the three-months ended March 31, 2018:		
Remeasurement of assets and liabilities in liquidation		(22,954)
Net decrease in net assets in liquidation		(22,954)
Net assets in liquidation at March 31, 2018	$	26,614,396

Liquidity and Capital Resources

Cash Flows:

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

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

Even if we are successful in maintaining compliance with applicable Nasdaq listing requirements, our board of directors may decide that the costs of compliance and the demands of management time and Company resources required to maintain our Nasdaq listing are greater than the benefits received by the Company and its shareholders from being a listed company and that, accordingly, consistent with other cash management and cost reduction measures that we have implemented, we should voluntarily delist from the Nasdaq Capital Market. If our common shares were delisted from Nasdaq voluntarily or involuntarily, trading of our common shares most likely will be conducted in the over-the-counter market on an electronic bulletin board established for unlisted securities such as OTCQX, OTCBX or OTC Pink which will reduce the market liquidity of our common shares. Delisting may result in lower levels of ownership and trading by institutional shareholders, who are generally guided by quantitative and qualitative investment standards such as market capitalization, minimum share price and liquidity, which in turn often produces lower trading volumes and reduced liquidity. As a result, an investor would find it more difficult to dispose of, or obtain accurate quotations for the

(vi) The net assets in liquidation at March 31, 2018 would result in liquidating distributions of approximately $17.95 per common share ($26.6 million with 1,482,680 shares outstanding), excluding any additional sales proceeds, that may result directly or indirectly from the remaining $2.3 million in land entitlement/re-zoning costs. The Company believes the land entitlement/re-zoning costs will enhance estimated distributions per share through the improved values from the sales of the Flowerfield and Cortlandt Manor properties. This estimate of liquidating distributions includes projections of costs and expenses to be incurred during the period required to complete the liquidation process. There is inherent uncertainty with these projections, and they could change materially based on the timing of the sales, favorable or unfavorable changes in the land entitlement/re-zoning costs, the performance of the underlying assets and any changes in the underlying assumptions of the projected cash flows.

Discussion of Changes in Net Assets

Gyrodyne's strategy is to enhance the value of Flowerfield and Cortlandt Manor, by pursuing various zoning or entitlement opportunities, which the Gyrodyne Board believes will improve the chances of obtaining better values for such properties. The pursuit of the highest and best use of Flowerfield and Cortlandt Manor may involve the acquisition of properties, pursuit of joint venture relationships and other investments and or other strategies to maximize the returns for our shareholders. Gyrodyne intends to dissolve after it completes the disposition of all of its real property assets, applies the proceeds of such dispositions first to settle any debts and claims, pending or otherwise, against Gyrodyne, and then makes liquidating distributions to holders of Gyrodyne common shares. Therefore, the Company includes in its financial statements the Statement of Changes in Net Assets for the three-months ended March 31, 2018 which is discussed below:

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Net decrease in net assets in liquidation		(22,954)
Net assets in liquidation at March 31, 2018	$	26,614,396

Liquidity and Capital Resources

Cash Flows:

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

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

Even if we are successful in maintaining compliance with applicable Nasdaq listing requirements, our board of directors may decide that the costs of compliance and the demands of management time and Company resources required to maintain our Nasdaq listing are greater than the benefits received by the Company and its shareholders from being a listed company and that, accordingly, consistent with other cash management and cost reduction measures that we have implemented, we should voluntarily delist from the Nasdaq Capital Market. If our common shares were delisted from Nasdaq voluntarily or involuntarily, trading of our common shares most likely will be conducted in the over-the-counter market on an electronic bulletin board established for unlisted securities such as OTCQX, OTCBX or OTC Pink which will reduce the market liquidity of our common shares. Delisting may result in lower levels of ownership and trading by institutional shareholders, who are generally guided by quantitative and qualitative investment standards such as market capitalization, minimum share price and liquidity, which in turn often produces lower trading volumes and reduced liquidity. As a result, an investor would find it more difficult to dispose of, or obtain accurate quotations for the price of, our common shares. Also, many brokers will not allow customers to hold non-listed securities in managed accounts or place restrictions which inhibit holding or trading, and it is generally understood that brokers will not recommend non-listed securities to retail clients, perhaps not as official policy but rather as a practical reality. We cannot assure you that our common shares, if delisted from Nasdaq voluntarily, or if they would be delisted involuntarily by Nasdaq, will be listed on another national securities exchange or quoted on an over-the counter quotation system.

We generally finance our operations and acquisitions through cash on hand. However, we entered into a secured non-revolving credit line on March 21, 2018 that will provide up to $3.0 million in financing for tenant improvements pursuant to certain leases with Stony Brook University. The balance of the loan can only be drawn upon to finance tenant improvements if required in the event, the Company signs additional leases or lease expansions with Stony Brook University or its affiliates (or other improvements subject to the bank's approval) anytime during the Interest-Only Phase. We believe leveraging our tenant improvements will allow us to continue focusing our cash on funding the pursuit of entitlements and our operations. The Company believes the combination of the investments in tenant improvements related to strategically important leases and the pursuit of entitlements will enable the Company to maximize the ultimate real estate value and the distributions per share.

As of March 31, 2018, the Company had cash and cash equivalents totaling approximately $4.6 million. The Company anticipates that its current cash and cash equivalent balance will be adequate to fund its liquidation process and dissolution over the next twelve months. The $4.6 million of cash will be partially used to fund our efforts to generate the highest values for the Flowerfield and Cortlandt Manor properties while simultaneously pursuing the strategic sale of these properties. The pursuit to generate the highest values of Flowerfield and Cortlandt Manor may involve the acquisition of properties, pursuit of joint venture relationships, entitlements and/or zoning changes and other investments and or other strategies to maximize the returns for our shareholders. The Company is estimating and reporting in the Statement of Net Assets total gross cash proceeds from the sale of its assets of approximately $33.0 million. Based on the Company's current cash balance and the above forecast, the Company estimates distributable cash stemming from the liquidation of the Company of approximately $26.6 million.

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

- current cash and cash equivalents;
- rents and tenant reimbursements received on our remaining real estate operating assets;
- sale of assets; and
- debt facility earmarked for tenant improvements.

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

The Company's primary non-operating cashflows for the three-months ended March 31, 2018 were as follows:

- $1,100,000 in loan proceeds.

Our primary non-operating uses of cash for the three-months ended March 31, 2018 were as follows:

- $76,148 of costs incurred in the pursuit of entitlements for the Cortlandt Manor property.
- $153,863 of costs incurred in the pursuit of entitlements for the Flowerfield property.
- $613,822 of capital expenditures on the real estate portfolio excluding those costs incurred under the land entitlement effort.
- $118,303 of costs incurred to secure non-revolving credit line.

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, recent changes impacting such legislation and the current legislative environment could adversely affect our operating results and accordingly the estimated cash proceeds from the liquidation process.

Limited Partnership Investment

The Company has a 10.12% limited partnership interest in Callery-Judge Grove, L.P. (the "Grove"). The Grove previously owned a 3,700+ acre citrus grove (the "Grove Property") located in Palm Beach County, Florida as its only asset, which is the subject of a plan for mixed-use development. On September 19, 2013, the Grove Property was sold in a foreclosure proceeding to Minto Florida Developments, LLC ("Minto") pursuant to a purchase and sale agreement which 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. During 2016, Gyrodyne was informed by the Grove's managing partner that Minto transferred the property to an affiliate which triggered an appraisal process that resulted in the payment (in lieu of being required

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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 March 31, 2018.

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, 2017, filed with the Securities and Exchange Commission on March 28, 2018.

Item 4. Controls and Procedures.

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

An evaluation was performed under the supervision and with the participation of the Company’s management of the effectiveness of the design and operation of the Company’s procedures and internal control over financial reporting as of December 31, 2017. 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 December 31, 2017.

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 March 31, 2018, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION
Item 1. Legal Proceedings.

Putative Class Action Lawsuit

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

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

The 2014 aggregate appraised value of Gyrodyne's properties was approximately $100,000 higher than the 2013 aggregate appraised values for such properties. As of March 31, 2018, the aggregate appraised value of our remaining unsold properties was $4,416,665 higher than the 2014 appraised values for such properties.

Other Proceedings

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 three months ended March 31, 2018.

Item 6. Exhibits.

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

3.2 Form of Amended and Restated Limited Liability Company Agreement of Gyrodyne, LLC (Included as Annex F to the proxy statement/prospectus that is a part of Amendment No. 2 to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on June 17, 2014 and is incorporated herein by reference.)

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

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101.SCHXBRL Taxonomy Extension Schema (7)

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(6) Incorporated herein by reference to Form 8-K, filed with the Securities and Exchange Commission on April 19, 2017.

(7) Filed as part of this Report.

(8) Furnished herewith in accordance with Item 601(b)(32) of Regulation S-K. This Exhibit is not deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section. Such 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: May 11, 2018

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

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EX-31.1 2 ex_113605.htm EXHIBIT 31.1

Exhibit 31.1

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

I, Gary Fitlin, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 11, 2018

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

Exhibit 32.1

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

In connection with the quarterly report of Gyrodyne, LLC (the "Company") on Form 10-Q for the period ended March 31, 2018, as filed with the Securities and Exchange Commission (the "Report"), I, Gary Fitlin, Chief Executive Officer and Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 11, 2018

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