APPRAISAL REPORT

BY

AMERICAN PROPERTY COUNSELORS
Real Estate-Market Studies-Appraisals

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GYRODYNE CORP. v. STATE OF NEW YORK

"FLOWERFIELD"

LONG ISLAND, NEW YORK

APC File #2666

AMERICAN PROPERTY COUNSELORS

REAL ESTATE ANALYSIS • MARKET STUDIES • APPRAISALS

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October 1, 2008

Gardner Ryan, Esq.
NYS Attorney General's Office
235 Main Street - Third Floor
Poughkeepsie, New York 12601

Re: SUNY Stony Brook - Gyrodyne condemnation

Dear Mr. Ryan:

We are pleased to submit this appraisal of the property owned by Gyrodyne Company of America, Inc. The property comprises 313 acres with several multi-tenant industrial buildings. It is bounded on the north by N.Y. Route 25A, on the west by Mills Pond Road and on the east by Stony Brook Road, and it is bisected by active Long Island Railroad tracks and the Brookhaven-Smithtown town line in Suffolk County, Long Island, New York. On November 2, 2005, all of the Gyrodyne property east of the railroad tracks (245.458 acres) was appropriated by the State of New York, to expand the SUNY Stony Brook campus.

We have appraised the market value of this property before and after the appropriation, as of date when the appropriation was made. That is the customary procedure with eminent domain appraisals. Our value findings are:

Market value before taking	$37,500,000
Market value after taking	$15,400,000
Difference	$22,100,000
Appraised damages	**$22,450,000**

A before and after appraisal is supposed to reflect the value of the property actually appropriated, as well as any indirect damages to the value of the remainder. In this case we reconciled our damages carefully and found that the after taking value is higher simply because less land remains. (Smaller parcels tend to sell for higher per acre prices). We see no special benefits which would increase the market value of the remainder property. Therefore, we reconciled the damages to include full payment for the land actually taken, at the appraised per acre value. Those damages total $22,450,000.

To the best of our understanding, our damage estimate is complete and does not include any non-compensable damages.

The report which follows this letter includes full descriptions of the subject property before and after the appropriation, our appraisal rationale and documented background information which we used to arrive at our value conclusions.

We trust you will find this report to be complete, satisfactory and in good order. If we can provide any further information or clarification, please do not hesitate to contact us.

Sincerely yours,
AMERICAN PROPERTY COUNSELORS

By: Kenneth L. Golub

KLG/ld

TABLE OF CONTENTS

THE APPROPRIATION

APPRAISAL OF THE REMAINDER PROPERTY - AFTER TAKING

Table of contents (cont'd.)

EXHIBITS

ADDENDA

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

RECORD OWNERS:	Gyrodyne Company of America, Inc. and Flowerfield Realty, Inc.
LOCATION OF PROPERTY:	South side of North Country Road (Route 25A), east side of Mills Pond Road and the west side of Stony Brook Road, Towns of Brookhaven and Smithtown, Suffolk County, New York
TAX PARCEL NOS.:	200/273/1/3, 200/273/2/8, 800/40/2/4, 800/40/2/11, 800/40/2/13.1, 800/40/2/14, 800/40/2/15, 800/39/5/42.3 and 800/39/5/42.4
VALUES APPRAISED:	Market value before and after partial appropriation
RIGHTS APPRAISED:	Fee simple
LAND AREA:	313 acres
BUILDINGS:	201,454 SF gross
ACQUISITIONS:	245.458 acres of land, in fee, including certain buildings and land improvements
PROPERTY TYPE:	Multi-tenant industrial buildings and land with a speculative potential for development
REAL ESTATE TAXES:	Year - 2005-2006 Amount - $312,129 approximate total
ZONING:	Light industrial, with a few very small sections zoned for residential use.
DATE OF VALUE:	November 2, 2005
VALUE CONCLUSIONS:	Before taking - $37,500,000 After taking - $15,400,000 Difference - $22,100,000
APPRAISED DAMAGES:	**$22,450,000**

INTRODUCTION

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of a fee simple interest in the subject property, as identified. A portion of the subject property was acquired for public use, to expand the campus of the State University of New York at Stony Brook. The property will be appraised separately before and after the eminent domain taking. The difference between the values before and after taking is the measure of damages sustained by the property.

Eminent domain takings of private property require that "just compensation" be paid. "Just compensation" is a monetary award which is fair to the private property owner and to the public. "Just compensation" is a quantity to be found by the Court. The purpose of this appraisal is to estimate damages based on the value difference before and after. We will estimate "just compensation," analyze and allocate the components of damage.

The values and interest appraised are fully defined in the Addenda to this report. The value estimates are applicable under conditions in effect on and around November 2, 2005, the formal date of the appropriation.

RETROSPECTIVE APPRAISAL STATEMENT

A retrospective appraisal is one in which the effective date of the appraisal is earlier than the date of the report. Retrospective appraisals are often required for property tax matters, estate or inheritance tax matters, condemnation proceedings, suits to recover damages, and similar situations. Appraisal industry standards call for an appraisal to be identified as 'retrospective,' since the appraiser could be influenced by facts and events that emerged after the valuation date. The effective date of this appraisal is November 2, 2005, but the analyses were made in 2007 and 2008 so this is considered a retrospective appraisal.

PROPERTY IDENTIFICATION AND OWNERSHIP

The subject property is a large, contiguous parcel called 'Flowerfield,' after a floral nursery which operated here decades ago. It is also referred to as the Gyrodyne property, after the owner's name. Gyrodyne Company of America, Inc. has owned the property since 1951. The property is situated on the south and west sides of Stony Brook Road, the south and east sides of North Country Road (Rt. 25A) and the east side of Mills Pond Road, straddling the Brookhaven-Smithtown town line in Suffolk County, New York. The land in Brookhaven has a Stony Brook postal address, the land in Smithtown has a St. James postal address. Stony Brook and St. James are unincorporated parts of their respective towns.

Title to two small parcels are held in the name of Flowerfield Realty, Inc. It is our understanding that this corporation is controlled by Gyrodyne, the properties are contiguous, held and managed together so they are considered part of the same subject property.

The property is identified on municipal tax maps as these parcels:

200/273/1/3 *	Gyrodyne Co.	177.1 acres in Brookhaven
200/273/2/8	Gyrodyne Co.	0.03 acre in Brookhaven
800/40/2/4	Gyrodyne Co.	1.30 acres in Smithtown
800/40/2/11	Gyrodyne Co.	64.9 acres in Smithtown
800/40/2/13.1 **	Gyrodyne Co.	31.8 acres in Smithtown
800/40/2/14 ***	Gyrodyne Co.	1.5 acres in Smithtown
800/40/2/15	Gyrodyne Co.	27.9 acres in Smithtown
800/39/5/42.3	Flowerfield Realty	1.9 acres in Smithtown
800/39/5/42.4 ****	Flowerfield Realty	3.3 acres in Smithtown

The land areas are taken from either tax maps or the assessment roll. We do not warrant the accuracy of the above list because we noted some discrepancies between different survey maps, the tax maps and the tax rolls.

Gyrodyne Company of America, Inc. is a publicly-traded company (NASDAQ). Gyrodyne bought this property in 1951 to develop, test and build drone helicopters for the military. Several hundred people were once employed here but Gyrodyne ceased those operations in 1975. Since then the buildings have been leased out to many different small business tenants and some of the land is rented for parking, outdoor storage and seasonal recreational events.

Gyrodyne now has less than ten employees and its business is managing this property and investing in real estate ventures. The State appropriation was the most recent sale of the property. Gyrodyne also sold off 12.56 acres improved with the Flowerfield catering facility in April 2002. $5,370,000 was the reported price, paid as $3.6± million cash, plus a short-term, $1.8 MM purchase money mortgage taken by the seller. That purchase money mortgage was satisfied in 2006. The catering facility is excluded from this appraisal.

Appraisers normally consider an open market arms length sale a reliable guide to market value. We don't treat the SUNY transfer in that category because Gyrodyne was forced to sell. The price paid of the catering facility may show market value but we did not attempt to analyze the deal since it is a completely different type of property than we are appraising now. The value of a catering facility has no direct bearing on what our appraised property is worth.

The New York State appropriation from this property was made by map filing with the Clerk of Suffolk County, on November 2, 2005. The notice of appropriation is filed in the County Office Building in Riverhead, New York, in Deeds Liber 12418 page 158.

* Parcel 200/273/1/3 is shown on the tax map as 177.10 acres but on a survey map prepared by Hawkins Webb Jaeger Associates, P.C. and dated October 7, 2002 this same parcel is shown contain 181.7 acres.

** Parcel 800/40/2/13.1 is shown as 28.0 acres on the Hawkins Webb Jaeger survey. Town records designated this as Parcel 800/40/2/13; that was allocated into Parcels 13.1 and 13.2 after a 2002 selloff of 12.56 acres. The lot sold became Parcel 13.2. Parcel 13.1, retained by Gyrodyne, contained 31.90 acres on the 2005 tax roll. Later, the same parcel was changed to Parcel 13.3 and is now shown on tax rolls as containing 31.80 acres.

*** Parcel 800/40/2/14 is shown as 1.3 acres on the Hawkins Webb Jaeger survey but as 1.5 acres on 2005 town tax records.

**** Parcel 800/39/5/42.4 was shown on 2005 town records as containing 5.50 acres. This has since been changed to 3.30 acres, with no apparent change in the tax map.

DESCRIPTION OF THE PROPERTY

The subject of this study is a contiguous 313 acre industrial tract improved with 201,454 SF of old factory buildings. This was once a corporate factory complex, the buildings are now divided for occupancy by more than 50 different business tenants.

Tenants at this property include Gyrodyne's corporate headquarters, plumbing and heating contractors, vehicle repair shops, carpenter shops, dance and exercise studios, daycare programs for the disabled, music studios, caterers and transportation services. In the real estate industry we sometimes call this sort of property a 'business incubator' because space is leased to small businesses and startup businesses. There is office, warehouse, factory and other types of space, so practically any sort of business can operate here, and relocate within the complex if the business expands.

Land

We reviewed tax maps and several professionally-prepared survey maps of the subject property. We found a number of minor discrepancies in land areas, which we were not able to reconcile. We have relied on these two survey maps for a definitive land area:

> The acquisition map of lands appropriated by the State University of New York. This is dated July 8, 2005 and was prepared by L.K. McLean Associates, P.C. of Brookhaven, New York. The land area appropriated was 245.458 acres.
>
> A survey of the property which remained after the appropriation. This was prepared for Gyrodyne in January 2006 by Hawkins Webb Jaeger Associates, PLLC. This shows a remainder of 67.59 acres.

The land appropriated plus the surveyed remainder totals 313.048 acres, which we round to 313 acres.

The tract has an irregular shape, though the shape's irregularity is generally not restrictive. The parcel is bounded on the north by North Country Road (N.Y. Route 25A), on the west by Mills Pond Road and on the east by Stony Brook Road, with extensive frontage along all three roads.

The tract is bisected by the Port Jefferson branch of the Long Island Railroad, which crosses the entire property on a northeast-southwest axis. This is an active passenger line, mostly at grade and with controlled grade crossings. The rail tracks impede free access across the subject tract, though there is one grade crossing near the center and a narrow underpass to the south. The tracks have a grade crossing at Mills Pond Road, and they are elevated on a steel bridge above Stony Brook Road.

The tract is also bisected by the Brookhaven-Smithtown town line. Approximately 181 acres are in Brookhaven, the other 132 acres are in Smithtown. The town line is not visible but it does have an impact on market value. These two towns are both large and politically powerful, and they sometimes have conflicting agendas. Any plan to develop the subject property will require some cooperation between the towns, and two towns are bound to increase the demands which a developer will have to satisfy. In terms of market appeal, Smithtown may be preferable

to Brookhaven because Smithtown has newer, larger, more expensive homes nearby.

The subject property has good access on the valuation date, but there are potential access problems which will arise if redevelopment is proposed. Most traffic now enters and leaves the property on the west side, via Mills Pond Road. That is the closest access point to existing buildings, and there are several entry drives. There is also a "rear" access road from Stony Brook Road, and an access road in from Rt. 25A. Except for occasional public events at Flowerfield fairgrounds, these secondary access roads are lightly used.

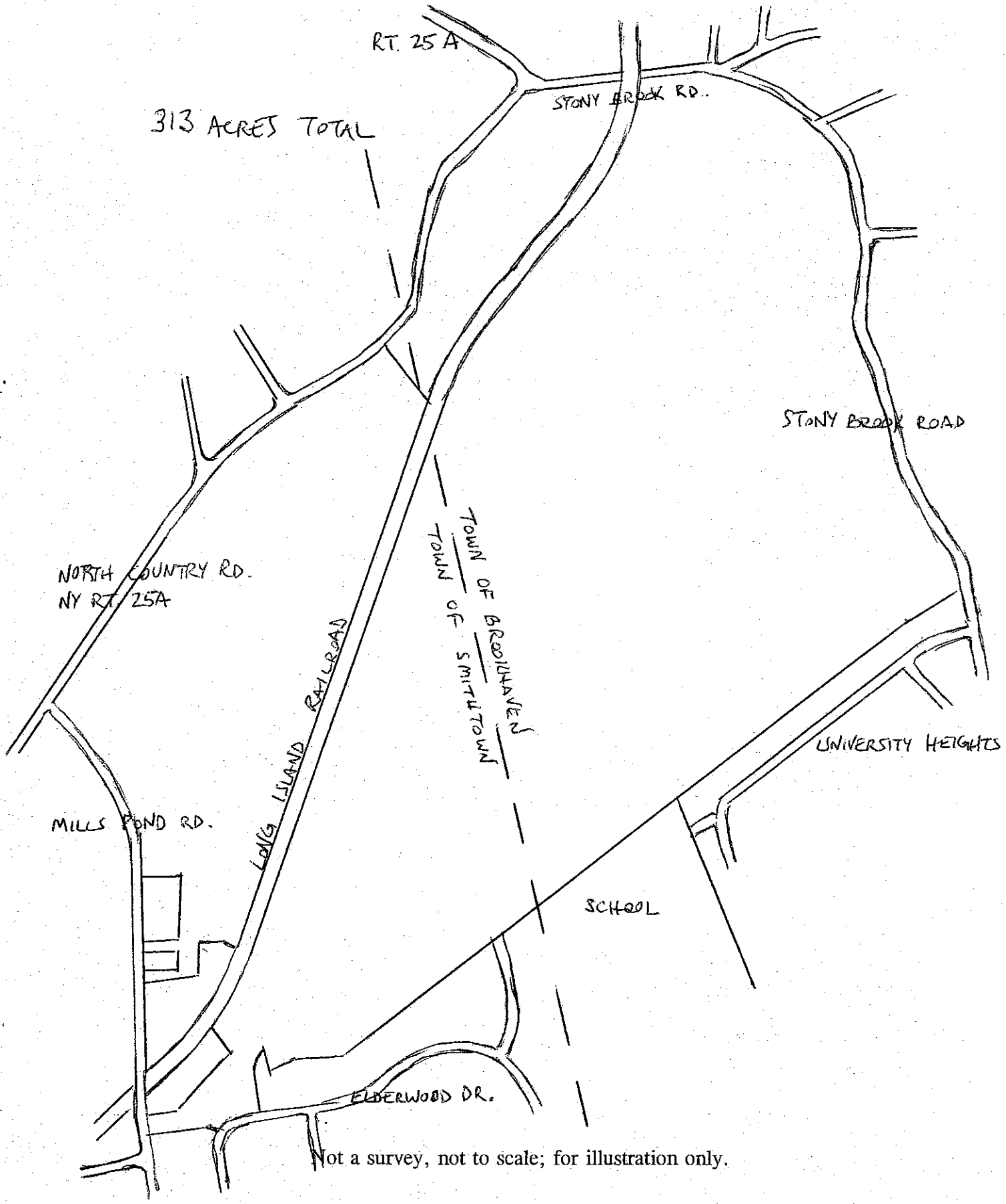
If the property were to be redeveloped, improved access would be needed to insure traffic safety. The most logical strategy would be to widen the access drive on Mills Pond Road, perhaps installing a traffic signal. Direct access onto Route 25A is inadvisable because that is a very busy road with short sight lines and fast-moving traffic. Access points along Stony Brook Road would also have to be limited because that is a winding road with short sight lines and limited opportunities for widening. Some access must be provided on Stony Brook Road, because vehicles would otherwise have to cross the rail tracks. An experienced land investor would expect Brookhaven, Smithtown and the New York State Department of Transportation to carefully regulate access. The subject's extensive road frontage does not convey much advantage since a developer would only be allowed to have a few points of access.

The subject has varied terrain, though most of the land is fairly open, level to gently undulating and close to surrounding road grades. The most rugged terrain is found on the tract's northeast corner, which is rocky, irregular and wooded, and 10 to 50 feet above the adjacent grades of Stony Brook Road and Route 25A. We understand that there are some scattered wetlands, which is not unusual for a tract this large, but most of the tract appears to have good drainage and be readily buildable. Existing buildings in the neighborhood indicate that the soil has good load-bearing capacity.

Central water mains are available in this area but central sewers are not. The existing buildings have on-site septic disposal systems. We are not aware of any design or construction details on this system or systems. If the subject property were redeveloped, that could require the extension of new water lines and possibly drilling new supply wells. Redevelopment will also require the installation of new septic disposal systems or a new sewage treatment plant. Utility requirements would be determined as part of a development approval process.

There is a network of interior roads through this property, most of which are 22 foot wide asphalt surface roads with concrete curbs on each side. Existing roads can continue to be used, although some widening may be needed. There would also need to be some road extensions made to develop other parts of the tract.

OUTLINE OF THE SUBJECT PROPERTY



Not a survey, not to scale; for illustration only.

Comments: This is an unusually large contiguous tract of land in this market. The property has a high profile because of its size, and its status as open space near developed streets. This tract would be an attractive opportunity to a developer or investor, but the tract's high public profile virtually ensures that local residents will mobilize against development.

Buildings

There are seven primary buildings on the property, which the owner identifies by number. We will use the owner's numbers. All of the buildings are in Smithtown but three are east of the railroad tracks, four are west of the tracks. Three are only about ten feet west of the railroad corridor. Here is a summary of the buildings and their respective sizes, based on the information provided to us by Gyrodyne.

Building 1	25,000 SF
Building 2	33,800 SF
Building 7	73,000 SF
Building 8	20,100 SF
Subtotal, buildings west of LIRR	151,900 SF
Building 17	45,000 SF
Building 18	2,400 SF
Building 25	2,154 SF
Subtotal, buildings east of LIRR	49,554 SF
Gross building area	201,454 SF

It is our understanding that these buildings were all originally used by Gyrodyne, when it developed and built helicopters. Town records indicate construction dates between 1959 and 1965 for different buildings, but those could be approximate dates. Most of the subject buildings look to be between 40 and 50 years old; older than typical for this market. Basic construction is similar, generally a reinforced concrete slab foundation, and masonry walls on a frame of steel beams, some encased in concrete. That usually denotes fireproof construction except that many of these buildings have wood roof structures so they aren't fireproof. Following are more detailed descriptions of each structure.

Building 1 - This is the most northerly (and oldest) building in the group of buildings west of the LIRR tracks, and the building sits only about 10 feet west of the tracks. There is a narrow alley between the rear wall and the chainlink fence bordering the tracks; that alley is used as a driveway and sometimes to park cars. Building 1 is one story with a small second floor mezzanine, a concrete floor slab, steel beam frame, stucco exterior walls over concrete block, and a gable asphalt shingle roof. The building has a small cellar which is clean, dry storage space. Building 1 is a long, narrow building set up for multi-tenant occupancy. The interior finishes differ depending on the tenant, though much of the space is fairly spartan offices. Finished ceiling heights are typically 9 feet with clear heights of about 12 feet in some sections. Heat is furnished by a central oil-fired (#2 oil) hot water boiler with baseboard hot water radiation, and there are separate air conditioning units. There are electric submeters in this building which the landlord can use to bill tenants for their power usage.

(Our exterior field measurement of Building 1 is 90' deep X 200' wide, with a 9.5' deep low-ceiling addition across the entire rear, making building space of 19,900 SF. However, that excludes usable space in the cellar and mezzanine, which we did not measure. According to the property owner, gross size of Building 1 is 25,000 SF. We will use the owner's size).

Building 2 - This is the middle building in the group of buildings west of the LIRR tracks, and the building also sits about 10 feet west of the tracks. Building 2 is actually four connected structures with a narrow center courtyard on the north side, for garage access. Construction is one story light steel frame with concrete block walls, some sections of steel panel siding and a gable roof with asphalt shingles and some sheet steel cover.

Each section of Building 2 has a long, narrow shape, well suited for multi-tenant occupancy. Tenants have separate outside entry doors and overhead loading doors. Ceiling heights are different (9' to 14') in different sections of the building. Heat is oil-fired (#2 oil) hot water, with air conditioning units. Some tenants have their own heating units. Most tenants in Building 2 have their own electric meters so they pay the electric utility directly.

(Here are our exterior field measurements of Building 2:

27'	X	160'	=	4,320 SF	north section
66'	X	164'	=	10,824 SF	middle section
66'	X	106'	=	6,996 SF	south section
28.5'	X	410'	=	11,685 SF	east (rear) addition
Gross size, measured				33,825 SF	

According to the property owner, gross size of Building 2 is 33,800 SF. The size difference is negligible. We will use the owner's size).

Building 7 - This building is west of the LIRR tracks, immediately west of Buildings 2 and 8. construction is steel frame with concrete block walls and a flat membrane roof. Most of Building 7 is one story, with a small second floor mezzanine on the north end. Clear heights are 9 feet in rear additions and 14.5' in most of the building. Many of the tenants in Building 7 have separate outside entry doors and overhead loading doors but there are meandering access corridors inside the building as well. Heat is oil-fired (#2 oil) hot water with baseboard radiation, air-conditioning is from separate units, some on the roof, and the building has electric submeters.

(Here are our exterior field measurements of Building 7:

102'	X	604'	=	61,608 SF	main structure
16.5'	X	200'	=	3,300 SF	addition on east wall
16.5'	X	222'	=	3,663 SF	addition on east wall
90'	X	48'	=	4,320 SF	mezzanine on north end
Gross size, measured				72,891 SF	

According to the property owner, gross size of Building 7 is 73,000 SF. The size difference is negligible. We will use the owner's size).

Building 8 - This is the most southerly building in the group of buildings west of the LIRR tracks, and the building sits only about 10 feet west of the tracks. Construction is one story light steel frame with painted steel and aluminum panel siding and a gable roof with asphalt shingles. This is set up for multi-tenant occupancy. Most tenants have separate outside entrances and overhead loading doors. Some tenants have their own heating systems, about half pay their own electric directly, the others are on electric submeters. Building 8 has a common inside access hallway across the rear wall, and common bathrooms off that hallway.

(Here are our exterior field measurements of Building 8:

90'	X	93'	=	8,370 SF	main structure
59.5'	X	200'	=	11,900 SF	north section
Gross size, measured				20,270 SF	

According to the property owner, gross size of Building 8 is 20,100 SF. The size difference is negligible. We will use the owner's size).

Building 17 - This is a one story industrial building, parts of which are leased to two different tenants. The building has a concrete floor slab, painted concrete block walls with steel framing, and a flat roof with asphalt cover, supported on a steel deck and steel bar joists. We estimate interior clear height at 14 feet. Building 17 is situated east of the LIRR tracks, near the grade crossing and just across from industrial buildings on the west side of the tracks.

Building 17 has interior finish, with spartan office and classroom space and industrial space intended for personnel occupancy. There are includes vinyl tile and/or carpet on floors, painted sheetrock walls and acoustic ceiling tiles in suspended grids with recessed fluorescent light fixtures. Heat is oil-fired warm air and there are air conditioning units mounted on the roof.

On the valuation date, tenant Carco leased 27,775 SF, tenant Pedersen-Krag leased 15,715 SF, so the leases indicate a total building size of 43,490 SF.

(We measured the exterior of Building 17, which is a rectangle. Our wall measurements were 153', 304', 153.5' and 302.5'. These discrepancies are negligible; minor errors occur in measuring buildings this big, also buildings of this size are not always completely square. We round the measurements to 153 X 303 = 46,359 SF gross. According to the property owner, gross size of Building 17 is 45,000 SF. The overall size difference is negligible. We will use the owner's size).

Building 18 - This is a one story garage with a partial second floor. The second floor is a glass-enclosed room which was originally built to serve as a control tower for Gyrodyne helicopter test flights. Building 18 is surrounded by asphalt parking and an enclosed storage yard with a high chain link fence.

The building is a concrete block garage with reinforced concrete columns on a concrete floor slab, and a concrete plank roof covered with asphalt. There are four garage bays, each with an overhead door. The interior is unfinished, unheated garage space.

The second floor is 20 X 22 feet, one room with minimal office finish and glass picture windows

which wrap around one corner. This room is heated and air conditioned. Access is from an exterior steel staircase at the rear of the building. It is notable that Building 18 has unusually heavy electric service lines but we were not able to determine the power capacity.

Building 18 is situated east of the LIRR tracks and is fully leased to an HVAC contractor.

(Our exterior field measurement of Building 18 is 22' deep X 101' long, with a 22' X 20' second floor section. That calculates to a gross building size of 2,662 SF. According to the property owner, gross size of Building 18 is 2,400 SF. We will use the owner's size).

Building 25 - This is separate from other buildings, on a relatively isolated site used by a school bus operator. It is on the end of a private road east of the LIRR tracks. The site is used to store and repair buses, trucks and other commercial vehicles.

Building 25 is a one story concrete block garage built around 1950. It has a concrete floor slab, concrete block walls and a corrugated steel gable roof. There are two overhead doors, the interior has an oil furnace, fluorescent strip lights, a lavatory and a small finished office area. This is used as a vehicle service garage. Maximum clear height is estimated at 13'. Interior finish is minimal and in fair to poor condition.

(Our exterior measurements of Building 25 are 42' square, plus a 6.5' X 20' addition on one corner, total 1,894 SF of building space. The property owners gave us a building size summary showing 2,058 SF for Building 25, but their rent rolls show Towne Bus as a tenant for 1,706 SF plus 448 SF in Building 25, total 2,154 SF. An investor would focus on the rent roll so we will use 2,154 SF as our size for Building 25).

On the same part of the site as Building 25 are four steel storage sheds. We measured one at 16' X 28'. These sheds have minimal finish and no mechanical systems; they sit on the ground, on wood railroad ties. The sheds are used by a tenant to store mechanical parts for bus repairs. They are considered temporary structures, not real estate. Their market value and salvage value are nil.

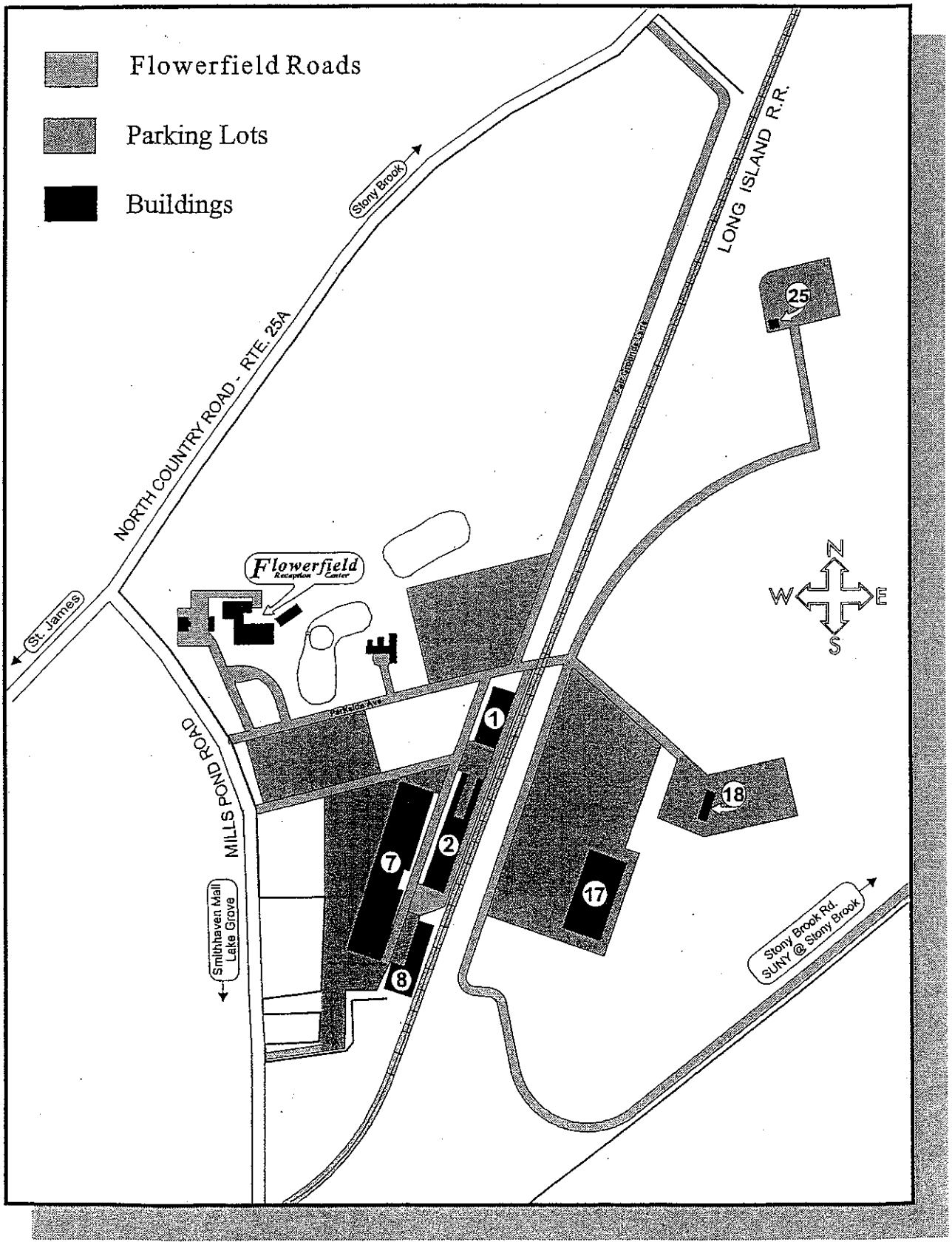
There are a few other miscellaneous improvements on the property, such as small garages, sheds and utility buildings, and a former airstrip. These improvements are insignificant in the context of the total property, and they would not make any difference to the total price a prudent buyer would pay for the entire property. That makes the market value of miscellaneous improvements nil.

Here is a summary of gross building area, based on information provided to us by Gyrodyne:

Building 1	25,000 SF
Building 2	33,800 SF
Building 7	73,000 SF
Building 8	20,100 SF
Building 17	45,000 SF
Building 18	2,400 SF
Building 25	2,154 SF
Gross building area	201,454 SF

Flowerfield

Long Island's Prestigious Address



HISTORY OF THE SUBJECT PROPERTY

Gyrodyne Company of America, Inc. was incorporated in 1946 and purchased the subject property in 1951. It then built a number of industrial buildings which it used to conduct its business. It is our understanding that the property had been a commercial flower farm before it was sold to Gyrodyne, hence the name Flowerfield. Gyrodyne bought so much property because it was an aviation manufacturer (drone helicopters) and needed airport land.

Gyrodyne ceased its aviation business activities around 1975. It then devoted its efforts to managing the subject real estate. A former mansion on the property was leased to a caterer (and sold off in 2002) and the old industrial buildings were divided into small spaces and leased to a variety of business tenants. Some of the land has been leased for outdoor storage and school bus parking, and public events such as fairs and flea markets have been held on the grounds.

Gyrodyne has considered redevelopment of this property for years. In June 1996 the company's Board of Directors formally adopted a master land use plan, although that plan may have since become obsolete. The company entered a joint venture with a large developer (Trammel Crow) in 1998, planning to build luxury apartments on part of the land. Rezoning was applied for but not received, and that plan did not go forward. There was a proposal to build a Marriott Brighton Gardens (a living complex for seniors) on part of the property in 1999 but that plan did not go forward.

In January 2002 the State University of New York made a purchase offer for part of the property, for campus expansion. Gyrodyne refused that offer.

In April 2002 Gyrodyne entered a joint venture agreement with Landmark National, a golf course developer. In October 2002 Gyrodyne applied to the Town of Brookhaven to rezone its land from industrial to residential. It proposed building an 18 hole golf course and 336 luxury homes. (The joint venture agreement with Landmark National later led to litigation, with Landmark National claiming part of the 2005 eminent domain award. We understand that litigation was settled in 2007).

In November 2002 the Suffolk County Planning Commission gave notice to the Brookhaven Town Clerk rejecting that rezoning application. The grounds for that rejection were that the rezoning application should have been submitted simultaneously to the Town of Smithtown, and the two towns had to agree on a lead agency.

In June 2003 Gyrodyne submitted its plans to the Town of Smithtown. Smithtown demanded certain impact studies as part of the application, and a professional survey of all trees on the property larger than 4" diameter, supposedly about 10,000 trees.

In February 2004 Gyrodyne made a formal presentation of its plan at a public hearing held by the Smithtown Town Board. It is our understanding that Gyrodyne took no further action to process its applications, either in Brookhaven or Smithtown, from February 2004 to January 2007.

On November 2, 2005 the State of New York appropriated most of the property by eminent domain.

In January 2007 Gyrodyne filed a new application with the Town of Smithtown, to rezone 62.4 acres from industrial to residential. Gyrodyne's plans are for an age-restricted community of 249 luxury homes. That rezoning application is in process at this writing.

The subject has been used as a commercial property for more than 50 years. It has been and is still zoned for business (light industrial) use. It is a prominent property because of its large size, its long roster of tenants and its intensive daily activity; local officials and residents identify it as a business property. Changing public perception and zoning will need to be changes as a prerequisite to any redevelopment plan that would change the current mode of business use.

All of the attempts to redevelop this land since the late 1990's have met public opposition. An informed buyer or developer would quickly recognize that any other redevelopment proposed for this property will involve a lengthy and difficult approval process. There is no assurance that approvals will be granted for a residential redevelopment plan similar to those which Gyrodyne has proposed.

THE SUBJECT LOCATION

The location of real estate is critical to its use, marketability and value. Our description and analysis of the subject's location begins with its immediate setting and proceeds geographically outward to the neighborhood and the general locale.

The Immediate Setting

NORTH - North Country Road (N.Y. Route 25A), a very busy local artery. Rt. 25A is an undivided two lane road with many turns and blind curves.

North across Rt. 25A is a large vegetable farm, mostly open fields, and some expensive residential streets developed in the 1980's. These are actually in the Village of Head of the Harbor, in Smithtown.

EAST - Stony Brook Road, a winding two lane road. Directly across the road is the Stony Brook campus of the State University of New York. The campus comprises 1,039 acres, with ±22,000 students. Development started in 1962 so campus buildings are fairly modern, but the buildings are not readily visible because of woods buffers and upsloping land along Stony Brook Road.

The Stony Brook campus has clusters of big urban style buildings on a suburban model. Buildings are connected by roads and an internal bus system; the campus is designed for drivers, not walkers.

Stony Brook Road extends north to Route 25A, which is a challenging intersection bordered by high rock outcrops. South of the subject property, Stony Brook Road is fairly straight but narrow, with homes on both sides and no room for road widening.

SOUTH - University Heights, a Brookhaven neighborhood of median value tract houses on quarter-acre to half-acre lots. House styles are ranches, raised ranches and split levels of 1960's vintage. The adjacent neighborhood on the Smithtown side is larger customized two story homes built in the 1990's.

WEST - Mills Pond Road, an undivided two lane local road. Across the road is a mixed residential neighborhood with mostly older homes and some very old homes, small farms and contractors' yards, and Mills Pond (about 2 acres) on the southwest corner of Rt. 25A.

West of Mills Pond Road is a continuation of a modest residential neighborhood extending to Nichols Road, the nearest major route. Nichols Road is a divided four lane arterial road which leads south to an LIE interchange. The subject location would be more desirable if it were not separated from Nichols Road by this residential neighborhood.

Comments: The setting has an unusual mix of undeveloped rural vistas and suburban residential neighborhoods. Open farm fields to the north give the setting a rural flavor, so does the open

acreage on the university campus to the east. Also on the north and south are developed residential streets, which suggest that residential development could be appropriate in this setting. Over time this setting is bound to become busier and more developed. Market demand is apparent, and the increase in road traffic seems to be a constant. Development is held in check by a combination of macroeconomics and local land use regulation. We think public policy will ultimately maintain much of the open space which now exists, even if more development occurs. So our long term prognosis is for the setting to retain a character similar to what now exists.

The Town of Brookhaven

Our subject property is partly in the Town of Brookhaven. Brookhaven covers an irregularly shaped land area near the center of Suffolk County, on the eastern half of Long Island. Brookhaven extends from Long Island Sound to the Atlantic Ocean. Abutting towns are Smithtown on the west, Islip on the southwest, and Riverhead and Southampton on the east. Brookhaven is the third largest town in New York State and by far the largest town in Suffolk County, encompassing 253.4 square miles, or 28% of the county's gross land area. It is also the most populous town, with 30% of the county's total population, and the town with the most population growth.

Here is a summary of census reports for each town in Suffolk County since 1960.

	1960	1970	1980	1990	2000	2005
Babylon	142,309	201,859	203,483	202,889	211,792	215,723
Brookhaven	**109,900**	**242,943**	**365,015**	**407,779**	**448,612**	**479,578**
E.Hampton	8,827	10,980	14,029	16,132	19,719	21,268
Huntington	126,221	198,867	201,512	191,474	195,289	201,496
Islip	172,959	275,941	298,897	299,587	322,612	331,002
Riverhead	14,519	18,909	20,243	23,011	27,680	32,028
Shelter Is.	1,312	1,644	2,071	2,263	2,228	2,439
Smithtown	**50,347**	**113,605**	**116,663**	**113,406**	**115,715**	**118,954**
Southampton	26,861	35,980	43,146	44,976	54,712	58,564
Southold	13,295	15,770	19,172	19,836	20,599	22,344
Suffolk Co.	666,784	1,127,030	1,284,231	1,321,864	1,419,369	1,483,396

Stated totals for the county are slightly greater than the sum of all town populations. The difference is non-town population in two small Native American reservations within the county. 2005 population counts are Long Island Power Authority estimates as of January 1.

Median family income in Brookhaven was estimated at $84,705 for year 2006.

Continued population growth around the subject is a positive sign in a region where growth has

slowed in recent years. Brookhaven still has a large amount of open land available, which has attracted industry and jobs, as well as new residents. Brookhaven seems to be a chief beneficiary of eastward growth out of Nassau County. That growth leads us to expect that Brookhaven's real estate market may be more dynamic and show stronger value appreciation trends than many other parts of Long Island, at least over the near future.

The Town of Smithtown

A big section of the subject property lies in Smithtown also. Smithtown covers an irregularly shaped land area of 54 square miles on the north shore, on Long Island Sound. Abutting towns are Huntington on the west, Islip on the south, and Brookhaven on the east.

There are three incorporated villages within Smithtown: Head of the Harbor, Village of the Branch and Nissequogue, all quite small. Most town residents identify their neighborhood by postal addresses, which are unincorporated parts of the town. These addresses include Smithtown, Fort Salonga, Kings Park, Nesconset, Saint James, and parts of Commack and Lake Ronkonkoma.

Caleb Smith State Park and Sunken Meadow State Park are both in the town. Other large blocks of open space include the grounds of Kings Park State Hospital, which is now shut down, several county and town parks, Hauppauge Country Club and Smithtown Landing Golf Course (town-owned). Otherwise, Smithtown is densely developed and has a limited land inventory available for new growth. This has not had a direct impact on land value because the town regulates land use closely, and there is strong public sentiment in favor of maintaining as much open space as possible.

Median family income in Smithtown was estimated at $103,507 for year 2006, which is above regional norms. Smithtown is largely a bedroom community. The nearest regional job centers are in business parks just south of the town in Hauppauge, and to the east and west along the Long Island Expressway. The largest limited access highways in the town are Sunken Meadow Parkway and the eastern terminus of the Northern State Parkway. The most important roads in Smithtown are secondary routes like Jericho Turnpike, Veterans Memorial Highway, Route 347, North Country Road and Middle Country Road. That helps explain the dominance of residential land use over commercial use.

Smithtown population grew during the 1990's but only modestly; the population has varied only slightly over the past four decades. This can be attributed largely to the scarcity of land for new construction, and to strict local land use regulation. The town has hardly been static but new development is often redevelopment, or expansion of existing facilities. That pattern will probably continue for the foreseeable future. Over the long term, Smithtown will face the challenge of keeping an aging community vital.

Long Island

Situated at the southern tip of New York State, Long Island is the largest island attached to the Continental United States - 120 miles from east to west and as much as 16 miles wide. Long Island includes four counties; New York City's Brooklyn and Queens boroughs at the west end and, proceeding east, Nassau then Suffolk counties. There are more than 7 million residents on

Long Island - roughly 40% of New York state's population, and more residents than most individual states in the nation.

Long Island is highly diverse in many ways, from its physical terrain to its demographic makeup. The island was formed by glacial retreat to the north, leaving high ground with rocks and hills on the north shore, adjacent to Long Island Sound, and level washed sand beaches along the south shore, adjacent to the Atlantic Ocean. Almost all of the south shore is sheltered by barrier islands and sand bars. Demographically, there is a sharp contrast between the dense urban centers of Brooklyn and Queens, changing to affluent suburban areas in Nassau County, reaching still-rural areas in eastern Suffolk. Large amounts of land in Suffolk County are still actively farmed, and in some areas farmland is even increasing, especially with horse farms and wineries. Long Island is still influenced by metropolitan New York and there is a heavy demand for residential and vacation property. Affluence does not necessarily diminish as one proceeds further east.

The bulk of Long Island's land area is Nassau and Suffolk counties, which comprise ±80% of the island and contain about 40% of the total population. Nassau has approximately 1,300,000 residents, Suffolk County about 1,400,000. Both counties as we know them today have evolved largely since the close of World War II, when suburban population began to move eastward from New York City. One of the most symbolic developments of this period was the construction and growth of Levittown, in southeastern Nassau County. This became a prototype for new suburban housing in the United States, providing affordable detached dwellings by means of standardized mass production.

The pattern of population growth in Nassau and Suffolk counties shows some very dynamic changes over the past 70 years. Census reports give some indication of this pattern.

Year	Nassau County	Suffolk County	Total
1930	303,100	161,100	464,200
1940	406,700	197,400	604,100
1950	672,800	276,100	948,900
1960	1,300,200	666,800	1,967,000
1970	1,428,800	1,127,000	1,555,800
1980	1,321,600	1,284,200	2,605,800
1990	1,287,400	1,321,900	2,609,300
2000	1,334,500	1,419,400	2,753,900

Population increase was rapid even in the pre-war years but escalated tremendously in the years following World War II. The pattern changed again in the years following 1970; we saw slower population growth in Suffolk County and even a loss of population in Nassau. This trend continued through 2000 according to census figures. In fairness, growth in Nassau is constrained because the county is densely, almost fully developed, it has become difficult for new residents to find affordable housing.

Despite these changes, growth continued to take place in both counties. Some of the same factors which contributed to slower population growth or loss, viz., affluence and smaller households, created a further demand for new housing units. This has resulted in a large amount

of new housing construction despite an overall loss of population. This trend has been constant in Nassau County, in Suffolk County the increase in housing units has been robust.

	1970	1980	1990	2000	2006 Est.
Nassau County homes	410,379	434,045	446,292	458,151	458,273
Average change/yr.	*N/A*	*+ 2,367*	*+ 1,225*	*+ 1,186*	*+ 20*
Nassau Co.population	1,428,838	1,321,582	1,287,444	1,334,500	1,325,662
Average change/yr.	*N/A*	*-10,726*	*- 3,414*	*+ 4,706*	*- 1,473*
Suffolk County homes	335,041	431,722	481,317	522,323	542,914
Average change/yr.	*N/A*	*+ 9,668*	*+ 4,960*	*+ 4,101*	*+ 3,432*
Suffolk Co.population	1,127,030	1,284,231	1,321,864	1,419,400	1,469,715
Average change/yr.	*N/A*	*+ 15,720*	*+ 3,763*	*+ 9,754*	*+ 8,386*

In Nassau County, much of the new housing growth has been in high-density units, with building taking place on former estates and redeveloped sites. In Suffolk, much of the development is still relatively low-density and the source of demand now comes from urbanized Nassau County even more than New York City. Nassau and Suffolk counties have come into their own as an independent metropolitan area with less dependence on New York City. The growth of both office and industrial sectors has fueled this self-sufficiency, and the trend continues today.

The industrial market is fairly diverse, including both manufacturing and distribution. This seems surprising, given the geographic limitations of Long Island. There are only a few highways over which to bring goods in and out and these roads, especially the Long Island Expressway, are known nationally for their chronic congestion and traffic problems. However, local distribution remains a viable enterprise because of the size of the Long Island and metropolitan New York markets.

The development of office buildings is indicative of a larger shift from a manufacturing to a service and information-based economy. Even in the industrial sector, this pattern is evident. Manufacturing still plays an important role in the Long Island economy, especially labor-intensive manufacturing which can take advantage of the large and concentrated workforce and the high component of skilled labor. However, Long Island is a very affluent area. The annual "Survey of Buying Power" published by Sales & Marketing Management Magazine invariably rates the Nassau-Suffolk metropolitan area as having the highest or second highest median household income of any metro area in the United States. (This designation is influenced by the definition of individual markets, and explains why Nassau-Suffolk rates higher than say, Greenwich, Connecticut - part of Fairfield County - and Beverly Hills - part of Los Angeles. High wage levels, living costs and operating expenses make it very difficult to do business in basic manufacturing operations on Long Island. Manufacturing industries have moved into businesses involved with high-priced components, precision engineering, small light assembly operations and high technology. New industrial buildings being built on Long Island today often look more like office buildings than factories. Typical buildings include warehouses appended to distribution and sales offices, research and development facilities and light manufacturing

buildings with a high degree of finished interior space suited to personnel use.

Long Island has a highly diverse industrial market which mirrors the entrepreneurial economy of New York City, in part. There are many small, independent and closely-held businesses. Small business formations support an active leasing market, which tends to be most active in densely populated areas. Leasing activity often involves short-term rentals of old buildings and/or rentals to small businesses lacking strong credit ratings. Recent trends show a transformation of older manufacturing buildings into more modern high tech and research and development facilities. Demand for modern warehouse and storage buildings with high ceilings and adequate loading docks has increased faster than the supply. This imbalance stems partly from a limited supply of industrial development land, which is harder to find as Long Island becomes more developed, and also made more scarce by restrictive zoning.

With such a strong business base, it is not surprising that Long Island also has a strong residential real estate market. This is because employment is typically the most important determinant of where people choose to live. Businesses on Long Island and the ability to commute into New York City put Long Island residents in one of the largest and most diverse job markets in the United States. Despite the market's high income medians, Long Island's housing stock includes a substantial inventory of relatively affordable housing, in rental apartments, in small older homes, and in apartment buildings that are now in cooperative or condominium ownership. This is important for housing a diverse workforce, to support local services. In addition, there is a long tradition of ostentatious estate homes, particularly in select north shore communities and on waterfront sites. Given the right set of circumstances, there is no clear limit to the price potential of a residential estate on Long Island, and many communities support multi-million dollar home prices. The region's purchasing power is based on both a large resident population and high income levels.

Shoppers on Long Island focus on suburban style shopping centers, which are naturally dominant in a region where nearly everyone travels by automobile. Long Island has a number of regional malls and specialty centers which are known destinations for shoppers from a wide surrounding region. This is a highly competitive market with high standards. The most successful retail centers can be distinguished by high quality design, construction and landscaping, services like valet parking, and signature tenants. Merchants will pay premium rents to be in a successful center, but will eschew a third-tier center altogether, no matter how low the rent. The level of competition encourages astute managers to manage aggressively and upgrade their property long before it is absolutely necessary. A shopping center which is not managed aggressively can soon lose trade to competing centers.

We are optimistic about Long Island's future because of its established character and critical mass. The region's economy has made a healthy transition from manufacturing to services and information, residents have excellent access to jobs on Long Island itself and in New York City, there is housing for a service workforce and luxury housing for highly affluent residents, and support services and entertainment opportunities which make this an attractive place to live. There will certainly be regional and national economic cycles that affect Long Island temporarily, but over the long term we see a favorable prognosis for the region's future real estate values.

LOCAL ZONING AND LAND USE REGULATION

The subject property is governed by zoning regulations of the Town of Brookhaven and the Town of Smithtown. Each town has jurisdiction over the land area within its corporate limits.

Almost all of the subject property in the Town of Brookhaven is zoned L-1, Light Industrial. Land in the Town of Smithtown lies in the LI (light industrial) zone and the R43 (residential) zone.

We were furnished with a map of the subject property prepared by Hawkins Webb Jaeger Associates, P.C. and dated October 7, 2002. This map outlines the entire subject parcel and surrounding owners, and it shows the land areas within each zoning district. Here is an allocation of the land within each zone, based on a chart on the Hawkins Webb Jaeger map.

Brookhaven L-1 zone, tax parcel 273-1-3	181.70 acres
Brookhaven B-1 zone, tax parcel 212-2-8	0.03 acre
Smithtown LI zone, tax parcel 40-2-11	64.90 acres
Smithtown LI zone, tax parcel 40-2-13	30.70 acres
Smithtown LI zone, tax parcel 40-2-13.2	10.20 acres
Smithtown LI zone, tax parcel 40-2-14	0.20 acres
Smithtown LI zone, tax parcel 40-2-15	24.70 acres
Smithtown LI zone, subtotal	130.70 acres
Subtotal, land zoned for business use	312.43 acres
Smithtown R43 zone, tax parcel 39-5-42.4	3.30 acres
Smithtown R43 zone, tax parcel 39-5-42.5	1.90 acres
Smithtown R43 zone, tax parcel 40-2-4	1.30 acres
Smithtown R43 zone, tax parcel 40-2-13	1.20 acres
Smithtown R43 zone, tax parcel 40-2-13.2	2.40 acres
Smithtown R43 zone, tax parcel 40-2-14	1.10 acres
Smithtown R43 zone, tax parcel 40-2-15	3.30 acres
Smithtown R43 zone, subtotal	14.50 acres
Subtotal, land zoned for residential use	14.50 acres
Grand total	326.93 acres

The map states a total land area of 326.92 acres; the negligible difference can be attributed to rounding. This is larger than our 313 acres, which could result from administrative record changes. We will not attempt to reconcile the land area here since it has minimal impact on our analysis of zoning.

Only a small part of the property is zoned for residential use. Most of this residential land along the south and west edges of the tract, in a few small lots bordering existing streets.

Permitted uses - Brookhaven L-1 zone

Uses permitted in this zone are light manufacturing, warehousing and distribution, research and development laboratories, offices, banks, printing plants, laundries, fitness centers, churches and day-care centers. Uses not specified are prohibited. No drive-in window or counter service is allowed, nor is outdoor storage, display or sales. Another section of the zoning code permits outdoor storage but only on lots of 2 acres or larger, with storage in the rear yard only, not visible from the street, and other restrictions.

Vehicle repairs must be conducted entirely indoors in this zone. With special permission a transportation terminal can be permitted on a lot of at least 5 acres, and an electric generating facility on a site of at least 20 acres.

Specific zoning standards - Brookhaven L-1 zone

Minimum lot area -		40,000 SF
Minimum lot width -		feet
Minimum yard,	front -	50 feet
	rear -	50 feet
	side -	10 feet each and 30 feet both
Maximum floor-area ratio -		35%
Maximum building height -		3 stories or 50 feet
Minimum landscaped area -		20%
Required parking -		Varies with use, factory or warehouse is 1 space per 400 SF of building, plus loading zone(s) which depends on building size. An office or health club needs one space/150 SF of building.

A very small portion of the subject land in Brookhaven is zoned B Residence 1. This is a tiny 0.03 acre patch of land on the north side of the LIRR tracks. B zoning is essentially for one family homes. This parcel is so small that it could not be developed by itself. Its B zoning is immaterial to market value.

Permitted uses - Smithtown LI zone

Uses permitted in this zone are non-nuisance industries, warehouses, research laboratories, broadcast studios, offices, banks, printing plants, laundries, fitness centers, churches and day-care centers. Residential use is specifically prohibited.

Specific zoning standards - Smithtown LI zone

Minimum lot area -		80,000 SF
Minimum lot width -		100 feet at front setback line
Minimum road frontage -		50 feet
Minimum yard,	front -	50 feet
	rear -	50 feet
	side -	20 feet each, 40 feet both
Maximum floor-area ratio -		42%

Maximum building height -	35 feet
Minimum landscaped area -	18%
Required parking -	Varies with use, commercial uses also require a loading zone.

Permitted uses - Smithtown R43 zone

Approximately 14.5 acres in Smithtown are zoned R43, Residential. This zoning applies to a shallow corridor along the east sides of North Country Road (Rt. 25A) and Mills Pond Road. The R43 zone is primarily for single family homes.

Specific zoning standards - Smithtown R43 zone

Minimum lot area -		43,560 SF (one acre)
Minimum lot width -		150 feet at front setback line
Minimum road frontage -		40 feet
Minimum yard,	front -	60 feet
	rear -	100 feet
	side -	24 feet each, 60 feet both
Maximum floor-area ratio -		20%
Maximum building height -		2 1/2 stories or 35 feet
Maximum fence height -		6 feet

Comments about the zoning

From information we obtained from municipal records and the property owner, the subject property has been zoned for industrial use since 1951. The town zoning ordinances have been revised over the years and a number of new building projects approved for this property, but the subject's light industrial zoning has remained substantially the same.

In 1999 Gyrodyne applied for residential rezoning of 10 acres in Brookhaven, to build a new 80,000 SF, 129 bed assisted living facility. Brookhaven approved rezoning from L-1 to PRCHC, contingent on Gyrodyne accepting and filing certain restrictive covenants, which Gyrodyne did not do. Consequently, the rezoning did not become effective, and Gyrodyne formally withdrew its rezoning application in 2002.

In 2002 Gyrodyne then applied for residential rezoning of 182 acres in Brookhaven, to build 336 new homes and a golf course. It is our understanding that this application received a negative recommendation by the Suffolk County Planning Department, and was not approved.

In 2003 Gyrodyne made an application to the Town of Smithtown, to build 336 new homes and a golf course. We do not know if this was the same plan as submitted to Brookhaven in 2002 but the application included a rezoning request and payment of $7,000 in rezoning fees. We do not know details of how the application was handled but Smithtown did not rezone the land.

The existing zoning is consistent with current and historic uses, it appears reasonable and appropriate for the subject property, its setting and the surrounding neighborhood.

It is important to note that zoning is only one small part of the development approval process. Zoning is a statement of public policy, in this case that both towns recognize that the subject property is used for industry, and the towns consider that a desirable or acceptable use. However, zoning does not convey development rights, as it does in say, the City of New York. In New York City you can follow administrative guidelines, and the Building Department will issue a building permit to build an "as of right" structure. "As of right" building is not the practice in most metro New York suburbs, including Brookhaven and Smithtown.

Municipal planning boards

We should distinguish between 'zoning' and 'planning'. Zoning is controlled by a zoning map and code, usually with a zoning board of appeals, which can make adjustments or grant zoning waivers. Planning is much more complicated because it has wider concerns than zoning, and because it involves subjective criteria which lack the nominal clarity of zoning regulations.

If the subject land were developed with new industrial buildings, a developer could avoid zoning review and apply directly for planning approvals. If the subject land were to be developed for a non-industrial use, it would require a zoning variance or rezoning. In that case, there would be a complicated application process involving public hearings. The zoning variance or rezoning would have to be approved before filing an application for planning approvals.

The planning board approves a new project's suitability for the community. Issues which would normally get considered by the planning board are:

a.) new traffic which the development would generate, the adequacy of existing roads to handle that traffic, and improvements to existing public roads that the developer might be asked to pay for, to handle added traffic.

b.) the adequacy of existing water supply systems and sewage disposal systems to handle the new development, and new infrastructure which the developer might have to build.

c.) stormwater drainage and its impact on the neighborhood. New roads, driveways, parking lots and building roofs are impervious surfaces, so stormwater will increase when the subject property is built out. That has to be controlled so it doesn't erode or pollute the surrounding community.

d.) the capacity of local schools, which might have to enroll more students who live in new houses.

e.) the capacity of public parks and other services to handle the extra burden of new development.

f.) the adequacy of fire protection, police and other public services to handle the extra burden of new development.

These are only a few of the concerns which the town planning board routinely considers before approving a new project. There may be many other peripheral concerns such as preserving trees or wildlife on the property itself, maintaining open space in the neighborhood, or screening new

buildings from existing homes. The planning board also tries to recognize objections raised by local residents, which objections can be almost unlimited in their scope.

Any development project on a parcel as large as the subject property would involve both Brookhaven and Smithtown. Both towns will be affected by development. One of the town planning boards could be designated as a "lead agency" to coordinate review by all concerned parties. Both towns' planning boards could also be designated as "co-lead agencies." This would complicate the approval process since the towns can have conflicting objectives, e.g., which town's roads carry more traffic, and which town gets more tax ratables. It can also make the approvals much more time-consuming, since the town boards meet at different times, usually twice per month. Ratification of even the simplest decision by the two towns could take weeks to complete.

It will take years to obtain approval for a development project in either Brookhaven or Smithtown, and that would be the case in most Suffolk County municipalities. Development approvals are essentially a political process handled at a very local level. During the application process the developer typically makes concessions to satisfy the demands of regulatory agencies and the public, so an approved project can look quite different from the original proposal. It is not uncommon for approvals to carry conditions. These can take time to meet, and the conditions can compromise a project's feasibility, or for an application to be withdrawn in the face of certain refusal. The subject property owners, for example, have applied for development approvals in the past and then withdrawn their application.

With this perspective, it is easy to understand why developers prefer a conditional sales contract when they buy land. They do not want to be obligated to invest capital in land until they have assurance they can build on it. If an informed investor buys land without approvals, he will discount his bid price, or else use conservative assumptions when he makes financial projections.

In any case, zoning is only one small part of the approval process, and zoning influences but does not determine how a parcel is developed or what its market value is.

LAND USE POLICY AND REGULATION IN THE SUBJECT LOCALE

Public sentiment is typically anti-development on Long Island, in Suffolk County and in the towns of Brookhaven and Smithtown. Residents and public officials see this region as densely developed and with an overburdened infrastructure. Roads are crowded, schools are full to capacity, the environment is threatened and there isn't enough open space. So any proposal for new building is generally met with opposition, and extensive study of ways in which a builder's plan may harm the region's quality of life.

This prevailing sentiment has a bearing on the Gyrodyne property. The subject property has been an oasis of open space for as long as most residents have lived here, and residents want to keep it that way. Rezoning and approvals are necessary for any development and they are not going to come easily. The approvals process will be time-consuming, expensive and likely to involve litigation. Just the size of the Gyrodyne property makes it a magnet for controversy, compounding normal problems. An increasingly-likely outcome is that the Gyrodyne property could wind up being purchased by a public agency as permanent open space.

Brookhaven and Smithtown are both consistent with the character of towns in this region: bureaucratic and demanding. Both have complicated zoning codes and planning regulations, with much public participation. It is common knowledge among local land investors and developers that approvals for new projects don't come easily. A property of the subject's magnitude would be expected to require several years and hundreds of thousands of dollars - if not millions - before approvals are received. Moreover, a major project application can always be derailed by an election and change of administration. A new development application for the subject property therefore qualifies as a high-risk venture.

We conducted some research into recent development proposals in Brookhaven and Smithtown, to get a better idea of what can be expected for the subject tract. We found more large projects and more problems in Brookhaven, which we attribute to the town's size. (Brookhaven has five times the land area of Smithtown - 253.44 square miles compared to 53.97 in Smithtown. Smithtown is also more developed, so it has fewer available sites).

Town of Brookhaven - Here are some recent and current projects in Brookhaven. Each of the following proposals has a long, detailed story behind it, and the specific issues involved with each proposal are different. As a group, these proposals give us a perspective on public sentiment in this region. These proposals illustrate the problems and long time spans which often thwart real estate development projects. Any informed investor would expect to meet similar types of problems getting approvals to develop the Gyrodyne property.

1. Willy World - In the 1970's, Long Island shopping center developer Wilbur Breslin assembled about 2,000 acres at Exit 68 of the LIE (at William Floyd Parkway). He announced plans to build a monumental mixed-use project which locals nicknamed Willy World. The project took on the formal name of Brookhaven Town Center in a 1989 proposal. The centerpiece was to be a 1,970,000 SF shopping mall. Opponents sued on environmental protection grounds, ultimately leading to the 1993 Pine Barrens Protection Act.

Breslin refinanced this holding with Allan Rose, of AVR Realty. In 1999 AVR gained a controlling interest, which it still holds through an entity called Rose-Breslin Associates. AVR

submitted plans for a scaled down 850,000 SF shopping center ("Brookhaven Walk") in 2000.

As these proposals have worked their way through review, the landowners have sold off several parcels of land for open space. In December 2004 they sold 330 acres to Suffolk County and the Town of Brookhaven for $10 million ($30,303/acre). This was partly to help smoothe the way for the new retail plan, Brookhaven Walk. Brookhaven Walk is still under study in 2008.

2. Oakwood Estates, Manorville - This is an approved 25 lot subdivision on 50 acres. Zoning is A2. There was strong local opposition to the land being built on, and the Town of Brookhaven bought it from the developer in December 2006 for $5,500,000 ($110,000/acre or $220,000/lot, raw). We were not able to determine how long the landowner was delayed in moving this project forward, but we did find a note showing that the subdivision plan was denied by the Suffolk County Planning Commission on June 7, 2000. That is more than five years in which the landowner attempted to develop his land.

3. Tall Grass - This land tract is in Shoreham, in the Town of Brookhaven. Owners are Tallgrass Properties LLC and TBC Operating Co. This includes the existing Tall Grass at Shoreham golf course.

Plans for this project were formally submitted in May 2004. They included either 542 homes, or 362 age-restricted homes/townhouses including 50 "workforce housing" units, plus retail space and offices. The latest iteration is 352 homes, 71 of which are "affordable," plus 125,000 SF of commercial space.

The developers have pursued approvals aggressively. At one point the New York Times reported that the developers offered a $10 million donation to the school district to help pay for expanding school capacity. In 2007 Brookhaven rezoned this land PDD, which would permit the proposal, and it was also approved by the Central Pine Barrens Commission in early 2008. In March 2008 a coalition of local residents initiated litigation (an Article 78 proceeding) challenging the rezoning and the town's environmental review. So, after more than four years, no groundbreaking is yet scheduled for Tall Grass.

4. Overton Parcel - This is a ±568 acre area just south of Rt. 25 and bounded by Mill Road, Granny Road and Route 112 in Coram, Town of Brookhaven. It is part of the Pine Barrens and part of the Coram Wetlands. There are several landowners within a designated area which was once the Overton family farm, and is now often referred to as the "Overton Preserve." Residential development plans have been put forward for some of this land, and local opposition is strong.

Brookhaven imposed a 3 1/2 year moratorium on any development proposals in the Overton Preserve. That moratorium ended in May 2007, during which the town released a 123 page study of the land. The study's basic conclusion is that the land shouldn't be developed. Brookhaven also rezoned the land from one acre residential to 5 acre residential. Meanwhile the town has been buying small parcels when they can negotiate a price, and there is public pressure to buy more land to preserve open space.

5. Rolling Hills Golf Club - This is in Rocky Point, and on the edge of the Overton Preserve. This is a shaggy dog story.

In 2000 the Dexter Company agreed to give the golf course to the Town of Brookhaven. In return, Dexter was allowed to build 240 new homes on 85 acres elsewhere, in the Overton Preserve. That 85 acre parcel had previously been approved for 70 homesites. Dexter was going to cluster the 240 homes, leaving 33 acres untouched, as wetlands.

Dexter didn't build, instead it sold the golf course and the 85 acres to the Beechwood Organization, another builder. In May 2003 Beechwood deeded the golf course to Brookhaven and got ready to build.

A group of local residents and environmental organizations then sued Beechwood and Brookhaven, contending that the approval for the 85 acres was illegal, and that the 85 acres is habitat for the tiger salamander.

In late 2003 Brookhaven asked to purchase the land from Beechwood. Beechwood responded that it is not interested. We do not know the current status of the property or the owner's development plans, if any.

6. Avalon Bay - In 2001 Avalon Bay Communities (a NY Stock Exchange REIT) contracted to buy 172 acres on Mill Road in Yaphank, town of Brookhaven. Avalon has made several proposals to the town: 340 dwellings, 370 rental apts. plus 80 townhouses for sale. They have proposed donating 45 acres to the Longwood School District. So far Avalon has met nothing but opposition.

Avalon purchased the land in April 2005 for $6,154,064 ($35,775/acre). It still has no approvals, after 7+ years of effort.

7. DeLea Sod Farm - This 275 acre property is in Miller Place, in the Town of Brookhaven. The DeLea family agreed to sell the property in 2003. The contract vendee was the Beechwood Organization, a large developer which proposed to build 300 new homes. During the approvals process Beechwood reduced its plan to 125 single family homes plus 100 clustered senior homes. It also offered to build a new administration building for the Miller Place School District, and donate 120 acres to the town for open space and athletic fields. The town rezoned the property PDD but there were still issues which kept approvals remote. By 2007 (nearly 4 years) Beechwood withdrew its proposal and the DeLea family has reportedly negotiated a sale to the town as open space.

Town of Smithtown - We found fewer large development projects in Smithtown and much less pressure for public land acquisition. Here are some of the projects we investigated:

8. Hamlet Woods at St. James - This 108.4 acre tract is at the northwest corner of Route 347 and Moriches Road. It was bought by the Holiday Organization in 1999, which planned a phased project with 167 clustered homes. Formal planning was underway during 2000. Smithtown accepted the developer's Final Environmental Impact Statement in November 2003, and granted preliminary approval in March 2004. However, there were conditions to be met, including the filing of covenants and restrictions, which didn't get completed until March 2005. New home construction got underway in 2006, though the project met a soft market. This project is still underway at this writing.

The Holiday Organization is an established and well-regarded Long Island developer with a number of similar projects bearing "The Hamlet" brand. Total approval time for this project is roughly five years.

9. The Galleria - This mixed use project is on 80± acres on the north side of Route 347, between Terry Road and Southern Blvd. There are several townhouse and apartment complexes(roughly 500 dwellings), plus a shopping center. Primary developer is Avalon Bay Communities.

Smithtown originally approved a master plan for this property in 1989, but the landowner-builder filed for bankruptcy in 1991, ultimately reselling to Avalon in 1996. We reviewed Smithtown Building Department files on this project but were unable to fix formal application and approval dates. Instead, The Galleria appears to be an ongoing interchange of phased applications and approvals, continuing into 2008. We noted, for example, applications and preliminary approvals for individual apartment buildings, performance guarantee funds posted and released from escrow, applications and approvals for revised parking plans, and approvals for building foundations only. The original developer filed a formal application for senior citizen apartments on March 28, 1990, which was approved with conditions on April 19, 1995. That would suggest at least five years for approvals, and starting with an approved master plan.

In our view, the most telling aspect of The Galleria's history is not a full time-frame to obtain approvals. Rather it is the ongoing involvement of the Town of Smithtown in the building process itself, in demanding and altering details of the entire project.

10. PJ Ventures - This is a new shopping center at LIE Exit 52. The project expands a shopping center that already included Costco, Target, Home Goods and Expo. The new shopping center is on a 43 acre site, with 377,000 SF of retail space leased to Wal-Mart, Home Depot and Kohl's. PJ Ventures is the developer. It started construction in July 2005, after slightly more than three years in the approvals process.

This project was controversial because it is in the southwest corner of Smithtown, close to the Huntington town line. Some nearby Huntington residents filed suit to stop the project, and they reportedly believed that Smithtown approved quickly since the stores will generate high taxes with minimal impact on Smithtown. Nearby Huntington residents feel the impact of added traffic, but without tax benefits. In any case, this project illustrates the potential conflict between adjacent towns. Note that litigation here was brought by individual Huntington residents, not the town itself.

Based on the precedent projects in Brookhaven, approvals for the subject could take a decade or more. Based on the precedent projects in Smithtown, approvals could take 3 to 5 years, though that may be overly optimistic. Any application will be more complicated if rezoning is needed, and the fate of any development plan will be also affected by the details of the application itself.

Here are some attributes of the subject property which suggest why approvals may be so difficult:

a.) The property is distant from major roads (i.e., the LIE and Northern State Pkwy.) which makes it harder to reach. That is a problem for a corporate office building or other commercial center, it is also harder for a homebuilder to attract buyer traffic.

b.) Old Country Road (Rt. 25A) is a very busy, overburdened road. Planning officials will be wary of any use which increases traffic here.

c.) Stony Brook Road is winding and bordered by rock outcrops. Improving Stony Brook Road to handle more local traffic could be prohibitive.

d.) The subject parcel is bordered by dozens of single family homes. These homeowners have enjoyed the subject parcel as open space for years. They would lose views and privacy if the subject were developed, which makes them more likely to oppose any development plan. These homeowners are likely to speak out at public hearings, lobby local officials, and/or litigate to prevent development.

e.) The subject property lies in two different school districts; the town line is also the school district line. Land in Brookhaven is in the Three Village School District, land in Smithtown is in the Smithtown School District. Grounds of the W.S. Mount Elementary School (Three Village) literally abut the subject land, and the school is quite visible from the property.

We interviewed Nathalie Lilavois, Principal of the Mount School. She told us that representatives of Gyrodyne had spoken with her around year 2000 and she discussed the lack of capacity for additional students. The Mount School added a new classroom wing in 2001, but the school filled to its expanded capacity within two years. Physical capacity of the school is now approximately 850 students but enrollment has usually been greater, at times higher than 910 students. Mrs. Lilavois feels that the school site is inadequate for further building expansion unless the already-cramped parking lots are reduced in size. Further, she has asked for and failed to gain school board approval for expansion financing. The school board approved renovation bonds for 2009 but with no funds to increase capacity.

f.) The subject's situation in two towns creates the potential to complicate approvals since the two towns can have conflicting interests. For example, Smithtown doesn't want added traffic on its roads if that traffic is headed into Brookhaven, especially if Brookhaven collects more property taxes than Smithtown. The same resentment could occur if Brookhaven gets the traffic and Smithtown gets the taxes.

Gyrodyne applied to Brookhaven for residential rezoning around 1998 or 1999 and the Suffolk County Planning Department recommended against rezoning. The ostensible reason for the county's rejection was that the application had not been submitted to Smithtown. So it seems obvious that the demands of two towns will have to be satisfied in order to get development approvals.

We have been advised that Brookhaven and Smithtown could both be given status as "co-lead agencies." The customary practice in New York State is to designate just one agency, usually one municipal planning board, to serve as a lead agency. That lead

agency coordinates planning reviews by all other concerned agencies (e.g., State Dept. of Transportation, Environmental Conservation, County Health Dept., Town Engineer, etc.) and conducts public hearings. If that role is held by two different town planning boards, each with its own meeting dates and agendas, confusion and long delays are inevitable.

HIGHEST AND BEST USE ANALYSIS

Before we can proceed with the valuation we must define what the subject property is and the best way to use it so as to maximize its value. Optimal use is more than just a general type of use, such as residential or commercial. It is a specific use which will result in the highest market value. Another pertinent concern is the possibility of packaging the property for marketing, dividing the property or even replacing the existing use. The disciplined appraiser makes an orderly review of the various ways to use the property, then selects the use that will maximize value. This search for optimal use is the highest and best use analysis.

The Dictionary of Real Estate Appraisal, Second Edition, 1989, (Page 149) published by the American Institute of Real Estate Appraisers, defines highest and best use as:

> "The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability."

The highest and best use of the land could be different than the existing use, and it could be different than with existing improvements. When improvements do not match the optimal land use, they will continue to be used so long as they have value over and above the basic land value. Ultimately, forces of market change may call for conversion or demolition of improvements that do not enhance the value of the underlying land. This is why we give separate consideration to the highest and best use of land as vacant, and the property as improved.

We try to use a three stage process to analyze the highest and best use of a property. First, we consider the highest and best use of the land as if it were vacant and available for development. Second, we hypothesize the ideal improvements to conform with the highest and best use of the land. Third, we look at the existing property to judge how suitable it is in comparison with an ideal highest and best use.

As vacant land, the subject property is a major development opportunity which would excite a number of developers. It is unusual to find such a large, attractive and buildable parcel in such a populated and affluent market. The property is reasonably close to commuter trains, major highways, shopping, services, beaches and a university campus. Most developers would see this parcel as a *tabula rasa*, a 'clean slate' on which to create a project that will generate awards and magazine stories, and profits. The potential for the property seems limited only by the scope of a developer's vision.

That is not the case, of course. The property's development potential is actually limited to what the local planning board(s) will approve. That may not hold a developer back, at least initially. Many developers hope that they can present a visionary project to a town planning board and charm their way to approvals. That sometimes happens, though the odds look rather slim in this instance. One of this property's initial problems is that it straddles a town line, so two town planning boards have to be won over. Brookhaven doesn't want added traffic on its roads if that traffic goes to and from a property in Smithtown, and Smithtown feels the same way about development in Brookhaven. So we are going to consider a broad range of possibilities for our property, though we must remember that public regulatory agencies have the last word.

Gyrodyne has been working on comprehensive development plans since the late 1990's, at least. Gyrodyne has essentially commissioned highest and best use studies, and some of their past plans give us starting points for our own highest and best use analysis. Gyrodyne has focused on residential development, putting forth plans for senior housing, and luxury homes surrounding a golf course. There is logic to those plans because housing has the broadest base of any real estate sector on Long Island. In other words, there are many more potential homeowners than there are potential factory and warehouse buyers.

Gyrodyne's applications for residential development have not fared well. This property is zoned for business, not housing. The town planning boards and local residents haven't been anxious to lose open space and gain new residents. They don't want added traffic on their already-crowded roads, and they don't want new students in their schools.

The proposed golf course seemed like a good way to sweeten the residential plan because it would have maintained open space and created land buffers to homes nearby. In our observation and experience, the golf course plan would not have worked even if it were approved. Building a golf course is a $10 to $15 million proposition around our valuation date, and that cost has to be recovered through home sales and/or by the value of the course itself. The subject is in a price-sensitive market, especially in Brookhaven, so the golf course may not justify itself through higher home prices. As to golf, U.S. course play has been on the decline since the late 1990's and many course operators are struggling.* We are not aware of any new golf course communities built on Long Island or in the New York metropolitan region for at least 5 years preceding our appraisal date.

One positive element we find in Gyrodyne's plans is their strategy to retain some of the existing industrial buildings, no matter how the rest of the land is developed. Buildings 17, 18 and 25 could be expendable because they are east of the LIRR tracks and they are visible from the best potential development land. Buildings 1, 2, 7 and 8 are west of the LIRR tracks at the subject's south end, where they are easily separated from development sites. We were given an undated "Preliminary Land Use Plan" prepared by Henderson & Bodwell, which shows an industrial site of 16.2 acres for Buildings 1, 2, 7 and 8. These buildings are largely occupied and producing rent. In our opinion, industry - the existing use - is a reasonable and appropriate highest and best use for that part of the property. That can apply no matter what we do with the rest of the subject tract.

* The number of active golfers was 30 million in 2000, 27 MM in 2003 and 26 MM in 2006. The number of golfers playing 8 or more times per year declined from 17.7 MM in 2000 to 15 MM in 2006. The number of golfers playing 25 or more times per year declined from 6.9 million in 2000 to 4.6 million in 2005. Source: National Golf Foundation.

We reviewed some residential projects proposed in this region, for indications of how a planning board would deal with a residential project. They would probably ask that a conventional lot layout be designed, to establish a maximum number of lots, then demand that those lots be clustered. Planning boards use that technique to control the number of homes built and maximize open space. From a builder's standpoint, however, limiting the number of lots limits potential land value, and it also crowds homes on small lots, stifling potential house prices.

Homesites surrounding the subject property are generally one-third to one-half acre in size, but the subject's current zoning calls for lots of at least one acre. Brookhaven has changed some of its residential zoning from one to two or even five acre lots. Such a change for the subject property would cut down our development potential severely.

By way of illustration, we have 313 acres gross, less 16.2 acres for Buildings 1, 2, 7 and 8, leaving 296.8 acres net. If one acre zoning were applied to the entire project, we still can't create 296 homesites. The net usable land is often around 70% of gross with one acre zoning, which results from land needed for roads, buffers and irregular lot sizes. So 296.8 acres X 70% may mean 208 homesites at best. If Brookhaven imposed two or five acre lot sizes, that number would be drastically lower. At some point a builder has to decide whether there are enough homesites to justify the project's infrastructure costs. Otherwise the builder would have to charge finished house prices far above market norms, and the houses won't sell.

The potential lot yield can make a big difference to our subject land value. So can the risk inherent in predicting how the approvals process will play out. A land investor will be less willing to invest in this property because of the risk of a very long approvals process, and the risk that the towns might approve a subdivision of questionable viability.

These risks would encourage an experienced developer toward developing this land as it is currently zoned; for light industry. The subject could be developed further as a modern business park. Approvals will be simpler because no rezoning is needed. Industrial development brings in taxes without adding new students to the public schools. Industry certainly brings traffic, but the traffic occurs at more predictable times and is easier to control than traffic from new homes. There is a great deal of merit in using the subject land for industry.

Most of the industrial development in this region has gravitated to locations near Long Island Expressway interchanges, because that is Long Island's major truck route. Still, the subject property has long been home to scores of business tenants who seem to manage well without a proximate LIE exit. That could be because many businesses here today don't have critical trucking needs. Long Island is an expensive place for a factory; much of the manufacturing on the island is the assembly of small, expensive components. Products are typically electronic parts, precision aircraft parts, and medical diagnostic equipment. Many of these products don't even ship by truck, and hardly any local manufacturers operate their own truck fleets. For them, the quality of the working environment can overshadow being next to an Expressway ramp.

The subject's location has other positive features that help offset highway convenience; its appealing, private campus setting, and its proximity to SUNY. SUNY is a technology center with its own business incubator. Some businesses can benefit greatly by having easy access to professors, students and research facilities. We are discussing business uses which fall within

the bounds of what current zoning permits.

There is a real possibility to create a new light industrial-office-research park on the subject property. Aggressive marketing could determine the ideal mode of such development, because we have enough land to create major headquarters sites, plus small sites for smaller businesses. At this stage we would recommend planning a subdivision layout with a minimum of interior roads, so that large land parcels could be made available for a major business occupant.

In our opinion, the easiest, most reasonable, least risky and potentially most profitable use of the subject land is for light industrial development, consistent with the existing zoning.

The ideal improvements would differ depending on whether the land were developed with industrial or residential buildings. We can provide some general guidelines, however.

Long Island is an expensive market so ideal buildings must be substantial and of reasonably high quality to satisfy market expectations. Any improvements must be up to the standards of well-capitalized buyers. The market isn't going to accept small steel garage buildings, quonset huts or starter homes like William Levitt built. Town officials aren't going to accept any less either.

For industrial buildings, the ideal improvements would be one story steel frame and masonry buildings with flat roofs, perhaps in the 10,000 to 100,000 SF range. Multi-tenant buildings would be appropriate but only if a single building is 10,000 SF or larger; anything less would reduce the quality image of the project. The ideal improvement would have some exterior styling, versatile interior space with 14 to 24 foot ceilings and wide column spacing, ample on-site parking, and landscaping.

Industrial buildings in this market are often in more of an office mode, possibly with research labs. That stems from the education and income levels of the local workforce. This location also has added appeal for a technology or research business that could benefit from being near the SUNY campus. Office and research buildings are often found in industrial parks in this region, and they help elevate the quality level of a business park. So ideal industrial buildings could actually be office or research buildings, both of which are permitted under current zoning.

It is harder to profile an ideal residential building because that depends on the number of houses that get approved, and on the builder's price targets. Most builders try to build the most expensive house they can sell. There is more profit in a more expensive house, there are also more profitable upgrade opportunities with high-end buyers. Builders tend to push the upper price limits of a local market.

The ideal residential building would probably be a large, detached two story house on a lot of at least one-half acre. Such a large detached house offers a builder the best profit potential. It also appeals to a broad spectrum of buyers with purchasing power, particularly young families willing to pay (or borrow) top dollar.

If a builder builds clustered homes or townhouses, there is a greater challenge to realizing high prices. Young families won't buy these homes as readily as they would buy a large detached home. The target buyers could be upgrading empty nesters, which is a fairly narrow market segment. Target buyers could also be first-time buyers, who tend to have limited purchasing

power, or retirees, who may not spend freely. The profile of an ideal clustered home or townhouse will have to be decided by the builder, and by any limitations imposed by the town planning boards.

The existing improvements are several old industrial buildings clustered on the south end of the subject tract. They are all visibly dated and limited since they were designed for the business use of one occupant, Gyrodyne, and that business is now passe. They have small, irregularly shaped spaces, different ceiling heights (mostly low) and other limits on their versatility. The existing improvements aren't consistent with our profile of ideal business buildings.

The saving grace of the existing buildings is that they have been divided for multi-tenant use, and they are occupied by dozens of small, miscellaneous businesses. These buildings are what real estate investors call a business incubator. Small startup businesses take some space here. Some businesses continue to operate on a small scale, but many either fail, or else they grow and lease expansion space or move to better space elsewhere.

This sort of tenancy takes a great deal of management. Tenants aren't financially strong so there are collection problems and tenant turnover. The subject improvements seem to be well occupied, and we attribute this to diligent management, a strong entrepreneurial spirit on Long Island, and a scarcity of similarly permissive and inexpensive business space.

There are many reasons to question whether the existing improvements are highest and best. Real estate investors prefer newer, better looking buildings, larger, financially stronger tenants, and properties which seem to need less management. These buildings certainly don't fit the profile of ideal improvements and they aren't a good match for the land either. These buildings would be a detriment to the appeal of any new buildings on the surrounding land. They would be considered eyesores if other Gyrodyne land were developed with houses or new industrial buildings.

Fortunately, most of the buildings are clustered together at the south end of the subject tract. Buildings 1, 2, 7 and 8 are on an allocated site of 16.2 acres which is relatively secluded from the rest of the property. The buildings are well leased and seem to be financially viable as a rental investment. These four buildings can be kept as a multi-tenant investment property, without adversely affecting the rest of the subject land.

That case is not as strong for Buildings 17, 18 and 25, which are east of the LIRR tracks. These buildings are prominently visible from surrounding land, and they could have an adverse impact on that land's development potential. There are rent-paying tenants in these three buildings, so they can remain leased until land development plans are approved. In essence the current use is a viable interim use. When surrounding land is ripe for development, it might then be advisable to remove the tenants and raze these buildings. The other option is to renovate or expand these buildings. Building 17 is substantial, Buildings 18 and 25 are both small. With some renovation, Building 17 could be made to look much newer, Buildings 18 and 25 are better candidates for expansion or demolition.

In summary, we considered a wide range of uses for the subject property. Residential development is an easy default plan for large land tracts, but we are not sanguine about the

prospects. Residential development potential is thwarted mostly by the obstacles to rezoning and subdivision approval. An informed, prudent investor would conclude that the optimal and expedient use for the land is to create a light industrial/business park, as permitted under current zoning. Existing buildings could be retained without impeding surrounding land development. Buildings 17, 18 and 25 - especially the latter two - could be expendable assets depending on the way development plans unfold for surrounding lands.

VALUATION

THE APPROACHES TO VALUE

There are three basic approaches which can be taken in the valuation of real property. These three approaches correspond to three options which anyone can use to obtain a property. The three approaches are the cost approach, the sales comparison approach and the income approach.

The cost approach corresponds to the option of constructing a new building for one's needs. The first step in this approach is to estimate the value of the subject property's land as if it were vacant. The value of improvements is then calculated on the basis of current construction cost. With existing buildings, as is the case here, depreciation is deducted from cost new, to indicate current value.

The sales comparison approach is based on the option of purchasing an existing property. Under this premise, the appraiser analyzes the value of a particular property relative to prices which have been paid for other properties of similar utility and desirability. Market research and study has been conducted for this report and we have obtained details on open market transfers of other properties which are similar and competitive to the property under review. These can be used as a basis for relative value and applied to the subject property.

The income approach corresponds to the option of renting a property. An alternative method of looking at this approach is that an investor can avail himself of a wide variety of investments, including other income-producing real estate or other forms of equity or debt instruments. In this approach, the appraiser analyzes the income-producing potential of the property under review, relative to investment standards and prevailing yields now available. The income approach is relevant to any property which might normally be purchased by an investor.

A common appraisal technique is to use each of the three value approaches separately. This can produce three different values, from which a final value is selected based on the quantity and quality of information in each approach, or its relevance to the subject property. The appraiser can also use two or three of the approaches in concert. The cost approach is the most obvious example of this: the buildings are valued using costs, then the land value is derived from sales comparisons. In this study we will use all of the three basic value approaches, sometimes separately and sometimes in different combinations. This may sound complicated, but the subject property is a complicated asset, and so is our appraisal objective.

First, we are preparing two separate appraisals in this study: before the State appropriation, and after the appropriation.

Second, the subject property is a very large asset, with a unique combination of land and buildings, and special challenges to its development potential. A developer or investor couldn't make a rational price decision by simply looking at the entire property. The subject property has to be analyzed as component parts, those parts have to be valued separately, then combined. We have already outlined that process in our highest and best use analysis.

The most important subject components are the existing industrial buildings on appropriate sites, and vacant land suitable for development. We will identify those components and appraise them separately.

The existing industrial buildings will be appraised using sales comparisons and an income approach. We have open market sales of other industrial buildings, and their prices give us value benchmarks to apply to the subject. The subject buildings are also rented, so we can use market rents and actual operating expenses to appraise their value using the income approach. Our final value for the existing buildings will be based on a consideration of the quality and relevance of these two approaches.

We will not use the cost approach to value the existing buildings because of their age and obsolescence. It would be difficult to estimate reproduction costs for the buildings because of the way they were built in stages, with some duplication of exterior walls, and the use of some building materials which are no longer commonly available. Calculating deterioration and obsolescence is even harder to do without resorting to guesswork.

We will use a combination of all three basic approaches to appraise the subject's development land. We found open market sales of industrial sites, and we can use sales comparisons to set prices for finished lots that can be sold off. We will arrange lot sales on a calendar schedule, projecting lot sales revenues and development expenses as they occur. The format of this schedule has roots in the cost approach. We will calculate net revenues each year over a period of future years, then discount the net revenues to current value. That technique has its roots in the income approach. So we will employ all three of the basic value approaches in concert, to estimate a value for the subject's development land.

It is common practice for appraisers to discount the total value of portfolios or properties with disparate components. The rationale is that investors and developers specialize; they might want the subject's development land but not its rental buildings, or vice versa. In that situation, a buyer may take the entire property in order to get what he wants, then sell off the unwanted part. However, the buyer would discount his price, because he is forced to invest in an unwanted asset, and he may have to pay the added costs of reselling.

We have elected <u>not</u> to discount the value of the subject property. The subject has two basic components: occupied rental buildings and development land. Each component is large and has some investment appeal, so either component could be resold. An investor might also want to keep the entire holding intact in order to retain control, which could be important when the land is developed with new buildings. That is why we will not discount our total property value.

MARKET VALUE OF THE EXISTING BUILDINGS

The subject property is improved with seven (7) occupied industrial buildings. Buildings 1, 2, 7 and 8 are clustered at the southwest corner of the property and could remain in their current state for many years to come. Gyrodyne's master plan calls for subdividing these four buildings on a 16.2 acre site, a concept we find consistent with highest and best use principles.

The other three buildings - Buildings 17, 18 and 25 - are east of the LIRR tracks. These are not so readily separable and they could adversely affect the market appeal of surrounding development land. That applies particularly to Buildings 18 and 25, both of which are small and old. Building 17 is larger and could be renovated to look quite modern. Buildings 17, 18 and 25 have at least an interim value because they can produce rents until development approvals are in hand and actual development is well underway.

We will use two valuation approaches to estimate the value of the subject buildings: sales comparisons, and an income approach.

We must begin by allocating sites to these buildings, so that we can segregate their value from the value of surrounding development land.

> Buildings 1, 2, 7 and 8 have already been allocated a physical site of 16.2 acres.
>
> Buildings 17, 18 and 25 are allocated a total land area of 11.8 acres. This is not a physically-defined site as much as an approximation of needed land area. Gyrodyne's master plan shows 11.8 defined acres for Buildings 17 and 18 but the sites are very generous. That master plan does not show Building 25, which is separated from Buildings 17 and 18, but 11.8 acres should be a sufficient amount of land to underlie all three of these buildings.

There are important reasons for allocating sites. When we make sales comparisons, all of our comparable sales are industrial buildings on discrete sites, so we need to allocate a subject site to keep the subject in parity with the sales. In our income approach, we will calculate rents for the subject buildings, and those rents imply that there is land underlying and surrounding each building, plus land for parking. We must also identify the operating expenses of the building, not burdening it with the added costs of development land. For example, real estate taxes on our 300+ acres of land could distort the net income received from building rents. So we need to allocate only those taxes that should be charged to the buildings and their sites.

Income Approach for Existing Buildings - Before Taking

The subject property is somewhat unusual in this market. Most industrial rentals involve large, modern warehouses and factories in homogenous business parks. The subject complex is essentially an incubator with a tremendous range of business space. There are large tenants, small tenants and tiny tenants; warehouses, machine shops, garages, dance schools, music schools, retail stores, classrooms and offices. This is a management-intensive type of rental property. To succeed, the landlord must work diligently to attract and retain as many tenants as possible.

Rents can vary as much as the space does. Some tenants pay their own expenses, others have all expenses included in their rent. Some tenants build out their own space, others get custom buildouts by the landlord. Some tenants are paying for business space in the building, some tenants are paying for outdoor storage land, possibly with some space within a nearby building. Most tenants have short term leases and many are month-to-month. Few tenants have bankable credit from a landlord's perspective. In this case the best measure of "market rent" for the subject buildings is actual rent.

We have been provided with rent rolls for the entire subject property and we compiled a table of rents as of November 1, 2005, close to the valuation date. We calculated rent per SF per year, which is a widely-used measure of business space rents. We analyzed each lease to show rent per SF, and we analyzed average per SF rents within each subject building and the whole complex.

The rent rolls indicate significant vacancies. We would normally expect this given the large number of tenants, most of which are small local businesses with short term leases. The November 1, 2005 rent roll indicates that 59,263 SF are vacant, out of 201,454 SF total. That is a vacancy rate of over 29%.

We consider a 29% vacancy misleading, at least as a guide to what an informed investor would expect. First, Gyrodyne Corp. does not appear on the rent roll, so Gyrodyne Corp. headquarters space is probably showing up as vacant space. Second, investors are incorrigible optimists, and an investor would expect to improve on Gyrodyne's occupancy level. But we still have nearly 60,000 SF of valuable building space which is unaccounted for on our rent roll.

We calculated an average per SF rent for all the occupied space in each subject building; that is the most reliable measure of market rent. We will apply that average per SF rent to vacant space in each building, showing market rent for each building, as if it were fully rented.

On the pages which follow are rent rolls for each subject building as of November 2005. We show monthly rent paid by each tenant, the size of the space leased, and a calculation of the rent per SF per year, to apply to the vacant space.

Vacancy and collection loss - A vacancy and collection loss allowance is a standard appraisal deduction. The full potential income is not usually received because some space is apt to be vacant, tenants occasionally fail to pay rent, and there are times between one tenant's departure and another's arrival (rollover) when no rent is collected. Most of the accepted appraisal literature uses a 5% vacancy and collection loss in examples of stabilized operating statements. That is only a general guideline, and vacancy rates can differ depending on local market conditions and the characteristics of an individual property.

An investor considering the subject property will probably assume that his deal-making expertise will fill the subject quickly and keep vacancies at a minimum. The investor may also have use for some of the space, as Gyrodyne does.

We think a vacancy rate of approximately 7.5% is an appropriate recognition of what a potential investor would target for the subject buildings.

BUILDING 1 - NORTH END, ABUTS LIRR TRACKS					
NO.	TENANT	SF	RENT/MO	UNIT	$/SF
155	Towne Bus	632	$880	18	$16.71
155	Towne Bus	611	$1,000	16	$19.64
391	Altus Metal & Marble	1,248	$1,490	45,48	$14.33
410	Bay Orthopedic	890	$1,008	51	$13.59
159	CDM/Dynamics	823	$928	39,42	$13.52
404	East End Furs	420	$900	201	$25.71
342	Nausica Papakakos	520	$375	203	$8.65
150	Petroleum Mktg.Group	2,273	$3,437	9	$18.14
380	Prime Fasteners	1,634	$1,765	24	$12.96
392	Ram Marketing	1,201	$1,530	10	$15.29
392	Ram Marketing	1,361	$1,620	10	$14.28
376	Schaferhund Club	390	$180	209	$5.54
147	Systech	900	$1,177	3	$15.69
405	Tom Wild	1,800	$1,450	18	$9.67
	Vacant (41.2%)	10,297	$12,423		$14.48
Gyrodyne size, Bldg.1		25,000			
Bldg.1, occupied SF		14,703	$17,739		$14.48
Projected gross rent Bldg.1			$30,162		$14.48
BUILDING 2 - MIDDLE BLDG., ABUTS LIRR TRACKS					
365	2600 Enterprises	1,696	$1,600	30	$11.32
403	Amazing Concrete	1,517	$1,220	36	$9.65
370	Bella Dolce, LLC	1,129	$1,200	45	$12.75
220	Biothotic, Inc.	1,971	$1,595	12,15	$9.71
407	By Design Woodwork	1,334	$1,115	57	$10.03
411	C.J.Performance	1,500	$1,250	54	$10.00
10	Custom Auto	1,905	$1,890	6,9	$11.91
313	JB Larsen Builders	2,130	$2,307	57	$13.00
409	Jet Partners	1,750	$1,410	39	$9.67
393	Laszlo Sinka Furniture	688	$690	51	$12.03
378	Quest Laser Svcs.	1,056	$1,045	48	$11.88
324	Sports Car Haven	1,262	$1,499	33	$14.25
406	Sundance Art	2,350	$2,122	42	$10.83

144	Thomas Sama	1,600	$1,730	21	$12.98
144	Thomas Sama	1,257	$1,280	24	$12.22
144	Thomas Sama	1,200	$1,230	27	$12.30
	Vacant (28.0%)	9,455	$9,004		$11.43
Gyrodyne size, Bldg.2		33,800			
Bldg.2, occupied SF		24,345	$23,183		$11.43
Projected gross rent Bldg.2			$32,186		$11.43
BUILDING 7 - WEST SIDE OF LIRR					
333	ASKD	633	$826	8	$15.65
339	Melanie Birnbaum	144	$270	20-3	$22.50
339	Melanie Birnbaum	130	$255	20-2	$23.54
339	Melanie Birnbaum	148	$290	57	$23.51
266	Coyote Music	644	$890	4	$16.58
158	Expertise Gym	8,136	$7,737	14,93,96	$11.41
412	Faith Enterprises	12,980	$15,143	44,74	$14.00
300	Hechtel Music	285	$485	24	$20.42
318	JC Medical Eqpt.	522	$620	94	$14.25
311	L.I. Promotions	1,007	$1,155	2	$13.76
408	Lisicha, LLC	573	$685	98	$14.35
334	Norpoth Music Studio	148	$417	23	$33.84
401	Omaha Orange	500	$530	86	$12.72
42	D.L.Peterson	949	$1,270	10	$16.06
368	S&B Solutions	347	$565	22	$19.54
274	SUNY	4,670	$4,510	33	$11.59
274	SUNY	4,194	$4,230	32,38	$12.10
52	Seiskaya Ballet	4,716	$3,985	16,80	$10.14
377	Donna Siani	730	$1,100	82	$18.08
406	Sundance Art	905	$758	92	$10.05
406	Sundance Art	1,500	$1,400	88,90	$11.20
316	T & S Deli	750	$1,225	43	$19.60
	Vacant (38.9%)	28,389	$30,766		$13.00
Gyrodyne size,Bldg.7		73,000			
Bldg.7, occupied		44,611	$48,347		$13.00
Projected gross rent Bldg.7			$79,113		$13.00

BUILDING 8 - SOUTH END ON LIRR TRACKS					
317	Live Wire Electric	1,042	$1,120	21	$12.90
351	Long Hill Carpentry	994	$1,185	12	$14.31
373	Power Pool Care	2,012	$1,070	6	$6.38
373	Power Pool Care	---	$990	24	ERR
413	Ramon Rinen	970	$850	24	$10.52
343	Solarsun	1,042	$1,015	15	$11.69
190	Triangle Electric	1,042	$1,080	18	$12.43
325	Visual Arts Foundation	3,390	$3,011	28	$10.66
	Vacant (47.8%)	9,608	$9,451		$11.80
Gyrodyne size, Bldg.8		20,100			
Bldg.8, occupied SF		10,492	$10,321		$11.80
Projected gross rent Bldg.8			$19,772		$11.80
BUILDING 17 - PEDERSEN KRAG, EAST OF LIRR TRACKS					
7	Carco Group	27,774	$25,672	N/A	$11.09
84	Pedersen Krag	15,712	$22,674	24,27	$17.32
	Vacant (3.40%)	1,514	$1,683		$13.34
Gyrodyne size, Bldg.17		45,000			
Bldg.17, occupied SF		43,486	$48,346		$13.34
Projected gross rent Bldg.17			$50,029		$13.34
BUILDING 18 - HELICOPTER CONTROL TOWER, EAST OF LIRR TRACKS					
168	Weather or Not A/C	2,400	$1,606	N/A	$8.03
Projected gross rent Bldg.18			$1,606		
BUILDING 25 - GARAGES, EAST OF LIRR TRACKS					$/SF
155	Towne Bus	1,706	$9,234	1	$64.95
155	Towne Bus	448	$586	T-Rig	$15.70
Projected gross rent Bldg.25			$9,820		

Note: Tenant #274 in Building 7 is a cabinet shop for SUNY Hospital. There are two leases which were renegotiated as of July 1, 2005. The tenant asked to pay quarterly instead of monthly, then made its first three quarterly payments in July, August and October 2005. We adjusted the rent payments to show what regular monthly amounts would have been. Lease rent for spaces 32 and 38 are $13,531.33/qtr., which is equivalent to $4,510.44/month. Lease rent for spaces 34 and 36 are $12,689.47/qtr., which is equivalent to $4,229.82/month.

Here is a summary of all the subject buildings and the potential rent we calculated for each:

Building	Gross Rent/Month	Bldg.SF	Vacant SF
Bldg. 1	$30,162	25,000	10,297
Bldg. 2	32,186	33,800	9,455
Bldg. 7	79,113	73,000	28,389
Bldg. 8	19,772	20,100	9,608
Bldg. 17	50,029	45,000	1,514
Bldg. 18	1,606	2,400	0
Bldg. 25	9,820	2,154	0
Total	$222,689	201,454	59,263
Vacancy			*(29.42%)*

Reported Operating Statements, from Owner's Annual Reports

These income and expense summaries were provided to us by Gyrodyne.

	2006	2005	2004	2003	2002
Reported rents	$1,313,970	$2,039,170	$2,086,687	$2,344,396	$2,608,005
RE taxes	$232,654	$170,580	$143,333	$295,198	$428,031
Oper.,maint.	498,876	621,361	567,401	519,173	642,758
Interest	0	35,217	38,850	56,611	61,520
Depreciation	48,402	72,835	78,176	85,509	107,394
Reported expenses	$779,932	$899,993	$827,760	$956,491	$1,239,703
Net income	$534,038	$1,139,177	$1,258,927	$1,387,905	$1,368,302

Stated operations for 2002 through 2005 are for fiscal years ending April 30. The fiscal year was changed to the calendar year for 2006, so 2006 figures are for January through December. We excluded reported interest income of $1,594,988 in 2006, which is probably earnings on the advance payment made for the eminent domain taking.

Stabilized Operations - Before Taking

Following is our summary of stabilized income and expenses for the existing industrial buildings, before the taking. 'Stabilized' implies the elimination of aberrant income and expenses, showing typical amounts that an investor might reasonably expect next year, after taking over the

property. The figures are based on actual amounts reported, some rent and expense calculations we made, and full year operations for 201,454 SF of buildings.

Projected gross rents,	per month		$ 222,689
	per year		$2,672,268
Vacancy, collection loss 7.5%			- 200,420
Effective gross			$2,471,848
(Reported rents for full year 2005 were $2,039,170)			
Real estate taxes		$170,297	
Operations, maintenance, @ $3/SF		604,362	
Management, 2%		49,437	
Reserves		201,454	
Interest		0	
Depreciation		0	
Total operating expenses			- 1,065,841
(Reported expenses for full year 2005 were $1,056,448)			
Net operating income, stabilized			$1,406,007

Following are brief discussions of the expenses listed above.

Real estate taxes - We deduct an allocated portion of the real estate taxes, based on the assessment on improved portions of the property and acreage to support those buildings. Buildings 1, 2, 7 and 8 are on a 16.2 acre site west of the LIRR tracks; we allocate $122,687 of the total tax bill to this part of the property. East of the LIRR tracks we allocate an 11.8 acre land area to support Buildings 17, 18 and 25. We allocate $47,610 of the total tax bill to this part of the property. That totals $170,297 in annual taxes attributable to the improved part of the subject property.

The remaining assessed value was used to calculate taxes on the development land, which are charged against the development land as a holding cost. Our calculation of allocated real estate taxes is shown in the addenda to this report, under the heading "Assessment and Real Estate Tax Information."

The property owner gave us an itemized expense statement for 2005 which shows taxes of $170,510.70, nearly the same amount we allocated. We were advised that Gyrodyne also makes some allocation, by capitalizing taxes on development land. We did not inquire as to their allocation method but the two allocations obviously corroborate one another.

Operations and maintenance - We have a subtotal for this expense category in annual reports (SEC Form 10K for Gyrodyne Corp.). The stated amounts presumably cover most of the real estate's operating expenses.

Year 2002	$642,758	
Year 2003	519,173	
Year 2004	567,401	
Year 2005	621,361	
Year 2006	498,876	($3.28/SF)
Five year average	$569,914	
Avg. 2002-2005	$587,673	($2.92/SF)

These expenses for operations and maintenance are net of amounts recovered from tenants for such services as electricity and maintenance. These are shown on the itemized expenses for 2005 and 2006.

Footnotes indicate unusual expenses of around $60,000 in 2005 and again in 2006, to replace storm drains, which mitigates some of the apparent increase. The average expense for operations and maintenance over five years is equivalent to about $3.00/SF of building space ($587,673 / 201,454 SF bldgs. size = $2.92/SF). We deduct $3.00/SF for this category of expense, applied to 201,454 SF gross.

We were given an itemized statement of operations and maintenance for calendar years 2005 and 2006. A 2004 statement is not available because Gyrodyne changed from a fiscal to a calendar year in 2005. The 2005 expenses were restated for the transition year, the 2004 expenses were not. We note that the 2005 and 2006 expenses are not directly comparable since the State appropriation took place in November 2005. Therefore the 2005 expenses include Buildings 17, 18 and 25, the 2006 expenses do not.

Management - Professional property managers typically charge a percentage of income collected. Charges of 3.5% to 6% are not atypical for multi-tenant properties such as apartment buildings and shopping centers. The percentage can also vary depending on the extent of services which the manager provides. Optional services can include staffing an office at the property, sending rent invoices to tenants, and providing weekly or monthly status reports to the owner. Expensive management contracts sometimes save money in other expense categories.

There are enough professional management firms in the subject market to create some competition and keep fees in check. A prudent investor could reasonably expect to secure management services for approximately 5% of gross rents collected.

The current owner has always managed the property itself, so some management expenses are already included in the stated operations and maintenance expense. These are largely the payroll costs for an on-site manager and support staff, e.g., office administrator and financial controller. Some of the staff expense may also cover other business functions or management of other property but there is already some management built into our operating expenses.

Management is still a standard expense allowance in appraising. Institutional investors often hire two layers of management, one for the property and one for administrative oversight and capital allocation. To conform with standard appraisal practice, we deduct only a modest management allowance of 2% of gross rents collected.

Reserves - This is a stabilized annual expense to replace components of the property which wear

out. The subject property improvements are old and occupied by many different tenants, so depletion and replacement activity is greater than it might be for a new facility which doesn't get so much use. The allowance should be related to building size, since items like roof cover, doors, painting, etc. all cost more on a large building. An allowance of $1/SF of building per year is considered reasonable for this property. The subject contains 201,454 SF gross so the annual replacement allowance is $201,454.

Interest and depreciation - These are listed on Gyrodyne's annual report but they aren't property operating expenses. Interest is a function of the amount of debt carried on the property, and a loan's specific terms. The interest paid could differ under different ownership; deducting interest could distort the property's inherent value. If the subject property sold, new acquisition financing could change the interest expense drastically. That is why we customarily appraise real estate as if free and clear, so we don't deduct the interest. We have only listed the expense here to clarify our valuation technique.

Depreciation is not an operating expense, nor is it a cash expense. Depreciation is an accounting deduction allowed under the income tax code. Again, we have only listed depreciation here to clarify our valuation technique.

Capitalization Rate

We use overall capitalization as a technique for converting the stabilized net income from the buildings into value. This is the value of 201,554 SF of buildings on allocated sites totalling 28.0 acres. Overall capitalization is the method which a prospective buyer would most likely use. This involves measuring the value potential of the property as fully occupied. Net operating income for a single year will be capitalized using an overall rate which incorporates necessary investment return.

We assume that this property will be purchased with mortgage financing and that an investor will anticipate a holding period of perhaps ten years. In the market today, a mortgage loan would most likely be obtained for 70% of property value, at a rate of about 6.75%. The mortgage will probably have a ten year maturity but with a 30 year self-liquidating payment schedule. The payment constant for such a loan is 0.077832. That is an annual payment constant based on the borrower making fixed monthly payments.

We use a weighted average of the mortgage payment constant and an equity yield rate of 15%. The reason for this high a rate is that the buildings are old and have some obsolescence. It is possible that some or all of the buildings might be razed as part of a redevelopment scheme, or else they might be renovated extensively. In either case an investor would want to recover capital invested in these buildings within a short time. A high equity yield rate recaptures the building capital more quickly.

An investor will expect other returns, in addition to annual net income. Over the holding period, the equity investor will profit from a payoff of the mortgage balance. He will also reap all the benefits of property value appreciation, if any. An investor will take less of his return as cash flow if he expects to see gains from these other sources. That means these benefits will reduce the overall capitalization rate.

We project zero value appreciation over a 10 year holding period. This sounds extremely conservative, but we must recognize the possibility that these old buildings could be razed, replaced or extensively renovated, perhaps in the near future. A knowledgeable investor would be thinking more about redevelopment than appreciating building values.

70% mortgage loan @ 0.077832 constant (6.75% interest, 30 year amortization)	=	.054482
30% equity @ .15 yield	=	.045000
100% invested, weighted average	=	.099482
Less, credit for amortization, 70% ratio of mortgage investment in property X mortgage balance paid off in 10 years (.146993) X sinking fund factor at equity yield rate, 10 years (.049252)		
0.70 X .146993 X .049252	=	-.005068
Less, credit for property value appreciation, none projected	=	.000000
Adjusted capitalization rate	=	.094414

Capitalization Into Value - Before Taking

Net Operating Income / Capitalization Rate	=	Value
$1,406,007 / 0.094414	=	$14,891,933
Indicated value of improved property by income approach	=	$14,891,933
rounded,		$14,900,000

Sales Comparison Approach for Existing Buildings - Before Taking

The sales comparison approach is based on the concept that recent sales of similar types of property (in the same or a similar market) can be used as benchmarks to gauge the value of the property being appraised. This approach is the most direct reading of the market, since it deals with factual data representing the actions of typical buyers and sellers. The background investigations necessary for the preparation of the sales comparison approach provide useful insights into "going prices" and also help to identify those factors which have the greatest influence on market value.

Since no two parcels of real estate are ever exactly alike, and since real estate almost always sells in a free market, individual sales rarely have identical prices. However, a sampling of several sales often produces a recognizable pattern of market value. When good and sufficient market data is available, the sales comparison approach often provides the most cogent basis for property valuation.

The initial step in performing this approach is finding and investigating comparable sales. These sales will provide a market context, and help to develop a pattern of value. Each sale is then compared individually to the subject. Positive or negative adjustments are applied to the sale's price for items which would enhance or detract from the subject's value, relative to the sale. Finally, the adjusted sale prices are used to show a pattern of value which can be applied to the subject property.

We have made a detailed investigation of the competitive market in which the subject property could be expected to sell. A number of industrial building sales were found which can be used to judge the relative value that the subject buildings would have if they were sold on the open market. In the Exhibits to this report is a selection of those comparable sales which were deemed most relevant for the appraisal of the subject property.

To help organize our comparisons, we divided the existing buildings into two groups:

- Buildings 1, 2, 7 and 8, all of which are on the west side of the Long Island Railroad tracks. These buildings comprise a total of 151,900 SF of space on 16.2 acres of land.

- Buildings 17, 18 and 25, all of which are on the east side of the Long Island Railroad tracks. These buildings comprise a total of 49,554 SF of space on 11.8 acres of land.

The subject buildings differ among themselves in overall size, shape, construction, clear height, and other physical characteristics. We have averaged some of these characteristics since the subject buildings are leased to many different tenants who can use the space they have. For example, some of the subject buildings are only 10 feet high, which is low for some industrial tenants but quite suitable for office tenants. Therefore we won't penalize the subject if much of its building space has say, 14 foot ceilings but some sections are only 10 feet. The same is true for stage-built buildings with older and newer sections.

We used the same 9 industrial sales to derive relative values for each group of subject buildings. The comparable sales are all more modern and conventional industrial buildings than the subjects, in the sense that they are single buildings on individual sites. The subject buildings

are all older, part of a stage-built corporate complex converted for multi-tenant occupancy. Nevertheless, parts of the subject buildings would compete for the same occupants who might also look at space in the sales. The sales aren't look-alike properties, but they are similar and competitive. There is also such a consistent price pattern among the sales, that we must observe that this is a well-ordered market with a shared sense of prevailing values. The price pattern is certainly applicable to the subject property.

We analyzed each comparable sale transaction to show a price per SF of building area. It is common to appraise business properties using price per SF of building. We typically divide the sale price by the gross size of the building. The price per SF includes the value of underlying land. Of course any unit value, such as price per SF, has meaning only if it is commonly used by sellers, buyers and brokers. The easiest way to test such widespread use is to find a selection and sales and look at its price pattern. If the sales all show consistent per SF prices, as is the case here, that shows sellers and buyers are deciding on prices by using price per SF.

The sales are all close enough to the appraisal date to represent current market value. There haven't been enough sales in the market to demonstrate a steady appreciation pattern, so no adjustments are needed to reflect price trends between each sale date and the subject valuation date.

All of the sales transferred a fee interest and none of the transactions were influenced by abnormal financing. To the best of our knowledge, none of the comparable sales involved unusual motivation or seller duress, with the exception of Sale 8686. The seller in that transaction suffered a severe drop in business revenue, leading to a sale of the entire company. The seller was anxious to liquidate this real estate, and the buyers were active local investors who seized an opportunity. If the seller had been in a stronger position, Sale 8686 might have sold for more. We make a plus adjustment to bring Sale 8686 up to parity with the other sales.

Here are some of the factors we considered when comparing the subject property with the selected comparable sales.

> Location: Dominant industrial locations on Long Island tend to be close to the LIE, and we make minor adjustments to recognize that the subject would be more valuable if it were more convenient to an LIE interchange. (Sale 8690 is practically on an interchange, which gives it an added advantage). Still, the number of business tenants at the subject property demonstrate that this location is viable. That mitigates all of our adjustments.
>
> Land/building ratio: This ratio shows the amount of land relative to building size. A high ratio can mean that a property has more land for parking, outdoor storage or building expansion. We calculated a ratio of 4.6/1 for the subject buildings west of the LIRR tracks (16.2 acres or 705,672 SF land / 151,900 SF buildings = 4.645 land/building ratio). For the subject buildings east of the LIRR tracks we calculated a ratio of 10.4/1 (11.8 acres or 574,008 SF land / 49,554 SF buildings = 10.373 land/building ratio).
>
> The land/building ratios of the sales vary but are generally much lower. That means the subject has more land per building, more open space, more parking, and more expansion

potential. The subject's large amount of land helps make it more desirable.

Our adjustments are mitigated by market preference; many buyers don't care about having so much land, possibly much more than they need. The subject's high ratio east of the tracks also results from widely-spaced buildings. Depending on site plan approvals, the generous sites around these buildings might have very limited utility. The high land/building ratio doesn't necessarily mean the subject would be much more valuable. Finally, the amount of land may not be a critical determinant of total value. A buyer will be more concerned with the building than with the underlying land, and that too which mitigates the adjustments we make.

Construction: The norm for light industrial buildings in this market is steel framing on a concrete floor slab, with concrete block walls and a flat roof on a steel deck and steel bar joists. Some of the subject buildings fit that description, but not all. Some have corrugated steel or aluminum exterior walls, some have gable roofs and some have concrete frame reinforcement. These construction details won't necessarily translate into a different value. In our opinion, no explicit adjustments are warranted for construction differences.

Utility: The subject buildings don't have the same utility as most of the comparables, i.e., they aren't as efficient. Most of the comparables have higher ceilings, which is more versatile for different types of business operations. The subject buildings also tend to have small tenant spaces. Larger blocks of space appeal to larger, better capitalized businesses, they have broader market appeal. We make minus adjustments to all but Sale 8688, which has fairly low ceilings similar to the subject space.

Offices: Most industrial buildings contain some finished office space. This space is more valuable than similar warehouse space because it costs more to finish. A higher ratio of office space can enhance the overall value of an industrial building. The extra value should not be determined arithmetically since different businesses have different office needs, and user expectations about such office space differ. Sales 8686, 8687, 8688 and 8689 stand out for having larger amounts of finished office space, so we adjust those sales downward. No adjustments are applied to the other sales.

Size: Large buildings are usually more valuable than small ones. However, when comparing buildings using price per SF, large buildings tend to have lower per SF prices. This is because large buildings require higher capital investments, and there are fewer competing bidders. Consequently, larger buildings usually sell for lower per SF prices.

We have separate comparisons with the 151,900 SF of subject buildings west of the rail tracks, and the 44,950 SF east of the tracks. We mitigate our adjustments because individual subject buildings are much smaller than these totals, and most of the comparables are in the same size range as some subject buildings. The only size adjustments we apply are to Sales 8684, 8686 and 8687, which are larger than any subject buildings, and Sale 8688, our smallest comparable.

Age-condition: Newer buildings in better condition are more appealing and valuable.

Our subject buildings are physically older than most of the comparables, and they look it. However, there isn't much of a qualitative difference in the relative appearance of Sales 8684, 8688 and 8689. These are reportedly newer buildings but they don't look much newer. We make minus adjustments to the other sales that are newer and look to be in better condition than the subject buildings.

Correlation: After adjustments, the sales show price patterns converging around $75/SF for buildings west of the rail tracks, and $80/SF for buildings east of the tracks. The difference is because there is more land attributed to the buildings on the east. All of the sales have some aspects of similarity to the subject buildings. As a group, the sales demonstrate a consistent price pattern in the market, and that pattern would set the subject value in an open market transaction. Based on these comparisons we conclude these market values for the subject buildings on allocated sites:

Property west of the LIRR tracks		
151,900 SF buildings (on 16.2 acres of land) @ $75/SF	=	$11,392,500
rounded,		$11,400,000
Property east of the LIRR tracks		
49,554 SF buildings (on 11.8 acres of land) @ $80/SF	=	$ 3,964,320
rounded,		$ 3,965,000
Total value of existing buildings on allocated sites		$15,365,000

The Sales Comparison Grids

The grids on the following pages illustrate adjustments which were made to bring each sale into parity with the subject. Each sale is compared to the subject, and the adjustments help to indicate what price the comparable might have sold for if it were more like the subject. With several different sales on the same grid, we get to see a market pattern. The grid explains the sale comparison process in a manner similar to a graph.

When the subject property is superior to the comparable sale, a **plus** adjustment is applied to show that the subject would be worth more.

When the subject property is inferior to the sale, a **minus** adjustment shows that the subject would sell for less.

The amount of the adjustment is sometimes based on cost differences and sometimes on the appraiser's judgment as to how much each individual factor would influence a difference in value. Prior to preparing each grid, the sales were compared among themselves to see if clear price differences could be ascertained from the market data. In all cases, the controlling element in selecting the amount of adjustments is the influence which each factor could have on the decision of a typical buyer in the market.

At the conclusion of the grids, final value indications are selected based upon stronger similarities of some sales and the prevailing price pattern indicated by each grid.

IMPROVED SALES COMPARISON GRID #1 - WEST OF LIRR

	SUBJECT	SALE 8683	SALE 8684	SALE 8685	SALE 8686	SALE 8687
SALE PRICE		$4,600,000	$6,700,000	$4,500,000	$7,000,000	$6,300,000
PRICE/SF		$77.56	$72.83	$90.00	$81.78	$87.81
SALE DATE	11/05	9/05 0	10/05 0	1/05 0	4/04 0	4/04 0
RIGHTS SOLD	Fee	0	0	0	0	0
FINANCING	Typical	0	0	0	0	0
MOTIVATION	Normal	0	0	0	+10%	0
ADJ.PRICE/SF		$77.56	$72.83	$90.00	$89.95	$87.81
LOCATION	Smithtown	0	-5%	-5%	-5%	-5%
LAND/BLDG.	16.2 ac. 4.6/1	3.3/1 +5%	2.4/1 +10%	2.6/1 +10%	3.8/1 +5%	4.9/1 0
CONSTRUCTION	Mixed	0	0	0	0	0
UTILITY	Multi-tenant	-5%	-10%	-10%	-5%	-10%
FINISH.SPACE	Mixed	0	0	0	-10%	-15%
SIZE (SF)	151,900	59,312 0	92,000 +10%	50,000 0	85,600 +10%	71,742 +10%
AGE-COND.	1959-1965	-5%	0	-10%	-10%	-5%
NET ADJUST.		-5%	+5%	-15%	-15%	-25%
INDIC.SUBJ. VALUE/SF	$75.00	$73.68	$76.47	$76.50	$76.46	$65.86

INDICATED VALUE OF BUILDINGS WEST OF LIRR:

151,900 SF bldgs. @ $75/SF = $11,392,500

rounded, $11,400,000

IMPROVED SALES COMPARISON GRID #2 - WEST OF LIRR

	SUBJECT	SALE 8688	SALE 8689	SALE 8690	SALE 8691
SALE PRICE		$1,020,000	$2,395,000	$2,858,625	$1,675,000
PRICE/SF		$82.88	$95.80	$92.21	$83.58
SALE DATE	11/05	1/04 0	11/04 0	1/05 0	4/04 0
RIGHTS SOLD	Fee	0	0	0	0
FINANCING	Typical	0	0	0	0
MOTIVATION	Normal	0	0	0	0
ADJ.PRICE/SF		$82.88	$95.80	$92.21	$83.58
LOCATION	Smithtown	0	0	-10%	0
LAND/BLDG.	16.2 ac. 4.6/1	3.3/1 +5%	3.3/1 +5%	3.7/1 +5%	3.1/1 +5%
CONSTRUCTION	1 Mixed	0	0	0	0
UTILITY	Multi-tenant	0	-5%	-5%	-10%
FINISH.SPACE	Mixed	-10%	-15%	0	0
SIZE (SF)	151,900	I2,307 -10%	25,000 0	31,000 0	20,040 0
AGE-COND.	1959-1965	0	0	-10%	-5%
NET ADJUSTMENT		-15%	-15%	-20%	-10%
INDIC.SUBJECT VALUE/SF	$75.00	$70.45	$81.43	$73.77	$75.22

INDICATED VALUE OF BUILDINGS WEST OF LIRR:

151,900 SF bldgs. @ $75/SF = $11,392,500

rounded, $11,400,000

IMPROVED SALES COMPARISON GRID #1 - EAST OF LIRR

	SUBJECT	SALE 8683	SALE 8684	SALE 8685	SALE 8686	SALE 8687
SALE PRICE		$4,600,000	$6,700,000	$4,500,000	$7,000,000	$6,300,000
PRICE/SF		$77.56	$72.83	$90.00	$81.78	$87.81
SALE DATE	11/05	9/05 0	10/05 0	1/05 0	4/04 0	4/04 0
RIGHTS SOLD	Fee	0	0	0	0	0
FINANCING	Typical	0	0	0	0	0
MOTIVATION	Normal	0	0	0	+10%	0
ADJ.PRICE/SF		$77.56	$72.83	$90.00	$89.95	$87.81
LOCATION	Smithtown	0	-5%	-5%	-5%	-5%
LAND/BLDG.	11.8 ac. 10.4/1	3.3/1 +10%	2.4/1 +15%	2.6/1 +15%	3.8/1 +10%	4.9/1 +5%
CONSTRUCTION	Mixed	0	0	0	0	0
UTILITY	Multi-tenant	-5%	-10%	-10%	-5%	-10%
FINISH.SPACE	Mixed	0	0	0	-10%	-15%
SIZE (SF)	49,554	59,312 0	92,000 +15%	50,000 0	85,600 +15%	71,742 +15%
AGE-COND.	1959-1965	-5%	0	-10%	-10%	-5%
NET ADJUST.		0	+15%	-10%	-5%	-I5%
INDIC.SUBJ. VALUE/SF	$80.00	$77.56	$83.75	$81.00	$85.46	$74.64

INDICATED VALUE OF BUILDINGS EAST OF LIRR:

49,554 SF bldgs. @ $80/SF =	$3,964,320
rounded,	$3,965,000

IMPROVED SALES COMPARISON GRID #2 - EAST OF LIRR

	SUBJECT	SALE 8688	SALE 8689	SALE 8690	SALE 8691
SALE PRICE		$1,020,000	$2,395,000	$2,858,625	$1,675,000
PRICE/SF		$82.88	$95.80	$92.21	$83.58
SALE DATE	11/05	1/04 0	11/04 0	1/05 0	4/04 0
RIGHTS SOLD	Fee	0	0	0	0
FINANCING	Typical	0	0	0	0
MOTIVATION	Normal	0	0	0	0
ADJ.PRICE/SF		$82.88	$95.80	$92.21	$83.58
LOCATION	Smithtown	0	0	-10%	0
LAND/BLDG.	11.8 ac. 10.4/1	3.3/1 +10%	3.3/1 +10%	3.7/1 +10%	3.1/1 +5%
CONSTRUCTION	Mixed	0	0	0	0
UTILITY	Multi-tenant	0	0	-5%	-10%
FINISH.SPACE	Mixed	-10%	-15%	0	0
SIZE (SF)	49,554	12,307 -10%	25,000 0	31,000 0	20,040 0
AGE-COND.	1959-1965	0	0	-10%	-5%
NET ADJUST.		-10%	-5%	-15%	-10%
INDIC.SUBJ. VALUE/SF	$80.00	$74.59	$91.01	$78.38	$75.22

INDICATED VALUE OF BUILDINGS EAST OF LIRR:

49,554 SF bldgs. @ $80/SF = $3,964,320

rounded, $3,965,000

Industrial Buildings on Allocated Sites
Correlation and Final Value Conclusion - Before Taking

Indicated value based on sales comparisons	$15,365,000
Indicated value based on income approach	$14,900,000
Rounded value conclusion for existing industrial buildings, including underlying land, before taking	$15,000,000

We used two of the basic value approaches separately. The approaches were used to estimate the value of the existing industrial buildings, on allocated land areas of 16.2 acres west of the railroad tracks, and 11.8 acres east of the tracks.

We found a good selection of improved industrial sales to use in a sales comparison approach. We used price per SF of building as a common denominator, which includes the underlying land. We prepared separate comparisons of the buildings on each side of the LIRR tracks.

The sales comparison approach looks reliable because there is a clear price pattern evident in the market. The consistency of prices demonstrates that sellers and buyers have a sense of "prevailing price" and that the market is informed and well organized. The main weakness we see in this approach is that the sales are mostly newer, more modern buildings without as many small tenants as found in the subject.

That is one reason to emphasize the income approach, which is based on actual subject rents and operating expenses. We made reasonable assumptions about financial rates and yields, and our assumptions are corroborated by the consistency of the values shown by the income and sales comparison approaches.

The two approaches corroborate each other and provide cogent support for a rounded market value conclusion of **$15,000,000**. This is for a fee interest in 151,900 SF of existing buildings on 16.2 acres of land west of the LIRR tracks; plus 49,554 SF of existing buildings on 11.8 acres of land east of the LIRR tracks. The value is before taking and as of November 2, 2005.

Suggested Allocation of Value

To reconcile eminent domain damages at the conclusion of this study, we present this suggested allocation of value between the land and buildings. In the next section of this report we will prepare a discounted cash flow analysis, in which we will calculate a land value of $195,000/acre for finished industrial sites. We will use that same $195,000/acre to calculate the land value underlying the existing buildings. The residual value, i.e., total value less land value, can be ascribed to the improvements.

Appraised value of existing buildings (201,454 SF) on allocated sites totalling 28 acres	$15,000,000
Underlying land, 28.0 acres @ $195,000/acre	5,460,000
Residual value, attributed to buildings	$ 9,540,000
	($47.35/SF)

MARKET VALUE OF POTENTIAL SUBDIVISION LAND - BEFORE TAKING

The subject's gross land area is 313 acres. This includes 16.2 acres on the west side of LIRR tracks allocated to Buildings 1, 2, 7 and 8, and another 11.8 acres east of the tracks (9.0 acres allocated to Building 17 plus 2.8 acres to Building 18. The land allocations for both buildings are very generous and we consider the 11.8 acres sufficient to include the land area surrounding Building 25 as well). These land allocations are taken from Gyrodyne's Preliminary Land Use Plan, prepared by Henderson & Bodwell. This plan does not show a site for Building 25, but we note that Building 25 is in a peripheral location where it could be used for several more years as other parts of the subject land are developed. Ultimately Buildings 18 and 25 would best be razed; both are small buildings which could detract from the appeal of surrounding lands. This leaves us with a net land area for subdivision of:

Gross land area	313.0 acres
Allocated site for Buildings 1, 2, 7, 8	- 16.2 acres
Allocated site for Buildings 17, 18, 25	- 11.8 acres
Potential subdivision area, net	285.0 acres

That overstates the amount of land an experienced developer would expect to work with. The developer will lose some land needed for interior roads and infrastructure, such as a sewer plant site or pump stations. The planning process will inevitably produce demands for reserved land as well. Planning officials will probably require some buffer strips adjacent to existing homes, and some reserved open space, and any wetlands or steep slopes will be excluded from development. We think it likely that the landowners could be asked to donate Flowerfield land as a public fairgrounds. In our observation and experience, developers often expect to lose 20% to 30% of their gross land area in the approvals process. The loss factor may be lower here because we are projecting large industrial lots, and individual lots could include some of the reserved open space. Large lots will also minimize land wasted by irregularly shaped lots. Barring unusual demands for an open space donation to the public, we estimate a very modest 10% loss factor.

Potential subdivision area, net	285.0 acres
Less 10% loss factor	- 28.5 acres
Net land available for subdivision	256.5 acres

A land investor or developer would probably estimate what this land can be sold for over time, deduct development expenses and holding costs, and discount the net proceeds to present value. That sort of analysis gets us a land value, separate and apart from the value of industrial buildings which can be sold off on allocated sites. The total value of the subject property would be the sum of the vacant land value, plus the value of the improved parcels. Our appraisal method will follow that general format.

Rationale for Subdivision Planning

It is premature to draw an actual subdivision plan because a final plan will depend on engineering and what local planning officials approve. The route of interior roads, for example, will be determined by the placement of access points on public roads, and buffers required near

existing homes. Without exact road placements, we can't determine lot lines and lot sizes. So we will price the business sites using per acre prices, a common practice in this market anyway.

We were shown a suggested industrial park layout based on zoning, with one acre lots. That plan is consistent with business development in Nassau County in the 1950's, but contrary to current market norms. Most of the modern industrial parks in this region typically sell sites of one to ten acres each. There are several reasons why the subject property calls for large lots, probably 5 to 10 acres each. First, approvals involve two towns, both deeply concerned about open space and added traffic. We think large lots will be an unavoidable product of the planning process. Second, the subject tract has a somewhat rural ambience, and an experienced developer will try to maintain that ambience as a marketing tool. The easiest way to do so is to create large lots with plenty of open space, buffers and landscaping. Third, the subject location may attract businesses which want to be near the SUNY campus. These could be technology or research businesses which want a campus-style setting. Again, large lots are a good way to achieve that goal. So we project typical lots of five to ten acres each.

Retail Pricing of Business Sites

We need to set prices for business sites in the subject subdivision. We will do so by comparing the subject lots with other similar and competitive business sites that sold recently on the open market. We selected a number of land sales which have many aspects of similarity to the subject, and we analyzed all the comparable sales to show price per acre of land. We will develop a per acre value and apply it to a prototype shovel-ready subject parcel of 5 to 10 acres.

All of the land sales sold in fee simple and none of the prices were distorted by abnormal financing. To the best of our understanding, none of the sales sold under duress or abnormal circumstances, but we make a special adjustment to Sale 8514, which did have an unusual circumstance. Sale 8514 was bought to build an electric generating turbine. The site happens to abut powerlines and a substation, which makes it much more valuable to the buyer. If you want to build a turbine, sites like this are hard to find. Also, the seller was aware of the buyer's intentions, which involved some interaction with regional planning officials and the Long Island Power Authority. In short, the seller had more negotiating leverage than the buyer. Under more conventional circumstances this land parcel might have sold for less, so we make a minus adjustment under the 'motivation' category.

All of the sales took place close to the valuation date, during a period when there wasn't much evidence of rapid price changes over time. So most of the sales are reasonably accurate measures of local land value around November 2005. Three of the sales are somewhat older than the others; these are Sales 8514, 8515 and 8516. We adjust these sales up to recognize that they might have sold for slightly more if they had sold in November 2005, when our subject is being valued. The adjustments are not intended to objectively measure a price trend, but only to recognize a common investor attitude.

The following comparison factors have been considered in arriving at the subject's potential land value relative to each of the land sales:

> Location: The location of the subject relative to each sale is judged after reviewing the desirability of adjacent roads and highway access patterns, traffic flows and local growth

trends and the character of land use and other properties in the surrounding neighborhood. Consideration has also been given to the reputation and prestige of the property address.

The subject sites are not ideally situated for business since they are on secondary roads some distance from the LIE. However, the subject sites have the advantage of a very pretty semi-rural setting, in what can be a prestigious modern business park. With proper marketing, this location could command premium prices.

Sale 8510 is a less desirable location in a scruffier area with small industrial shops. Sales 8513 and 8537 are viable business locations but they lack the appeal of a business park environment, which the subject lots will have. Our other land sales are all in modern business parks which are closer to the LIE, but none have the open space and prestige environment that we envision for the subject park. These differences balance each other and we make no location adjustments with the business park site sales.

Topography: Topography has been considered as an element of land utility and potential development costs, since sloping, hilly or poorly drained land is more costly to develop than level property. Most of the subject has buildable terrain and that is the case with all the sales as well. No adjustments are applied.

Frontage/Shape: Land with greater frontage on an existing road tends to be more valuable than a parcel of the same size with less road frontage. This is because a greater amount of frontage provides better visibility and more flexible access. Parcels with regular overall shapes tend to be more efficient and more economically valuable than very irregular parcels, where narrow shape may limit building placement or the amount of land that can physically be used.

We are appraising prototype business sites which would be created in a subdivision of the subject property. Such sites will have suitable shape and frontage for business development. None of the comparable sales have unusual frontage or shape situations and no adjustments are needed in any of these comparisons.

Zoning: Developers may pay a premium for land with flexible zoning. Practically all of the subject land is zoned for light industry, which also permits a range of office and lab uses. There are differences between zoning rules in different towns, but the sales all have zoning which is generally similar to the subject's. That is one of the criteria we used to select these comparable sales. No adjustments are applied for zoning.

Size: Large properties are usually more valuable than small properties. However, when comparing properties using price per acre, large parcels tend to have lower per acre prices. This is because large parcels require higher capital investments, and there are fewer competing bidders. Consequently, larger parcels tend to sell for lower per acre prices. We are appraising a prototype subject site in the five to ten acre range. Four of our sales are larger, about 30 acres each, and the smaller subject should have a higher per acre price. We make the inverse adjustment to Sale 8536, our smallest land sale.

Concluded land value - The comparisons and adjustments we made tend to narrow the price

through the property from existing public roads. That is a high estimate because existing roads will probably be retained, so an investor could use this as a conservative allowance. We use an average road cost of $350/LF, which includes installation of drainage, subsurface base, lights, utilities, curbs and paving. That is a total cost of $2,275,000 (6,500 LF @ $350).

We spread this cost over four years, beginning in year 3, after subdivision approvals are in hand. The subdivision can be completed in phases so some of the cost can be deferred until lot sales generate a fast payback.

Engineering, fees - We budget $125,000, most of which is scheduled early, during the approvals process. The amount is low because Gyrodyne has already made extensive engineering studies for prior development plans. Much of the material in those existing studies can be used again.

Professional fees - We budget $100,000 per year during the approvals process. Some studies from earlier development applications may be reused, but there could be requests for new traffic studies or impact studies, for a business park.

Insurance - We budget $12,000 as an annual premium for basic commercial liability coverage. Liability insurance should be maintained throughout this venture and we forecast annual premium increases of +3.5%.

In practice, insurance premiums can change drastically from one year to the next, either up or down. The premium changes in response to industry trends, and can increase or decrease. We mention this to point out that a cash flow schedule is an analytic format used by prudent investors. It is a projection, not a prediction.

Real estate taxes - We calculated the subject's total annual tax bills to be $17,582 in Brookhaven plus $294,547 in Smithtown, total $312,129. This includes taxes on existing buildings, for which we allocated part of the tax bills. We are now appraising the subject's development land, so we need to deduct only the real estate taxes attributable to our development land. Here is a calculation of the net taxes attributable to that land alone:

Annual taxes in Brookhaven	$ 17,582
Annual taxes in Smithtown	294,547
Total property taxes	$312,129
Less taxes allocated for Bldgs. 1,2,7,8	-122,687
Less taxes allocated for Bldgs. 17,18,25	- 47,610
Net taxes attributable to development land	$141,832
rounded,	$141,800

$141,800 is base year taxes, to which we add a +3.5%/annual increase in the tax level.

The entire property will be reassessed when a subdivision plan is approved, and taxes will change. We analyzed the existing taxes to show taxes per acre per year.

PARCEL NO.	ACRES	GROSS TAX	TAX/ACRE
200/273/1/3	177.10	$17,581.61	$ 99
800/39/5/42.4	3.30	$4,120.07	$1,249
800/39/5/42.3	1.90	2,372.16	$1,249
800/40/2/4	1.30	865.63	$ 666
800/40/2/11	64.90	74,577.48	$1,149
800/40/2/13	31.80	128,662.81	$4,046
800/40/2/14	1.50	2,305.58	$1,537
800/40/2/15	27.90	81,644.03	$2,926
Total Property	309.73	$312,129.38	$1,008

Some of these accounts have high taxes because they include buildings. The overall average is $1,008/acre taxes. We allow $1,100/acre per year for taxes after approvals are granted.

Property maintenance - We budget $10,000 for the base year, covering some grass mowing, trash removal and general cleanup. The allowance is increased +3.5% per year throughout the forecast period.

Sales costs - These are estimated at 8% of gross revenues from lot sales. Real estate brokerage fees alone would be about 5%, then there are marketing costs, brochures, etc.

Developer's overhead - The developer of the property will expend time and energy in the development and sale of this property. As such, he is entitled to be remunerated for his efforts. We base this solely on revenue received. We budget $100,000/year in the initial years before groundbreaking, then 10% of the gross income generated, as payment to the developer for overhead.

Calculation of Net Incomes

Net income is calculated by subtracting total expenses from gross income from lot sales in a given year. The total of the income streams for each of the years in each schedule are then discounted to net present value.

On the next page is a cash flow schedule which summarizes all the income and expense items described above.

CASH FLOW SCHEDULE FOR SUBDIVISION - BEFORE TAKING

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
INCOME Acres sold/yr.	0	0	35	25	25	25	25	25	25	71.5
Acres unsold	256.5	256.5	221.5	196.5	171.5	146.5	121.5	96.5	71.5	0
Avg. Price/Ac.	$195,000	$204,750	$214,988	$225,737	$237,024	$248,875	$261,319	$274,385	$288,104	$302,509
Gross income	$0	$0	$7,524,563	$5,643,422	$5,925,593	$6,221,873	$6,532,966	$6,859,615	$7,202,595	$21,629,394
EXPENSES Infrastructure	$0	$0	$500,000	$700,000	$500,000	$575,000	$0	$0	$0	$0
Engineering/fees	50,000	50,000	10,000	5,000	5,000	5,000	0	0	0	0
Prof.fees	100,000	100,000	0	0	0	0	0	0	0	0
Insurance	12,000	12,420	12,855	13,305	13,770	14,252	14,751	15,267	15,802	16,355
R.E.taxes	141,800	146,763	243,650	226,958	207,987	186,551	162,452	135,477	105,399	0
Property maint.	10,000	10,350	10,712	11,087	11,475	11,877	12,293	12,723	13,168	13,629
Sales costs	0	0	601,965	451,474	474,047	497,750	522,637	548,769	576,208	1,730,351
Dev. overhead	100,000	100,000	752,456	564,342	592,559	622,187	653,297	685,961	720,260	2,162,939
Total expenses	$413,800	$833,333	$2,131,638	$1,972,165	$1,804,839	$1,912,617	$1,365,430	$1,398,198	$1,430,835	$3,923,275
Net income	**($413,800)**	**($833,333)**	**$5,392,924**	**$3,671,257**	**$4,120,754**	**$4,309,255**	**$5,167,536**	**$5,461,417**	**$5,771,760**	**$17,706,119**

Discount Rate

Real estate investments such as the subject are purchased by knowledgeable investors who can choose among a number of competing investment alternatives. An investor considering the purchase of the subject property will be familiar with prevailing rates in the financial markets and will use these as a guide in setting yield expectations for his available capital.

Here is a summary of financial rates at the week's market closing on Friday, November 4, 2005. These rates will help set a framework for arriving at a subject discount rate.

Prime rate (NYC)	7.00%
Prime mortgage rate *	5.69%
Aaa corporate bonds (Moody's)	5.48%
Baa corporate bonds (Moody's)	6.44%
Treasury notes, 3 year	4.46%
Treasury notes, 10 year	4.61%
Treasury bonds, 20 year	4.89%
Municipal bonds (tax-exempt)	4.63%
Home mortgages, national average	
15 years fixed	5.89%
30 years fixed	6.31%
Home equity credit line	7.12%
Automobile loan (new)	7.89%
Selected subject discount rate range	**10% to 15%**

* The prime mortgage rate is published by Barron's Magazine (Dow Jones Co.) and calculated by John B. Levy Associates. The rate is an average for high grade real estate mortgage loans over $5 million. The stated rate is for a 10 year loan term with one point origination fee, as of December 5, 2005.

The rates show some general trends. First, the Federal Reserve has lately been trying to slow economic expansion and inflation by raising its Federal funds market rate. The last increase was only a week before our valuation date. Other rates follow in tandem, e.g., prime rate was 6.75% in October, it was 7.25% the week after our valuation date. The Fed's actions haven't been as effective as they could be since we are still awash in investment capital, some of it overseas funds sent back to support US imports. US corporations are also sitting on hoards of cash, mocking supply-side economic theorists. All that cash seeking short term placement helps explain why the prime rate - supposedly a safe benchmark - is higher than even mortgage rates.

We can draw other observations about investor expectations by looking at these rates. The prime mortgage rate is lower than home mortgage rates. Home mortgage rates should probably be lower because home mortgages are a small commodity product secured by homeowner borrowers. The prime mortgage rate applies to large investment properties, which are big, non-standard loans. We attribute their lower rate to the concentration of investment capital in the hands of aggressive institutional investors and pension fund managers. The antipathy to long-term investments is evident in the pattern of higher rates for longer term investments, e.g., 10 and 30 years Treasury issues, and 15 and 30 year mortgages. As usual, higher risk demands higher returns, e.g., the 95 basis point spread between Baa and Aaa corporate bonds.

These rates give us a range of what investors are demanding today. There is no empiric proof of the right discount rate for any investment; rates are merely investor expectations, which are the judgements of individual investors. The above rates also apply to relatively standard financial products which are instantly tradable; that is quite different from real estate. Financial market rates are important because they give us guidelines and they mirror general expectations around our specific appraisal date. In our observation the discount rate for the subject property should exceed any of these rates.

The subject deserves a high rate for a variety of reasons:

1. This is a development venture, as compared to an existing property which can be occupied and/or leased immediately. There is inherently more risk in a development venture than in buying a rent-producing property.

2. The subject subdivision cannot move forward until it receives approvals. The approvals process is time-consuming, expensive and unpredictable. Any knowledgeable investor would quickly become aware of the problems this property has faced over the past few years. That is bound to dampen an investor's enthusiasm.

3. The success of this subdivision depends on business decisions made by the developer, financing and market response. These are all impossible to predict, which adds to the risk inherent in a development project.

4. The subject lots are sensitive to economic downturns, and the real estate market is often a lagging indicator. A sluggish economy could prolong the sale of the subject lots for years, and many investors are impatient.

5. The subject property is an unusual asset so it doesn't fit well in a managed investment portfolio, which limits its appeal to many investors (e.g., institutional managers). That limits its liquidity.

If this subject were a rated corporate bond with the same income stream, an investor would probably demand a 6.5% yield, at least. That should be increased for all the reasons enumerated above. Our lots are a far riskier investment, so a prudent investor could seek double a bond's return to place his capital. For our analysis we will consider discount rates ranging from 10% to 15%. The value results are shown below.

Discount Rate	Net Present Value
10%	$24,959,360
11%	$23,412,841
12%	$21,984,920
13%	$20,665,026
14%	$19,443,640
15%	$18,312,187

Based on this range, we conclude a rounded subdivision land value of $22,500,000.

SUMMATION OF THE APPRAISED VALUES - BEFORE TAKING

The subject property is a large land holding comprised of component parcels suitable for different uses. We identified and allocated acreage to each of those uses, and valued each of the components separately. That is the most logical method for dealing with a property of this type, and it is the method that a prospective buyer would be most likely to employ. Here is a summary of the component values we estimated:

Existing buildings on allocated sites totalling 28 acres of land	$15,000,000
Development land, 285 acres gross, 256.5 acres net, based on discounted cash flow analysis	$22,500,000
Sum of the parts, 313 acres as improved, before taking	$37,500,000

Sum of the parts discount - It is common practice for appraisers to discount the total value of a property with disparate components. The rationale is that investors and developers specialize; they might want the subject's development land but not its rental buildings, or vice versa. In that situation, a buyer may take the entire property in order to get what he wants, then sell off the unwanted part. However, the buyer would discount his price, because he is forced to invest in an unwanted asset, and he may have to pay the added costs of reselling.

We have elected not to discount the value of the subject property. The subject's occupied rental buildings and development land are each large components, with sufficient investment appeal to be resold. An investor might also want to keep the entire holding intact in order to retain control, for when the land is developed with new buildings. We will not discount our total property value.

Suggested Allocation of Value - Before Taking

For purposes of reconciling eminent domain damages at the conclusion of this study, we present this suggested allocation of value between the land and buildings. In our discounted cash flow analysis we calculated a land value of $195,000/acre for finished industrial sites. We applied that same $195,000/acre to value the land underlying the existing buildings. The residual value (total value less land value) was ascribed to the improvements.

Appraised value of existing buildings (201,454 SF) on allocated sites totalling 28 acres	$15,000,000
Underlying land, 28.0 acres @ $195,000/acre	5,460,000
Residual value, attributed to buildings	$ 9,540,000
Appraised value of potential subdivision land	$22,500,000
Allocated value of land underlying buildings	5,460,000
Subtotal, land value (313 acres)	$27,960,000

THE APPROPRIATION

DESCRIPTION OF THE APPROPRIATION

The appropriated land is 245.458 contiguous acres straddling the town line, as follows:

180.993 acres in Stony Brook, Town of Brookhaven

64.465 acres in St. James, Town of Smithtown

245.458 acres total land area appropriated

The appropriation is irregular in shape, bounded on the east side by Stony Brook Road and on the west side by the Long Island Railroad tracks. The land is mostly cleared with level to gently undulating terrain, but there are wooded areas, particularly along the perimeter. The most rugged terrain is found near the northeast corner, around the area where the LIRR tracks cross Stony Brook Road. That part of the appropriated parcel is rocky woods which rise 10 to 50 feet above the grade of Stony Brook Road. The LIRR tracks cross Stony Brook Road on a steel girder bridge which is elevated about 50 feet above the road.

The appropriated parcel has long road frontage but only one existing access point, near the south end. That is a private entry road which extends due west into the parcel, only about 50 feet in from and parallel to the south property line. That entry road and connecting interior roads on the parcel are 22 foot wide asphalt surfaces with poured concrete curbs on both sides.

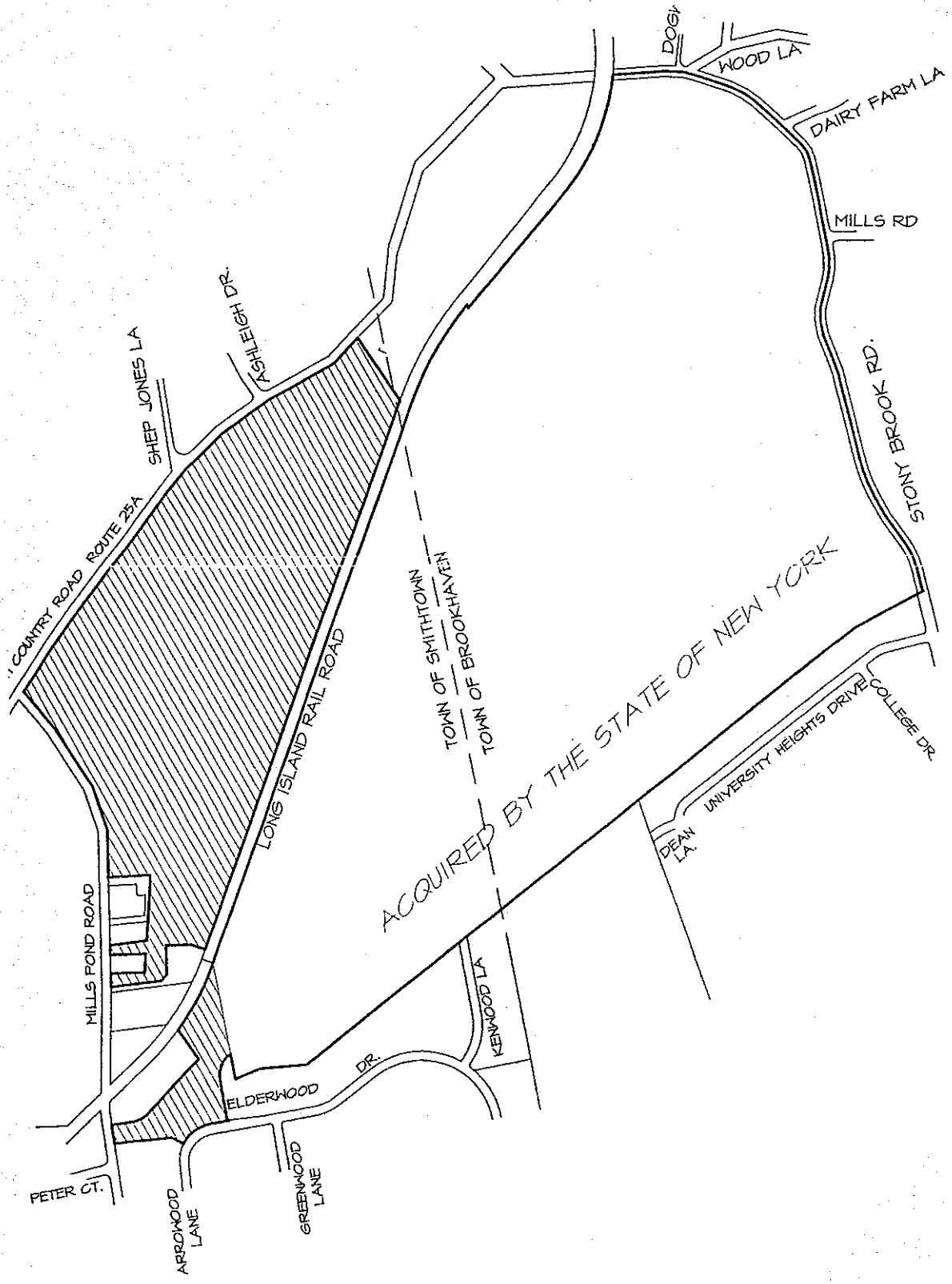
It will be difficult to engineer other access points into the appropriated parcel, for reasons of traffic safety. Stony Brook Road is a winding two lane road with short lines of sight, obstructed by the steep upslopes on the subject property. An experienced developer would expect to encounter planning board resistance to new access drives. New access points may require installing new traffic signals, widening the roadway, or other expensive offsite improvements. Local officials are bound to refuse permission for new individual driveways along Stony Brook Road so the long frontage which now exists conveys no advantages. Secondary access from the west would require crossing the LIRR tracks, which also poses logistic problems. We consider the appropriated parcel to have subpar access.

The appropriated parcel is improved with three primary buildings: Buildings 17, 18 and 25. These were described earlier in this study, and the reader is directed to the descriptions of those buildings in the before taking section of this appraisal.

Most of the appropriated parcel is zoned for light industrial use: L-1 in Brookhaven and LI in Smithtown. Zoning was also discussed in detail earlier in this report.

The property was appropriated in fee on November 2, 2005.

SKETCH OUTLINE OF THE APPROPRIATION



Not a survey, not to scale; for illustration only.

EFFECTS OF THE TAKING

1. Total property area was reduced by 245.458 acres. Before the taking, the property contained 313 acres of land in total, the remainder property contains 67.59 acres. We round this to 67.6 acres. The property's value was sharply reduced by the size reduction.

2. All of the buildings west of the Long Island Railroad tracks were appropriated. These are Buildings 17, 18 and 25. The remainder property still contains Buildings 1, 2, 7 and 8, but the property is not as valuable because of the usable building space which was lost. The loss is mitigated somewhat by the quality of Buildings 18 and 25, which were really useful only until further development plans are formalized. Buildings 18 and 25 had only interim use value, until the time is ripe to raze them.

3. All of the land in the Town of Brookhaven was appropriated; the remainder is entirely within Smithtown. This potentially simplifies development approvals since the remainder is obviously within the purview of Smithtown officials, rather than the public officials of two townships. The remainder parcel may also gain a slight marketing advantage by being entirely in Smithtown. Smithtown is more built up than Brookhaven so development land is sometimes perceived to be more dear. Surrounding house values are also clearly higher in Smithtown than in neighboring parts of Brookhaven.

4. The shape of the remainder parcel is irregular but no more so than it was before the appropriation.

5. Street access into the remainder property is substantially the same as before the appropriation. There are several existing points of access along Mills Pond Road and N.Y. Route 25A; access is suitable for the existing uses or for further development.

6. The highest and best use of the remainder is essentially unchanged. Buildings 1, 2, 7 and 8 are unaffected and can continue to operate as a multi-tenant rental property on a 16.2 acre site. The rest of the remainder property (51.4 acres) is still suitable for light industrial development, consistent with Smithtown zoning. This is still a large parcel based on local norms, and one which could appeal to a spectrum of developers. The remainder property is certainly marketable to a universe of potential buyers.

7. We considered the possibility that the remainder could be less valuable because its reduced size compromised some efficiencies of scale. In our view, that is not the case. The pre-appropriation property was unusually large; its capital requirements limited the universe of competitive buyers and raised the risks of a development venture. The remainder parcel might entail higher road costs per lot or per acre, for example, but total development costs would be less and business park lots could be sold out years sooner. If there were possible efficiencies of scale, they would be offset by the more manageable size of the remainder.

DESCRIPTION OF THE REMAINDER PROPERTY

The remainder property is a contiguous, irregularly shaped tract containing 67.6 acres of land, gross. The property has long frontage on the east side of Mills Pond Road and the south side

IMPROVED SALES COMPARISON GRID #1 - AFTER TAKING

	SUBJECT	SALE 8683	SALE 8684	SALE 8685	SALE 8686	SALE 8687
SALE PRICE		$4,600,000	$6,700,000	$4,500,000	$7,000,000	$6,300,000
PRICE/SF		$77.56	$72.83	$90.00	$81.78	$87.81
SALE DATE	11/05	9/05 0	10/05 0	1/05 0	4/04 0	4/04 0
RIGHTS SOLD	Fee	0	0	0	0	0
FINANCING	Typical	0	0	0	0	0
MOTIVATION	Normal	0	0	0	+10%	0
ADJ.PRICE/SF		$77.56	$72.83	$90.00	$89.95	$87.81
LOCATION	Smithtown	0	-5%	-5%	-5%	-5%
LAND/BLDG.	16.2 ac. 4.6/1	3.3/1 +5%	2.4/1 +10%	2.6/1 +10%	3.8/1 +5%	4.9/1 0
CONSTRUCTION	Mixed	0	0	0	0	0
UTILITY	Multi-tenant	-5%	-10%	-10%	-5%	-10%
FINISH.SPACE	Mixed	0	0	0	-10%	-15%
SIZE (SF)	151,900	59,312 0	92,000 +10%	50,000 0	85,600 +10%	71,742 +10%
AGE-COND.	1959-1965	-5%	0	-10%	-10%	-5%
NET ADJUST.		-5%	+5%	-15%	-15%	-25%
INDIC.SUBJ. VALUE/SF	$75.00	$73.68	$76.47	$76.50	$76.46	$65.86

INDICATED VALUE OF BUILDINGS WEST OF LIRR:

151,900 SF bldgs. @ $75/SF = $11,392,500

rounded, $11,400,000

IMPROVED SALES COMPARISON GRID #2 - AFTER TAKING

	SUBJECT	SALE 8688	SALE 8689	SALE 8690	SALE 8691
SALE PRICE		$1,020,000	$2,395,000	$2,858,625	$1,675,000
PRICE/SF		$82.88	$95.80	$92.21	$83.58
SALE DATE	11/05	1/04 0	11/04 0	1/05 0	4/04 0
RIGHTS SOLD	Fee	0	0	0	0
FINANCING	Typical	0	0	0	0
MOTIVATION	Normal	0	0	0	0
ADJ.PRICE/SF		$82.88	$95.80	$92.21	$83.58
LOCATION	Smithtown	0	0	-10%	0
LAND/BLDG.	16.2 ac. 4.6/1	3.3/1 +5%	3.3/1 +5%	3.7/1 +5%	3.1/1 +5%
CONSTRUCTION	1 Mixed	0	0	0	0
UTILITY	Multi-tenant	0	-5%	-5%	-10%
FINISH.SPACE	Mixed	-10%	-15%	0	0
SIZE (SF)	151,900	12,307 -10%	25,000 0	31,000 0	20,040 0
AGE-COND.	1959-1965	0	0	-10%	-5%
NET ADJUSTMENT		-15%	-15%	-20%	-10%
INDIC.SUBJECT VALUE/SF	$75.00	$70.45	$81.43	$73.77	$75.22

INDICATED VALUE OF BUILDINGS WEST OF LIRR:

151,900 SF bldgs. @ $75/SF = $11,392,500

rounded, $11,400,000

Income Approach for Existing Buildings - After Taking

Earlier in this study we included rent rolls for the subject property as of November 2005, before the appropriation. The same rent rolls apply to the remainder property, except that Buildings 17, 18 and 25 are no longer part of the property. Here is a summary of all the remaining subject buildings and the potential rent we calculated for each, after the appropriation:

Building	Gross Rent/Month	Bldg.SF	Vacant SF
Bldg. 1	$30,162	25,000	10,297
Bldg. 2	32,186	33,800	9,455
Bldg. 7	79,113	73,000	28,389
Bldg. 8	19,772	20,100	9,608
Rents after taking	$161,234	151,900	57,749
Vacancy			*(38.02%)*

The indicated vacancy rate is quite high because vacancies had been negligible in Buildings 17, 18 and 25, the buildings that were taken. Those offset vacancies elsewhere. Nevertheless, we calculated market rent for all the spaces shown as vacant on the rent rolls, so the total monthly rent of $161,234 assumes full occupancy.

There will obviously be some vacancy and collection losses. An investor would not forecast a 38% vacancy rate, he would assume higher stabilized occupancy levels. In the before taking appraisal we explained the use of a vacancy and collection loss allowance, and used 7.5% of gross potential rent. We again use a 7.5% allowance in calculating the effective gross income for the remainder property.

Stabilized Operations - After Taking

Projected gross rents, per month		$ 161,234
per year		$1,934,796
Vacancy, collection loss 7.5%		- 145,110
Effective gross		$1,789,686
Real estate taxes	$122,687	
Operations, maintenance, $3/SF	455,700	
Management, 2%	35,794	
Reserves	151,900	
Interest	0	
Depreciation	0	
Total operating expenses		- 766,081
Net operating income after taking, stabilized		$1,023,605

Real estate taxes - We deducted an allocated portion of the real estate taxes, based on the assessment on Buildings 1, 2, 7 and 8 on a 16.2 acre site. The calculations we used for that

allocation are set forth under the heading "Assessment and Real Estate Tax Information" in the addenda to this report. The balance of the assessments were used to calculate taxes on the development land, which are charged against the development land as a holding cost.

Operations and maintenance - We have a subtotal for this expense category in annual reports (SEC Form 10K for Gyrodyne Corp.). The stated amounts were reviewed and analyzed in the before taking appraisal. The reader is directed back to that section of the report for reference, in a rare attempt at brevity we will not repeat the analysis here. We deduct $3/SF as a stabilized expense for operations and maintenance.

Management - Professional property managers typically charge a percentage of income collected. Charges of 3.5% to 6% are not atypical for multi-tenant properties such as apartment buildings and shopping centers. The percentage can also vary depending on the extent of services which the manager provides. Optional services can include staffing an office at the property, sending rent invoices to tenants, and providing weekly or monthly status reports to the owner. Expensive management contracts sometimes save money in other expense categories.

There are enough professional management firms in the subject market to create some competition and keep fees in check. A prudent investor could reasonably expect to secure management services for approximately 5% of gross rents collected.

The current owner has always managed the property itself, so some management expenses are already included in the stated operations and maintenance expense. These are largely the payroll costs for an on-site manager and support staff, e.g., office administrator and financial controller. Some of the staff expense may also cover other business functions or management of other property but there is already some management built into our operating expenses.

Management is still a standard expense allowance in appraising. Institutional investors often hire two layers of management, one for the property and one for administrative oversight and capital allocation. To conform with standard appraisal practice, we deduct only a modest management allowance of 2% of gross rents collected.

Reserves - This is a stabilized annual expense to replace components of the property which wear out. The subject property improvements are old and occupied by many different tenants, so depletion and replacement activity is greater than it might be for a new facility which doesn't get so much use. The allowance should be related to building size, since items like roof cover, doors, painting, etc. all cost more on a large building. An allowance of $1/SF of building per year is considered reasonable for this property. The subject contains 151,900 SF gross so the annual replacement allowance is $151,900.

Interest and depreciation - These are listed on Gyrodyne's annual report but they aren't property operating expenses. Interest is a function of the amount of debt carried on the property, and the loan's specific terms. The interest paid could differ under different ownership; deducting interest could distort the property's inherent value. If the subject property sold, new acquisition financing could change the interest expense drastically. That is why we customarily appraise real estate as if free and clear, so we don't deduct the interest. We have only listed the expense here to clarify our valuation technique.

Depreciation is not an operating expense, nor is it a cash expense. Depreciation is an accounting deduction allowed under the income tax code. Again, we have only listed depreciation here to clarify our valuation technique.

Capitalization Rate

We will use overall capitalization to appraise the existing subject buildings (151,900 SF on an allocated site of 16.2 acres of land). The capitalization rate is a weighted average of mortgage and equity requirements. The analysis and explanations for it are the same as we presented earlier in this study, in the "before taking" appraisal.

70% mortgage loan @ 0.077832 constant (6.75% interest, 30 year amortization)	=	.054482
30% equity @ .15 yield	=	.045000
100% invested, weighted average	=	.099482
Less, credit for amortization, 70% ratio of mortgage investment in property X mortgage balance paid off in 10 years (.146993) X sinking fund factor at equity yield rate, 10 years (.049252)		
0.70 X .146993 X .049252	=	-.005068
Less, credit for property value appreciation, none projected	=	.000000
Adjusted capitalization rate	=	.094414

Capitalization Into Value

Net Operating Income / Capitalization Rate	=	Value
$1,023,605 / 0.094414	=	$10,841,665
Indicated property value by income approach	=	$10,841,665
rounded,		$10,840,000

Industrial Buildings on Allocated 16.2 Acre Site
Correlation and Final Value Conclusion - After Taking

Indicated value based on sales comparisons, after taking	$11,400,000
Indicated value based on income approach, after taking	$10,840,000
Rounded value conclusion for existing industrial buildings, including underlying land, after taking	$11,000,000

We used two of the basic value approaches separately. The approaches were used to estimate the value of 151,900 SF of existing industrial buildings, on an allocated land area of 16.2 acres west of the railroad tracks.

We found a good selection of improved industrial sales to use in a sales comparison approach. We used price per SF of building as a common denominator, which includes underlying land.

The sales comparison approach looks reliable because there is a clear price pattern evident in the market. The consistency of prices demonstrates that sellers and buyers have a sense of "prevailing price" and that the market is informed and well organized. The main weakness we see in this approach is that the sales are mostly newer, more modern buildings without as many small tenants as found in the subject.

That is one reason to emphasize the income approach, which is based on actual subject rents and operating expenses. We made reasonable assumptions about financial rates and yields, and our assumptions are corroborated by the consistency of the values shown by the income and sales comparison approaches.

The two approaches corroborate each other and provide cogent support for a rounded value conclusion of **$11,000,000**.

This value applies to 151,900 SF of existing buildings on 16.2 acres of land west of the LIRR tracks. The value is market value of a fee interest, after the appropriation and as of November 2, 2005.

Suggested Allocation of Value - After Taking

For purposes of reconciling eminent domain damages at the conclusion of this study, we present this suggested allocation of value between the land and buildings. In our discounted cash flow analysis we calculated a land value of $195,000/acre for finished industrial sites. We will use that same $195,000/acre to calculate the land value underlying Buildings 1, 2, 7 and 8. The residual value, i.e., total value less land value, can be ascribed to the improvements.

Appraised value of Buildings 1, 2, 7 and 8	$11,000,000
Underlying land, 16.2 acres @ $195,000/acre	3,159,000
Residual value, attributed to buildings	$ 7,841,000

MARKET VALUE OF THE POTENTIAL SUBDIVISION LAND - AFTER TAKING

The gross land area of the remainder property is 67.6 acres. This comprises 16.2 acres along the west side of LIRR tracks allocated to Buildings 1, 2, 7 and 8, plus 51.4 acres of potential development land.

51.4 acres overstates the amount of land an experienced developer would expect to work with. Any developer will lose some land needed for interior roads and infrastructure, such as a sewer plant site or pump stations. The planning process may produce demands for reserved land as well, such as buffers, open space, wetlands or steep slopes. In our observation and experience, developers often expect to lose 20% to 30% of their gross land area in the approvals process. The loss factor may be lower here because we are projecting large industrial lots, and individual lots could include some of the reserved open space. Large lots will also minimize land wasted by irregularly shaped lots. Barring unusual demands for an open space donation to the public, we estimate a very modest 10% loss factor.

Potential subdivision area, net	51.40 acres
Less 10% loss factor, rounded,	- 5.15 acres
Net land available for subdivision	46.25 acres

A land investor or developer would estimate what this land can be sold for over time, deduct development expenses and holding costs, and discount the net proceeds to present value. That sort of analysis gets us a land value, separate and apart from the value of industrial buildings which can be sold off separately. The total value of the subject property would be the sum of the vacant land value, and the value of the improved parcel. Our appraisal method will follow that format, as we did in the before taking appraisal.

Rationale for Subdivision Planning

It is premature to draw an actual subdivision plan because a final plan will depend on engineering and what local planning officials approve. The route of interior roads, for example, will be determined by the placement of access points on public roads, and buffers required near existing homes. Without exact road placements, we can't determine lot lines and lot sizes. So we will price the business sites using per acre prices, a common practice in this market anyway.

We were shown a suggested industrial park layout based on zoning, with one acre lots. That plan is consistent with business development in Nassau County in the 1950's, but contrary to current market norms. Most of the modern industrial parks in this region typically sell sites of one to ten acres each. The subject property calls for large lots, probably 5 to 10 acres each. This will simplify approvals through the Town of Smithtown Planning Board, it is also consistent with market expectations and the rural ambience of the subject's setting.

Retail Pricing of Business Sites

We need to set prices for business sites in the subject subdivision. We can do this by comparing the subject lots with other similar and competitive business sites that sold recently on the open market. We completed such a comparative analysis in the before taking appraisal. The pricing of lots on the remainder property would be the same as before, so we direct the reader to the

before taking appraisal for a complete explication of the method we used to arrive at a base land price of $195,000/acre.

Pace of Land Sales

A cash flow analysis needs a time schedule because we need to project how much time is needed to realize revenue, then discount that future revenue into current dollars. There is no way to predict the timing on this subdivision venture, but an experienced developer will still project a time schedule. Investors are optimistic by nature, so the time schedule will likely be an optimistic one, with fast approvals and fast lot sales. We consider our time schedule an optimistic one, and it is appropriate for reflecting the thinking of a typical investor.

We project three years for subdivision approval. Gyrodyne Corp. has been attempting to get approvals since the late 1990's but most of their proposals seem to be residential. We are analyzing a light industrial/business park subdivision which needs no rezoning, has large lots, and is consistent with the existing, long-standing use. Gyrodyne Corp. had also been hampered by the jurisdiction of two towns. The remainder property is entirely in Smithtown, which makes the approval process simpler.

We project initial sales taking place by the end of forecast year 3. A developer may start marketing lots before approvals are finalized, but we shouldn't expect an initial fully of backlogged sales because of the modest size of this project.

The layout and size of individual lots will depend on engineering, the developer's preference and market demand. Even with an approved subdivision plan, some buyers might buy two or more abutting lots to create a larger site, or one site might be divided for a small building. Rather than attempt to work with a specific but hypothetical subdivision plan, we will forecast lot sales using acreage, and per acre pricing.

This region seems to have a mature, slow-growing industrial base with a limited number of sites sold each year, and robust competition among several business parks. For purposes of projecting lot sales, an optimistic developer could expect roughly 20 acres to be sold each year. This is a bit slower than we projected before the taking. That is because larger projects merit more aggressive marketing and attract more attention, so larger projects often sell quicker. At that pace, the subject subdivision can achieve full sellout within a time frame of five years total.

Subdivision and Land Development Costs

Infrastructure - We estimate the cost for roughly 1,500 LF of roads for a subdivision of the remainder property. We scaled off distances on the property survey map and deem this sufficient for a road network that would extend through the property from existing public roads. As we discussed in the before taking appraisal, this is only an educated guess such as an investor might make. The extent of infrastructure needed will depend on the layout which local officials approve, and on the market demand at the time lots are offered for sale. We consider the 1,500 LF estimate conservative because there is existing infrastructure which will reduce costs. There is obviously less infrastructure needed with the remainder property since there is less land overall.

We use an average road cost of $350/LF, which includes installation of drainage, subsurface base, lights, utilities, curbs and paving. The total cost is $525,000 (1,500 LF @ $350). We spread this cost over two years, beginning in year 3, after subdivision approvals are in hand. The subdivision can be completed in phases so some of the cost can be deferred until lot sales generate some of the cash needed.

Engineering, fees - We budget $85,000, most of which is scheduled early, during the approvals process. The amount is low because Gyrodyne has already made extensive engineering studies for prior development plans. Much of the material in those existing studies can be used again.

Professional fees - We budget $150,000 total during the approvals process. Some studies from earlier development applications may be reused, but there could be requests for new traffic studies or impact studies, for a business park.

Insurance - We budget $12,000 as an annual premium for basic commercial liability coverage. Liability insurance should be maintained throughout this venture and we forecast annual premium increases of +3.5%.

In practice, insurance premiums can change drastically from one year to the next, either up or down. The premium changes in response to industry trends, and can increase or decrease. We mention this to point out that a cash flow schedule is an analytic format used by prudent investors. It is a projection, not a prediction.

Real estate taxes - We calculated the annual tax bills for each subject parcel, before the appropriation. We must now recalculate taxes on the remainder property, excluding tax bills we allocate to building improvements. We are now appraising the subject's remaining development land, so we need to deduct only the real estate taxes attributable to that land. Here is a calculation of the net taxes attributable to that land alone:

Annual taxes, Smithtown	$295,548
Less taxes on parcel 800/40/2/11, taken	- 74,577
Less taxes on parcel 800/39/5/42.3, taken	- 2,372
Less taxes on parcel 800/39/5/42.4, taken	- 4,120
Less taxes allocated for Bldgs. 1,2,7,8	-122,687
Net taxes for remainder development land	$ 90,792
rounded,	$ 90,800

Property maintenance - We budget $7,500 for the base year, covering some grass mowing, trash removal and general cleanup. The allowance is increased +3.5% per year throughout the forecast period.

Sales costs - These are estimated at 8% of gross revenues from lot sales. Real estate brokerage fees alone would be about 5%, then there are marketing costs, brochures, etc.

Developer's overhead - The developer of the property will expend time and energy in the development and sale of this property. As such, he is entitled to be remunerated for his efforts. We base this solely on revenue received. We budget $100,000/year in the initial years before

groundbreaking, then 10% of the gross income generated, as payment to the developer for overhead.

Calculation of Net Incomes - After Taking

Net income is calculated by subtracting total expenses from gross income from lot sales in a given year. The total of the income streams for each of the years in each schedule are then discounted to net present value.

On the next page is a cash flow schedule which summarizes all the income and expense items described above.

CASH FLOW SCHEDULE FOR SUBDIVISION - AFTER TAKING

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
INCOME Acres sold/yr.	0	0	20	20	6.25
Acres unsold	46.25	46.25	26.25	6.25	0
Avg. Price/Ac.	$195,000	$204,750	$214,988	$225,737	$237,024
Gross income	$0	$0	$4,299,750	$4,514,738	$1,481,398
EXPENSES Infrastructure	$0	$0	$225,000	$300,000	$0
Engineering/fees	35,000	35,000	5,000	5,000	5,000
Prof.fees	75,000	75,000	0	0	0
Insurance	12,000	12,420	12,855	13,305	13,770
R.E.taxes	90,800	93,978	28,875	7,219	0
Property maint.	7,500	7,763	8,034	8,315	8,606
Sales costs	0	0	343,980	361,179	118,512
Dev. overhead	100,000	100,000	429,975	451,474	148,140
Total expenses	$320,300	$644,461	$1,053,719	$1,146,491	$0
Net income	**($320,300)**	**($644,461)**	**$3,246,031**	**$3,368,246**	**$1,481,398**

Discount Rate

We need to project a discount rate which a prudent investor would use to discount future net incomes into net present value. There is no standard discount rate, and sophisticated investors don't necessarily even have rate limits. The real investment yield can only be measured when a venture ends; the yield on the subject subdivision will be influenced by time needed for approvals, development costs, market conditions and final lot prices. When investors make initial price decisions, they often use a range of discount rates, as a means of testing the range of the property's worth under different scenarios.

Investor surveys invariably quote a range of discount rates (or yield expectations) partly because investors often analyze to justify their actions. Some investments are more appealing than others because they are prestigious, exciting, or in a prime location. If there is strong competition to acquire a particular deal, an aggressive investor will stretch his bid. When the investor pays a higher price, his investment yield will tend to be lower, so he may use a lower discount rate to justify paying a higher price.

In the before taking appraisal we reviewed financial market rates prevalent around the valuation date, and we adopted a reasonable range of discount rates that a prudent investor might use. We concluded a value range of 10% to 15%. Here is a summary of net present values for our forecast income stream, using different discount rates within our selected range.

Discount Rate	Net Present Value
10%	$4,835,387
11%	$4,659,759
12%	$4,491,885
13%	$4,331,356
14%	$4,177,786
15%	$4,030,814

Based on the range of values indicated at the selected rates, we conclude a rounded value for the subject's potential subdivision land of $4,500,000.

SUMMATION OF THE APPRAISED VALUES

The subject property is a large land holding comprised of component parcels suitable for different uses. We identified and allocated acreage to each of those uses, and valued each of the components separately. That is the most logical method for dealing with a property of this type, and it is the method that a prospective buyer would be most likely to employ. Here is a summary of the component values we estimated:

Existing buildings on allocated site of 16.2 acres of land	$11,000,000
Development land, 51.4 acres gross, 46.25 acres net, based on discounted cash flow analysis	4,400,000
Sum of the parts, 67.6 acres as improved, before taking	$15,400,000

Sum of the parts discount - It is common practice for appraisers to discount the total value of a property with disparate components. The rationale is that investors and developers specialize; they might want the subject's development land but not its rental buildings, or vice versa. In that situation, a buyer may take the entire property in order to get what he wants, then sell off the unwanted part. However, the buyer would discount his price, because he is forced to invest in an unwanted asset, and he may have to pay the added costs of reselling.

We have elected not to discount the value of the subject property. The subject's occupied rental buildings and development land are each large components, with sufficient investment appeal to be resold. An investor might also want to keep the entire holding intact in order to retain control, for when the land is developed with new buildings. We will not discount our total property value.

Suggested Allocation of Value - After Taking

For purposes of reconciling eminent domain damages at the conclusion of this study, we present this suggested allocation of value between the land and buildings. In our discounted cash flow analysis we calculated a land value of $195,000/acre for finished industrial sites. We applied that same $195,000/acre to value the land underlying Buildings 1, 2, 7 and 8. The residual value (total value less land value) was ascribed to the improvements.

Appraised value of Buildings 1, 2, 7 and 8	$11,000,000
Underlying land, 16.2 acres @ $195,000/acre	3,159,000
Residual value, attributed to buildings	$ 7,841,000
Appraised value of potential subdivision land	$ 4,400,000
Allocated value of land underlying Buildings 1, 2, 7, 8	3,159,000
Subtotal, land value (67.6 acres)	$ 7,559,000

CALCULATION OF DAMAGES

Direct Damages

245.458 ac. land taken in fee, at appraised land values itemized above	$20,750,000
Buildings 17, 18 and 25, 49,554 SF, taken in fee	1,699,000
Subtotal, damages by direct taking	$22,449,000
rounded,	$22,450,000

Severance Damage

Our analyses show no severance damages attributable to the appropriations.

Special Benefits

We find no special benefits to the remainder property arising as a consequence of the appropriation. Our calculations indicated a per acre value 6% higher, for the remainder development land. We consider that value increase hypothetical and, at best, a consequence of the remainder's reduced size. There is no special benefit flowing to this property as a result of the appropriation or planned public improvements.

The total damages appraised for the subject property as a result of the State appropriation on November 2, 2005 are:

TWENTY TWO MILLION FOUR HUNDRED FIFTY THOUSAND DOLLARS

($22,450,000)

CERTIFICATE OF THE APPRAISER

I hereby certify:

That I have personally inspected the property herein appraised. I have made a personal field inspection of the comparable sales relied upon in making said appraisal. The property owner was afforded the opportunity to accompany the appraiser at the time of the inspection.

That to the best of my knowledge and belief the statements contained in the appraisal herein set forth are true, and the information upon which the opinions expressed therein are based is correct; subject to the limiting conditions therein set forth.

That such appraisal has been made in conformity with the appropriate State laws, regulations and policies and procedures applicable to appraisal of right-of-way for such purposes; and that to the best of my knowledge no portion of the value assigned to such property consists of items which are noncompensable under the established law of said State.

That neither my employment nor my compensation for making this appraisal and report are in any way contingent upon the values reported herein.

That I have no direct or indirect present or contemplated future personal interest in such property or in any benefit from the acquisition of such property appraised.

That I have not revealed the findings and results of such appraisal to anyone other than the proper officials of the State of New York and I will not do so until authorized by said officials, or until I am required by due process of law, or until I am released from this obligation by having publicly testified as to such findings.

That in my opinion the proper compensation for the real property taken and the compensable damages to the remainder, if any, as of the 2nd day of November 2005 are **$22,450,000**, based upon my independent appraisal and the exercise of my professional judgment.

10/1/2008
Date

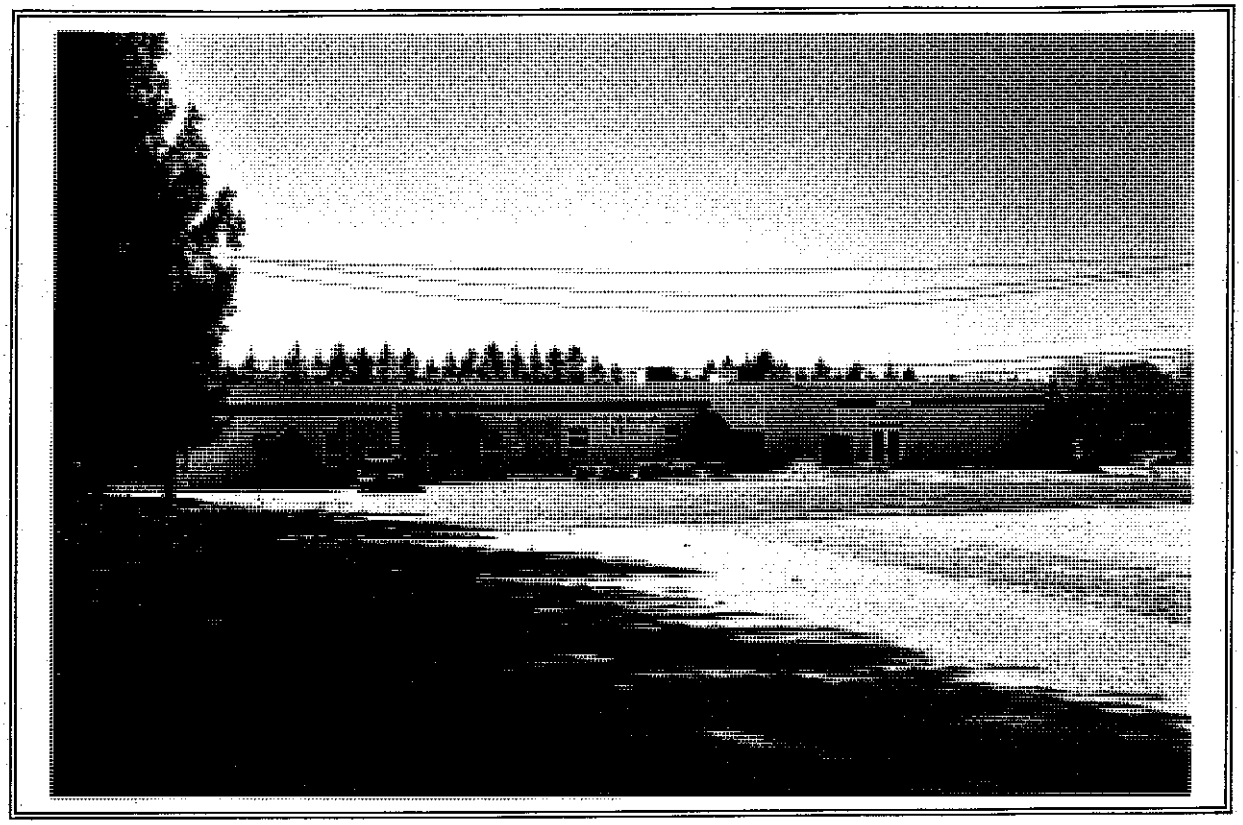
Kenneth L. Golub

The entry road into the property from Stony Brook Road, in Brookhaven.

An overview of land appropriated in Brookhaven.

Another typical view of some land appropriated.

More of the appropriated land east of the LIRR tracks.



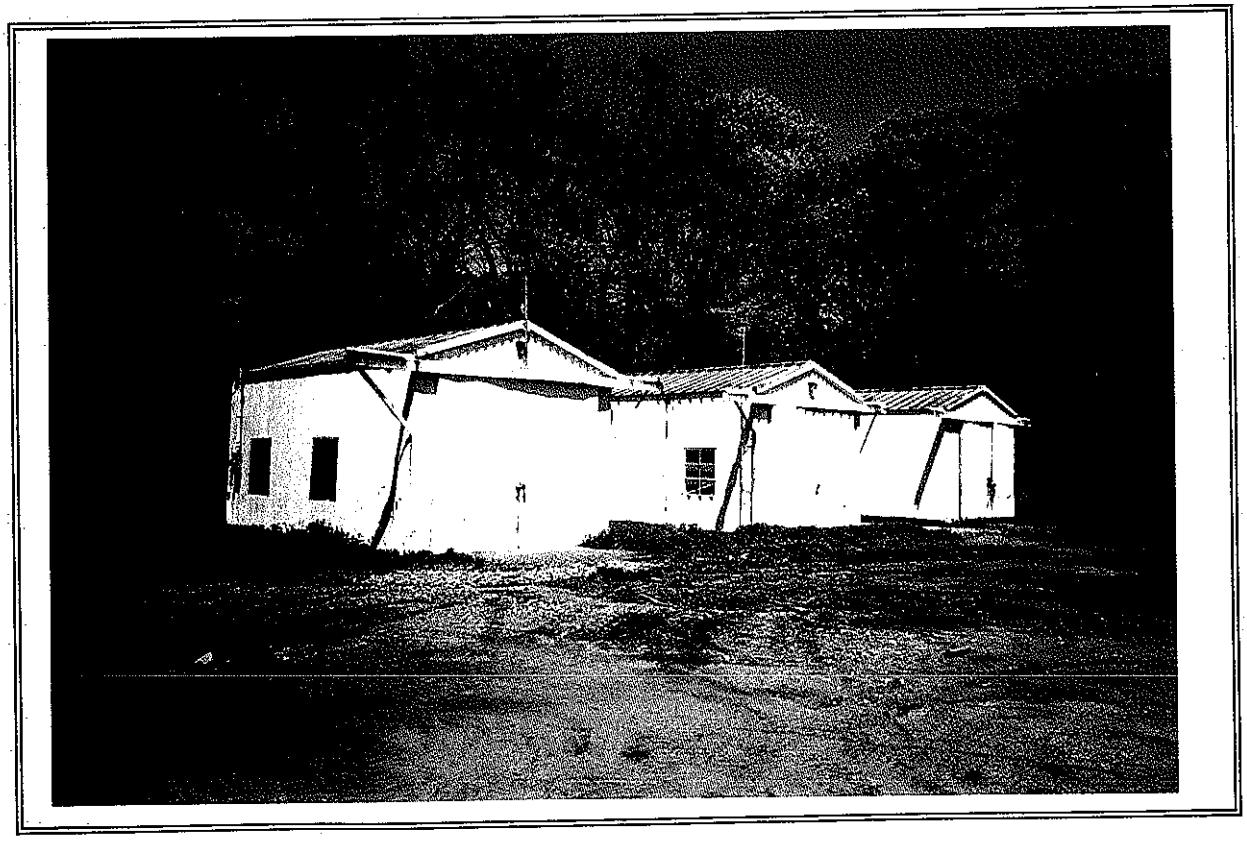
Building 17, looking north. This was appropriated.

The west (front) wall of Building 17, undergoing renovation since the taking.

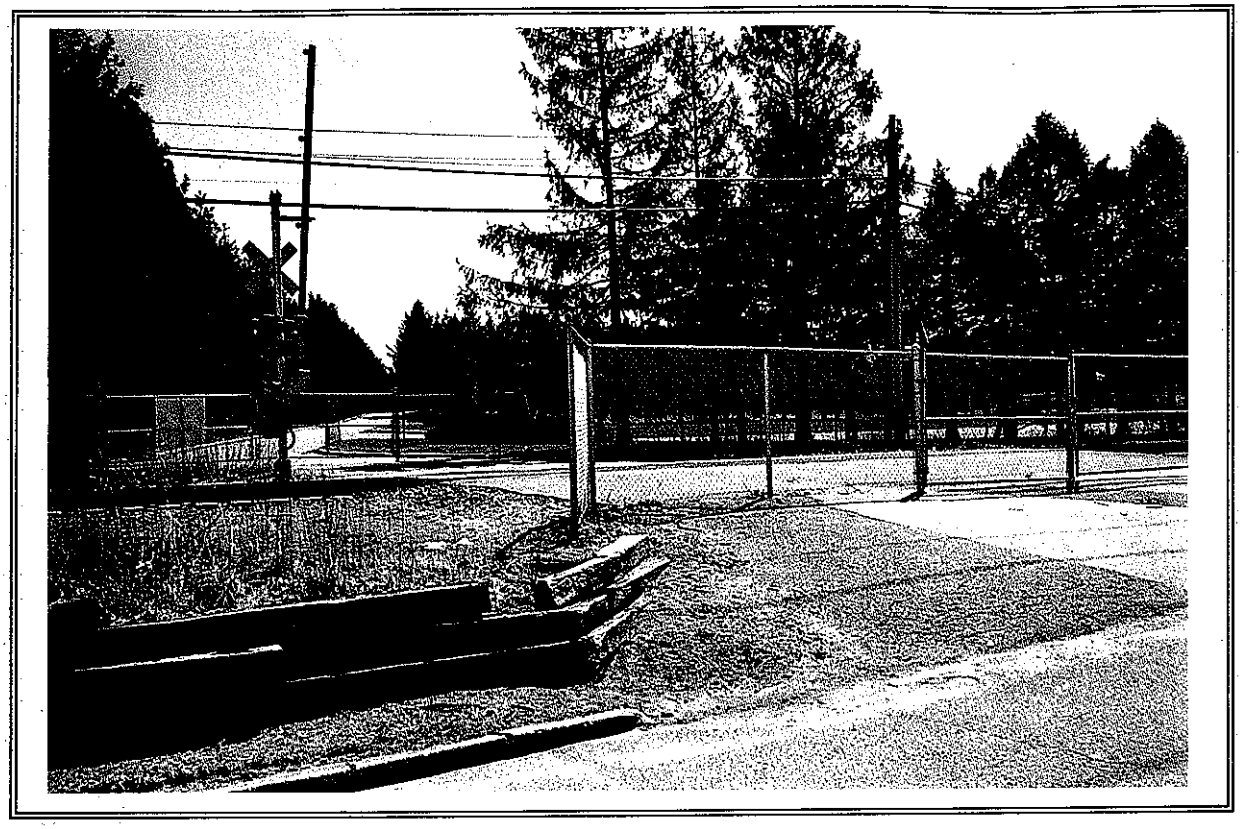
Building 18, facing southwest. This was appropriated.

The large paved parking lot at Building 18.
An overview of land appropriated in Brookhaven.

Building 25, east of the LIRR tracks. This was appropriated.

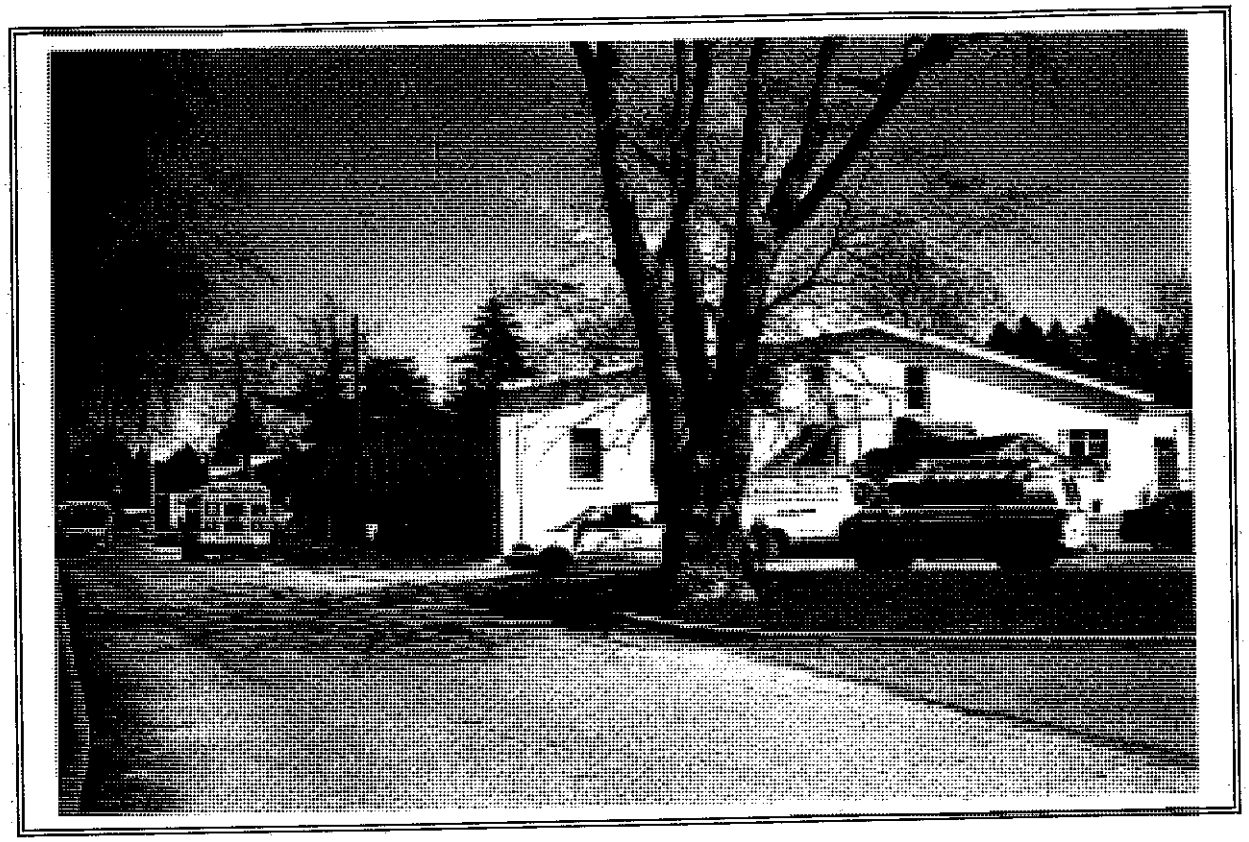


Storage sheds next to Building 25.

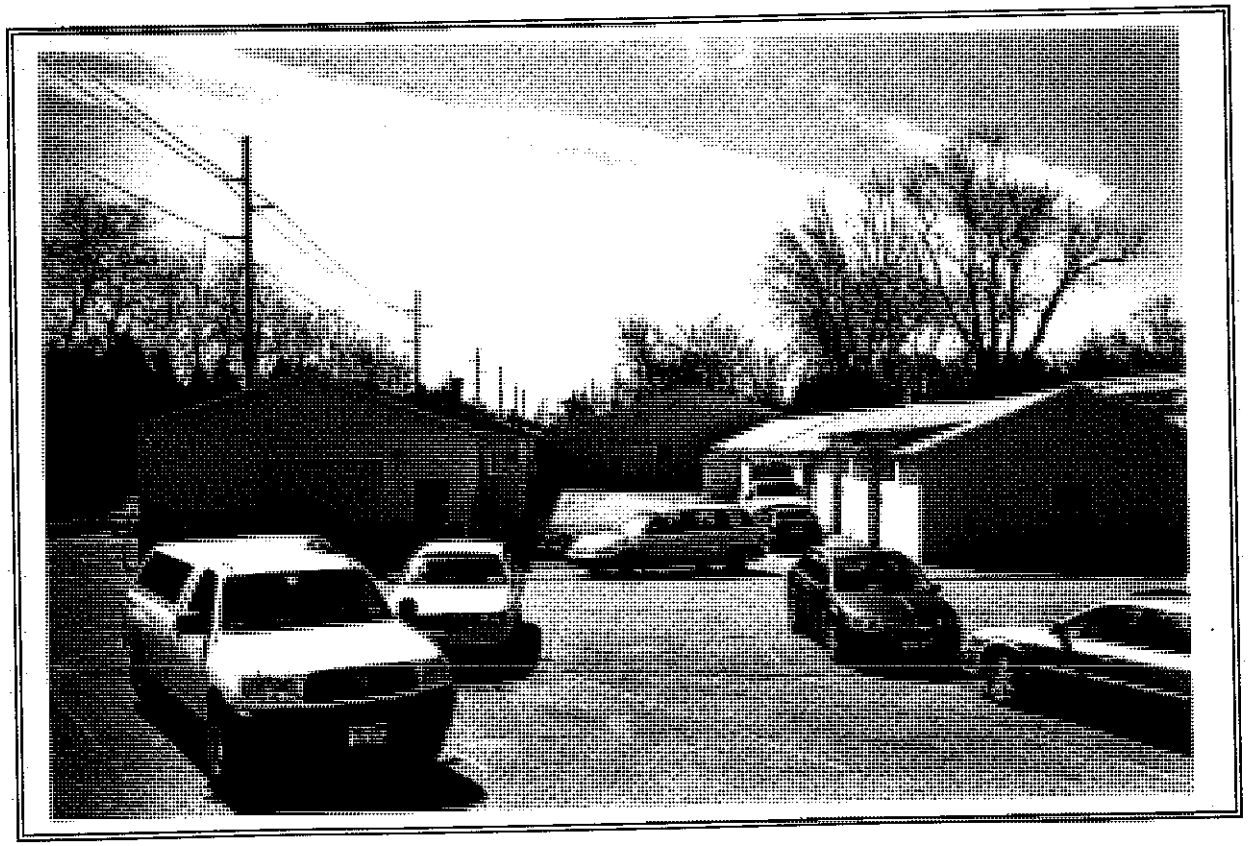


The railroad grade crossing near Building 1, looking east.

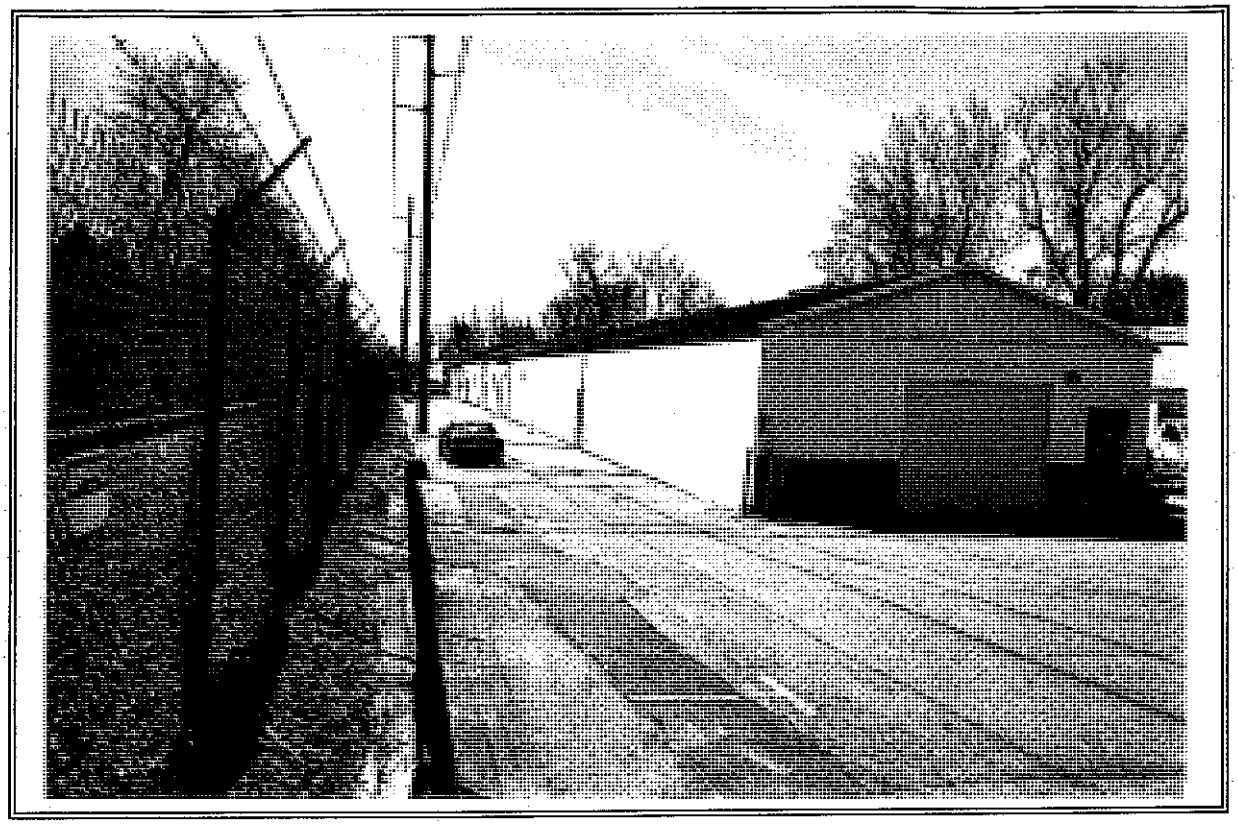
The bus parking lot just north of Building 1, near the LIRR grade crossing.



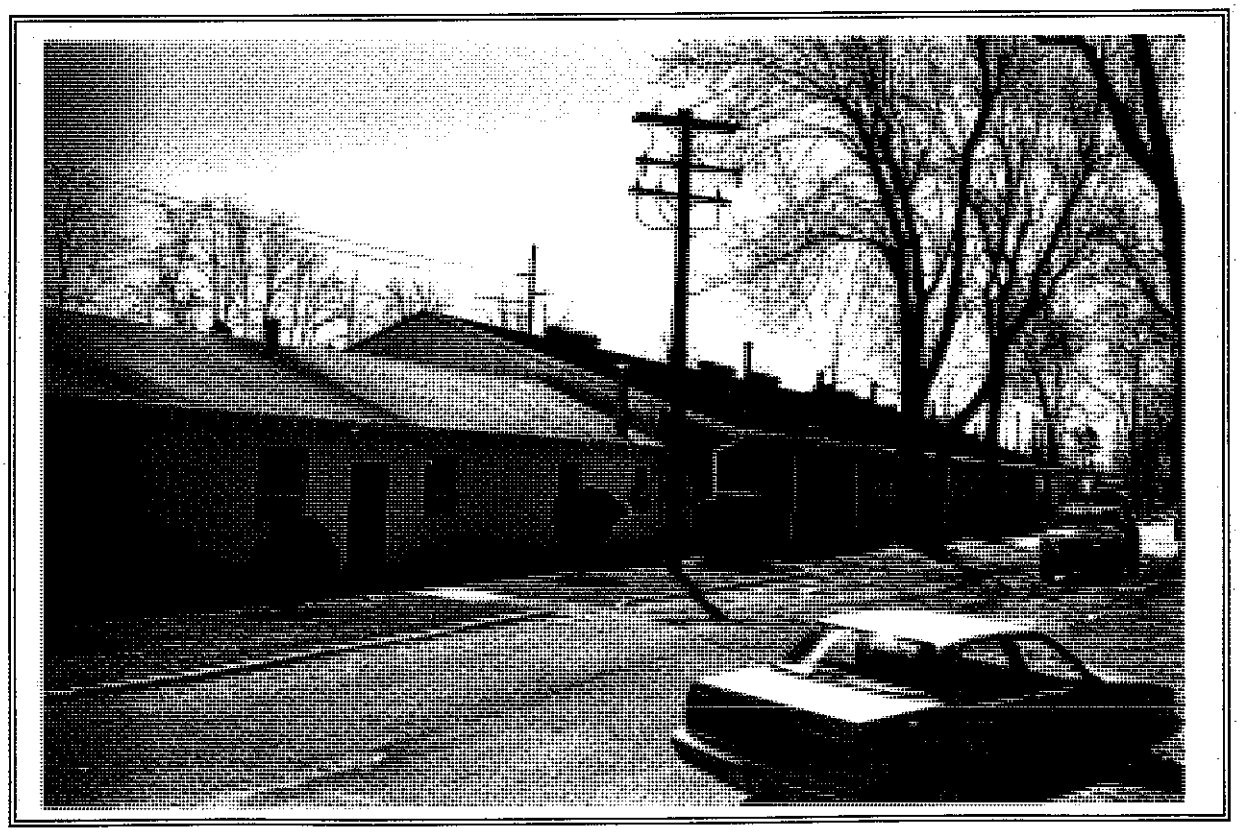
Building 1, looking northeast.



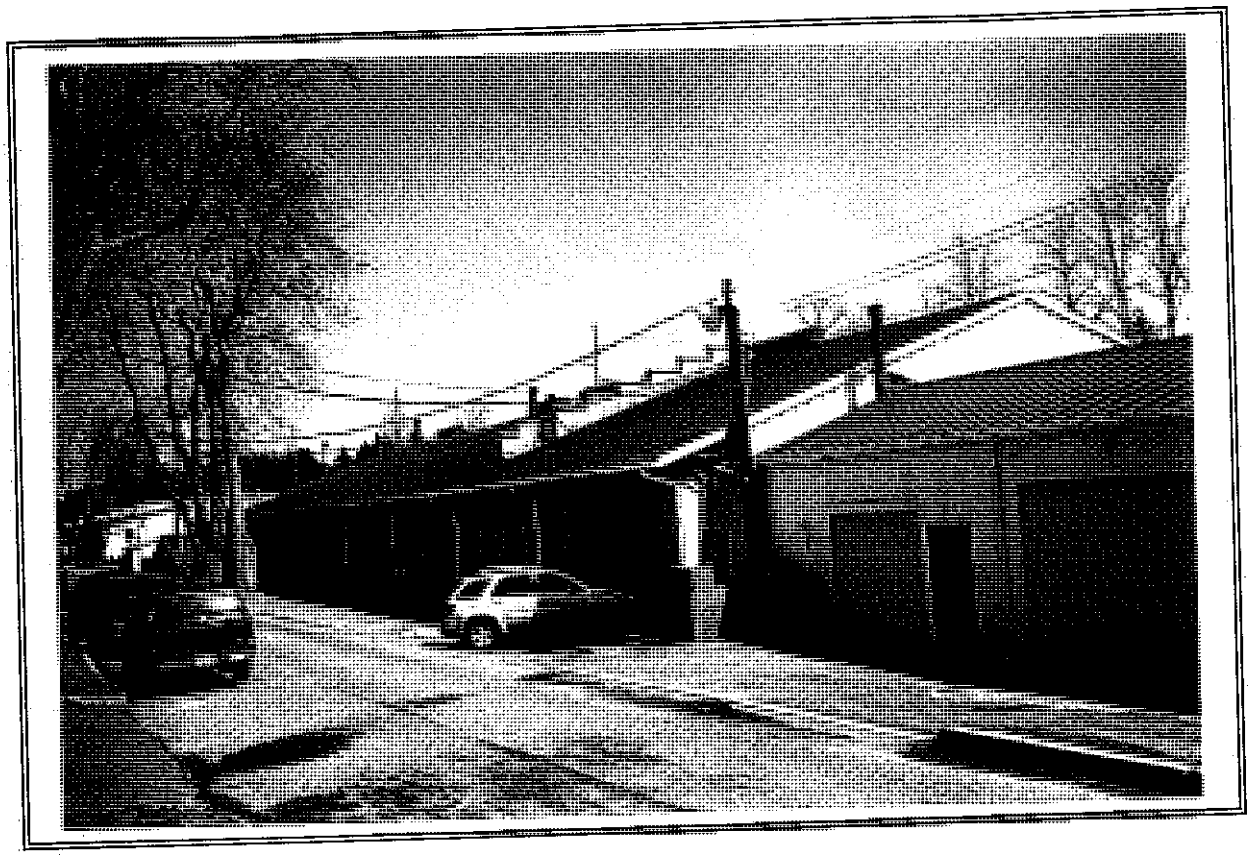
The north end Building 2, facing south.



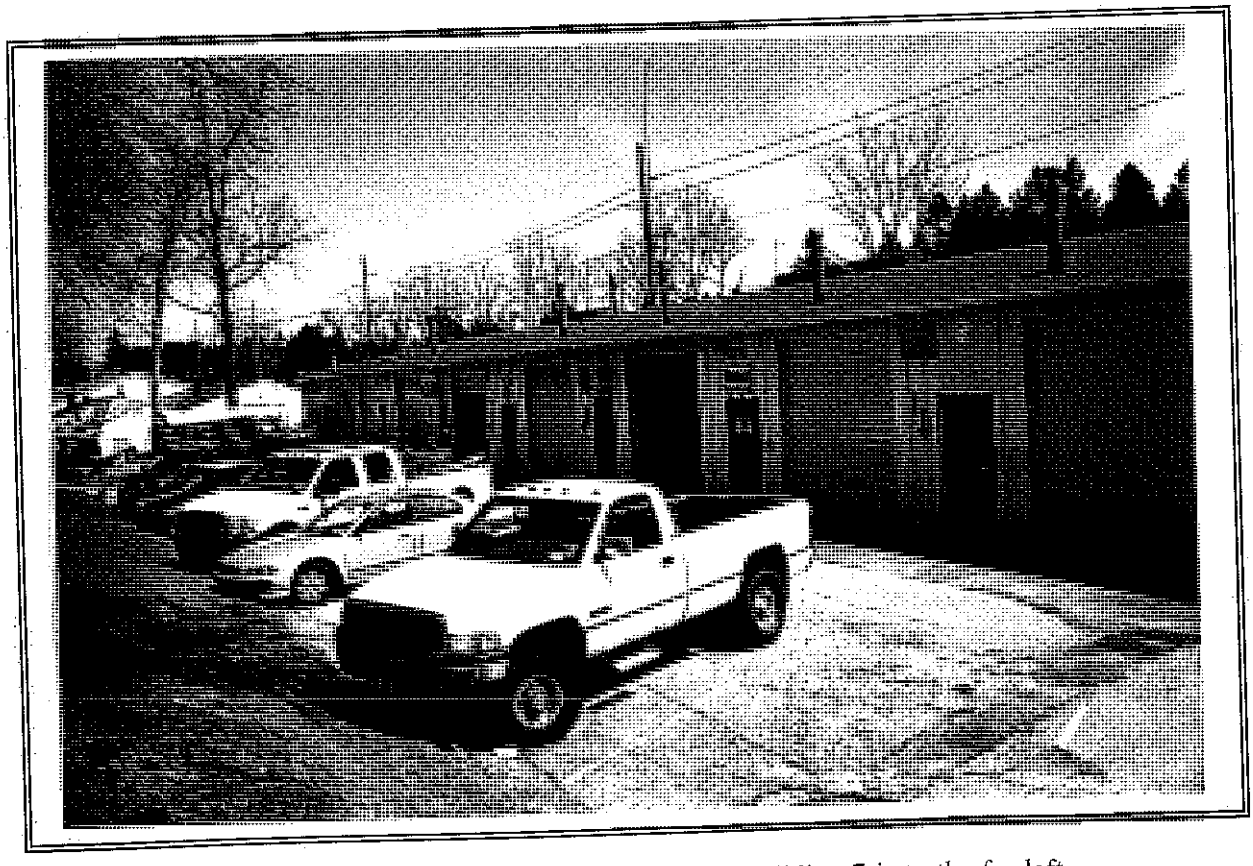
This shows the narrow space between Building 2 and the rail tracks. This view looks south.



A front view of Building 2, looking southeast from the road.



Building 2, west of the LIRR tracks. The camera is facing northeast.



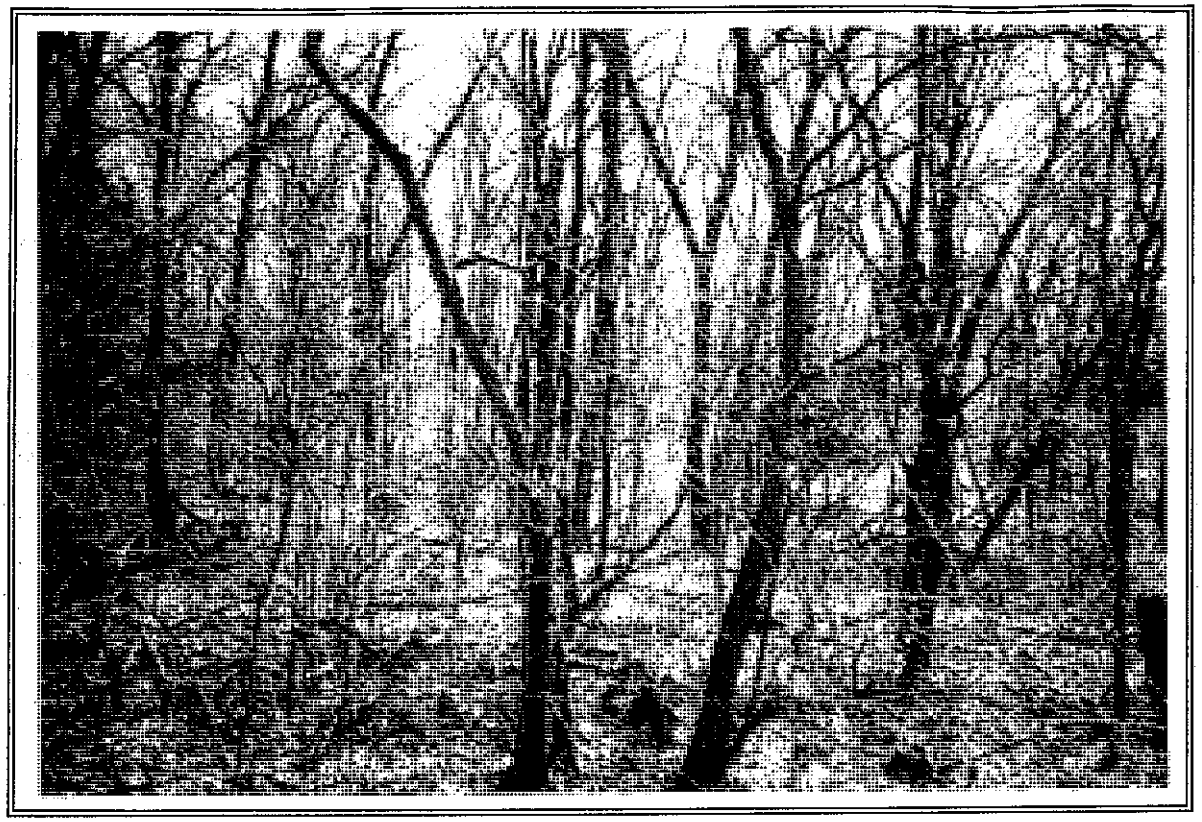
Building 8, facing northeast from the road. Building 7 is to the far left.

Building 7, at the building's south end, looking north.

The northwest corner of the property, looking across North Country Rd. to Mills Pond Rd.

Some of the remainder land on the north, seen looking south from North Country Rd.

A view to the east on North Country Road. The subject remainder is on the right.



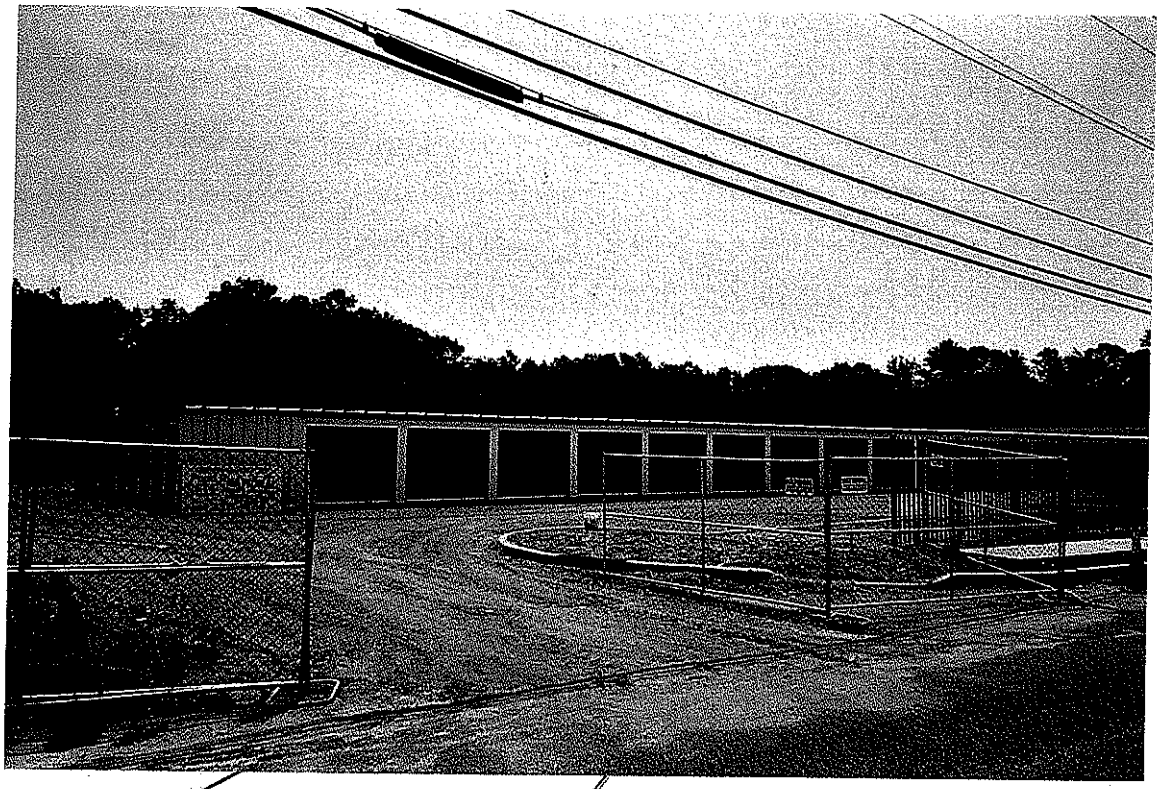
Typical woods near Stony Brook Road. This land was appropriated.

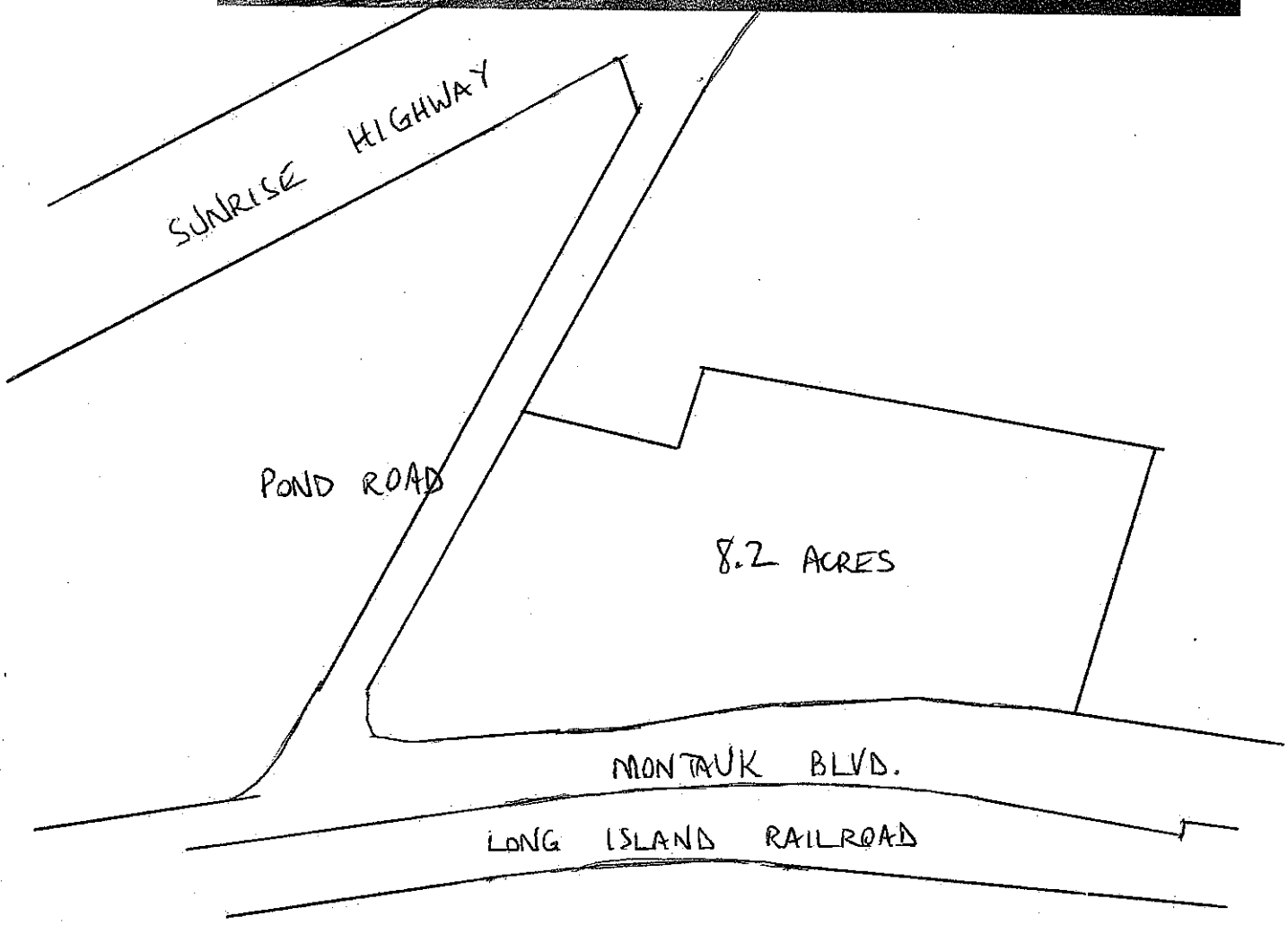
Land along Stony Brook Road, facing northwest. This was appropriated.

ITEMIZED STATEMENT OF OPERATIONS AND MAINTENANCE

	2006	2005
Maint.salaries	$170,612.30	$213,510.70
Workers' comp.insur.	7,945.62	9,078.80
Medical insurance	22,888.60	27,480.44
Empl.life insurance	676.97	(37.31)
Payroll taxes	14,382.04	20,633.08
Bldg.maintenance	56,057.70	37,769.85
Tenant recov.-bldg.maint.	(3,959.45)	(6,427.13)
Electricity	123,553.27	214,378.45
Tenant recov.-basic	(91,888.42)	(139,034.40)
Tenant recov.-A/C	(21,280.06)	(60,180.00)
Fuel oil	58,847.57	91,966.29
Tenant recov.	(17,203.64)	(28,946.65)
Propane	4,102.63	5,015.77
Htg.repair parts	2,231.43	4,737.11
Water charges	6,200.88	7,020.00
Grounds maint.	4,818.86	4,030.64
Tenant recov.-grounds	(12,053.75)	(13,445.00)
Pavement maintenance	6,575.00	11,524.45
A/C maintenance	2,129.00	9,135.17
Tenant recov.-A/C	(7,359.90)	(25,283.26)
Roof repairs	14,206.40	3,083.05
Insurance-fire,liab.	99,581.41	132,112.80
Tenant recov.-insur.	(9,919.79)	(51,418.37)
Security	0.00	11,909.80
Fork lift rental	0.00	(385.00)
Eqpt.maintenance	28,464.32	29,452.97
Tank replacement	0.00	1,740.01
Garbage	34,989.64	36,906.33
Outside svcs.	2,501.21	72,129.80
Rental land	520.00	480.00
Advertising	277.00	0.00
Permits	140.20	178.70
Miscellaneous	(110.04)	27.31
Int.tenant security	(606.80)	(282.09)
Cash discounts	(126.77)	(64.08)
Finance charges-insur.	1,682.20	2,563.10
TOTAL OPERATING, MAINT.	$498,875.63	$621,361.33

COMPARABLE SALE 8510





COMPARABLE LAND SALE 8513

LOCATION:	Southeast corner of Broadway and River Road, Yaphank, New York	
DATE OF SALE:	May 17, 2005	SALE PRICE: $3,350,000
LAND AREA:	30 AC	UNIT PRICE: $111,667/AC
SELLER:	Riverway Associates, LLC 1434 Crown Point Road, Shrewsbury, Vermont	
BUYER:	Lake Grove School Moriches Road, Lake Grove, New York	
DEED RECORDING:	Suffolk County Deeds Liber 12392 page 145	
TAX MAP:	200/640/1/1.1	

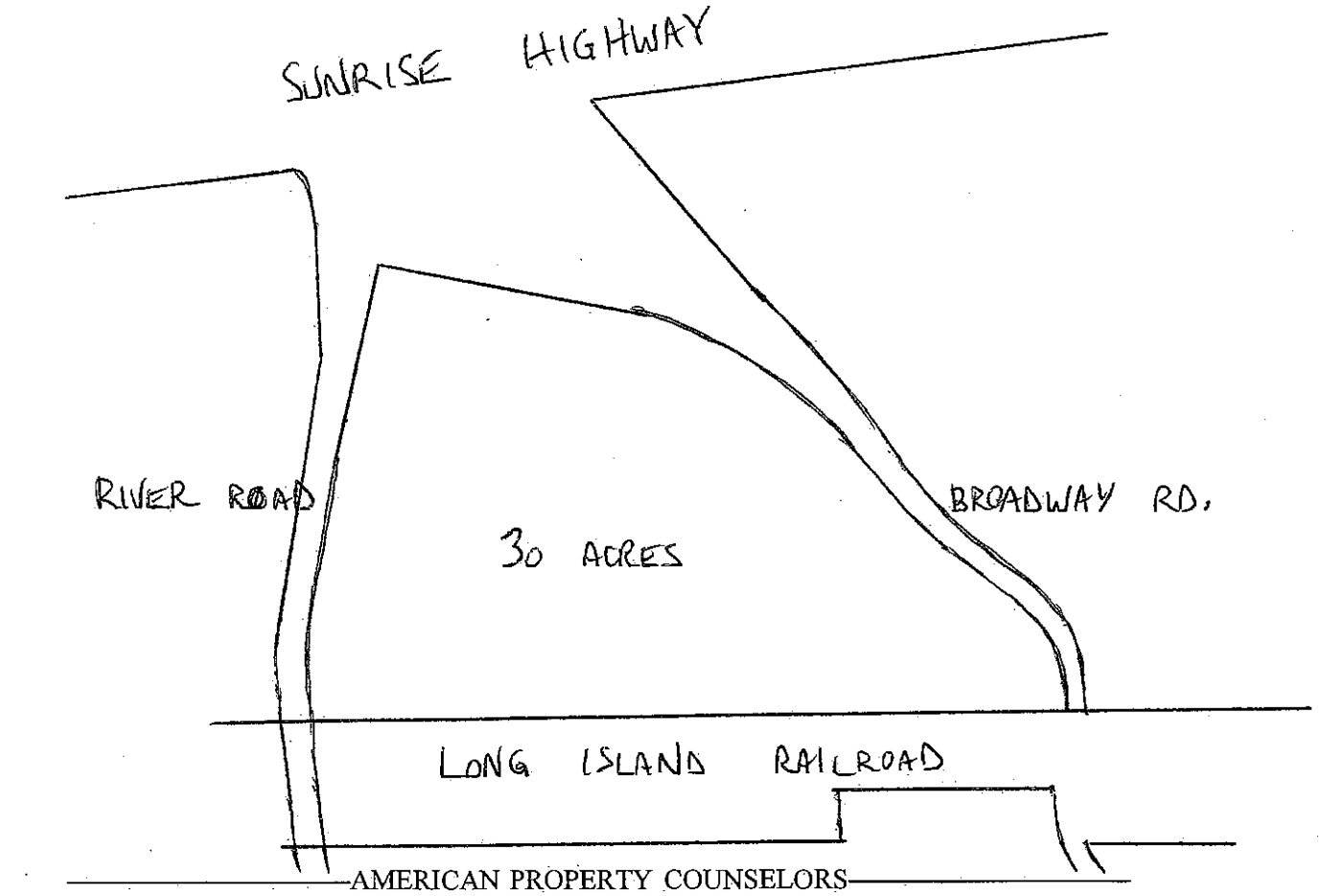
DESCRIPTION:

This is a contiguous and almost triangular shaped tract of vacant woods. It has long frontages on the south side of Broadway and the east side of River Road, both undivided two lane rural roads. The south side of the property abuts LIRR tracks and River Road has a narrow underpass beneath the tracks. The northeast corner of the property is at a grade crossing of the same LIRR tracks. The neighborhood looks rural but has a mix of homes and industrial uses, notably a bulk waste truck station to the east, across the tracks.

This property is zoned L-3, industrial with a minimum lot size of 3 acres. Central water and sewer lines are not available here.

The buyer bought this to build a new school complex. The land remains unused in mid-2007.

COMPARABLE SALE 8513



COMPARABLE LAND SALE 8514

LOCATION:	East side of Sills Road, abutting the south side of the Long Island Expressway, Yaphank, New York	
DATE OF SALE:	January 26, 2004	SALE PRICE: $6,195,000
LAND AREA:	30.56 AC	UNIT PRICE: $245,770/AC
SELLER:	Sills Road Associates, Joseph Gazza, Jr., et. al. 66 Medford Avenue, Patchogue, New York	
BUYER:	Brookhaven Energy Limited Partnership 62 Forest Street, Suite 102, Marlborough, Mass.	
DEED RECORDING:	Suffolk County Deeds Liber 12303 pages 52 and 53	
TAX MAP:	200/663/3/1; 200/704/2/1/1 and 2; 200/704/5/1 and 2	

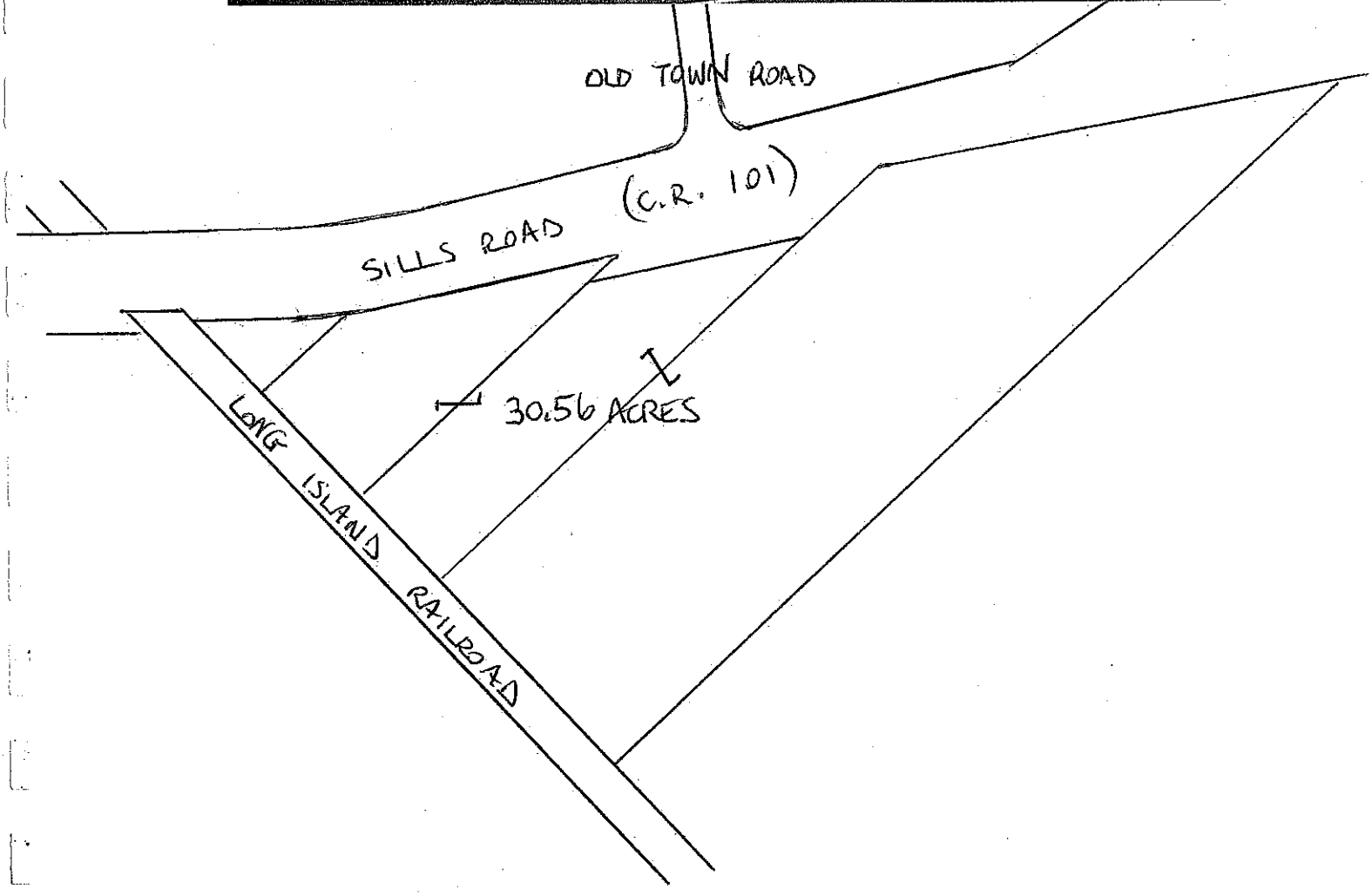
DESCRIPTION:

This is a contiguous parcel bought in two simultaneous transactions from two different parties. The parcel has long, continuous frontage on Sills Road (C.R. 101) a divided four-lane highway. It is highly visible to LIE traffic and adjacent to LIE access ramps. The south side abuts LIRR tracks. The northeast corner is crossed by a large electric transmission line.

The parcel is high, wooded and unimproved. It sits well above the LIE and most of the Sills Road frontage. There are a few business properties nearby but this part of Sills Road is generally undeveloped. Zoning is L-1, Industrial.

This was bought to build a new 580 MW power generator. The buyer paid a premium for ready access to the powerline, for connection, as well as easy access to the LIE.

COMPARABLE SALE 8514



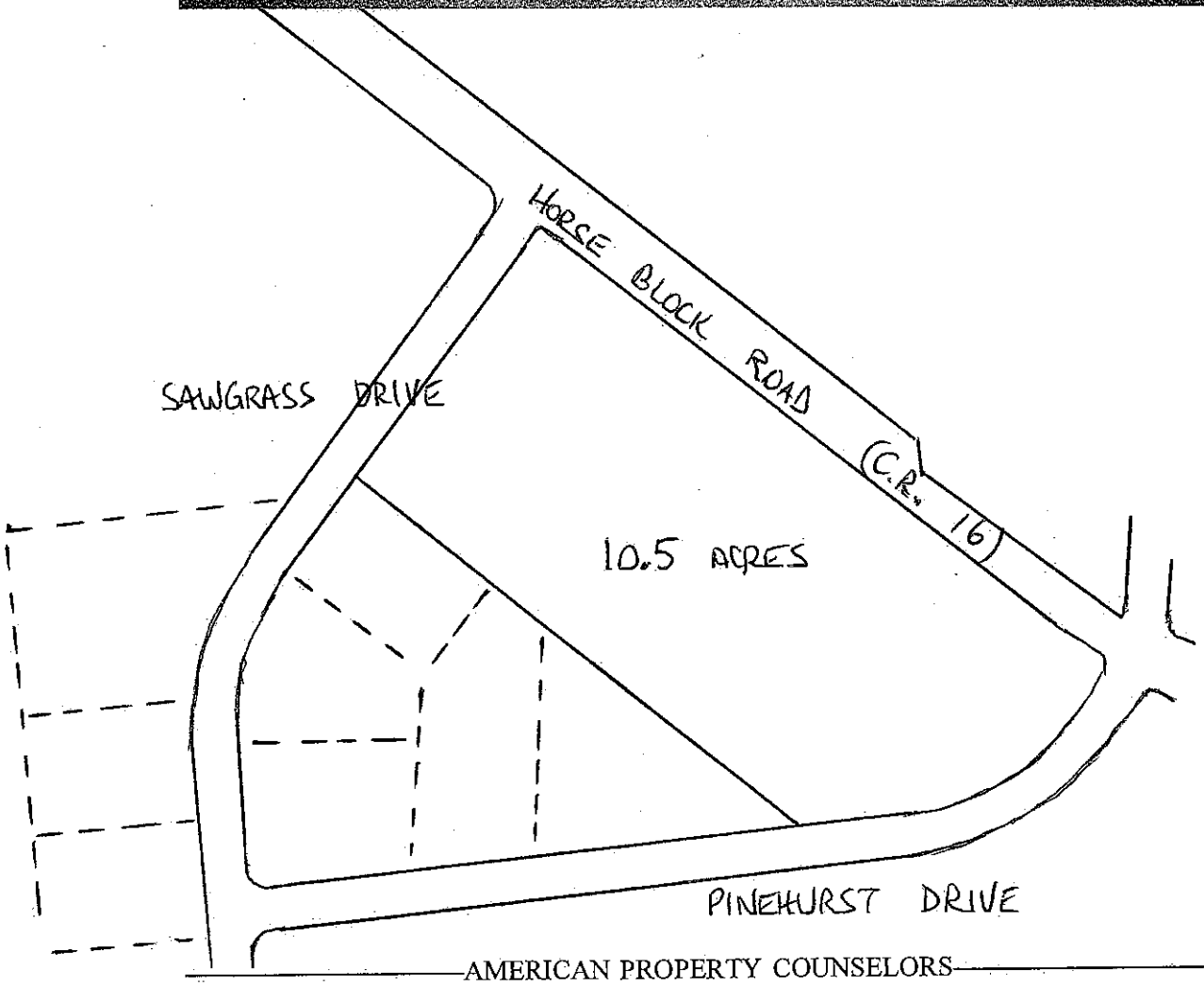
COMPARABLE LAND SALE 8515

LOCATION:	#1 Sawgrass Drive, Yaphank, New York	
DATE OF SALE:	February 11, 2003	SALE PRICE: $1,945,500
LAND AREA:	10.50 AC	UNIT PRICE: $185,286/AC
SELLER:	Old Dock Associates 195 Froelich Farm Blvd., Woodbury, New York	
BUYER:	K Roslyn, Inc. 17-21 Main Street, Roslyn, New York	
DEED RECORDING:	Suffolk County Deeds Liber 12236 page 191	
TAX MAP:	200/813/1/8.9	

DESCRIPTION: This rectangular industrial site occupies a corner, with frontage on the south side of Horseblock Road (C.R. 16) and the east side of Sawgrass Drive, a new industrial park road. There is a traffic signal on the corner. Zoning is L-1 industrial, this is in a designated Brookhaven Empire Zone and all public utilities are available. The land is level, at road grade and unimproved.

The buyer built a new 130,000 factory headquarters for Omega Moulding Co. This is an attractive new industrial park with easy access to the LIE.

COMPARABLE SALE 8515



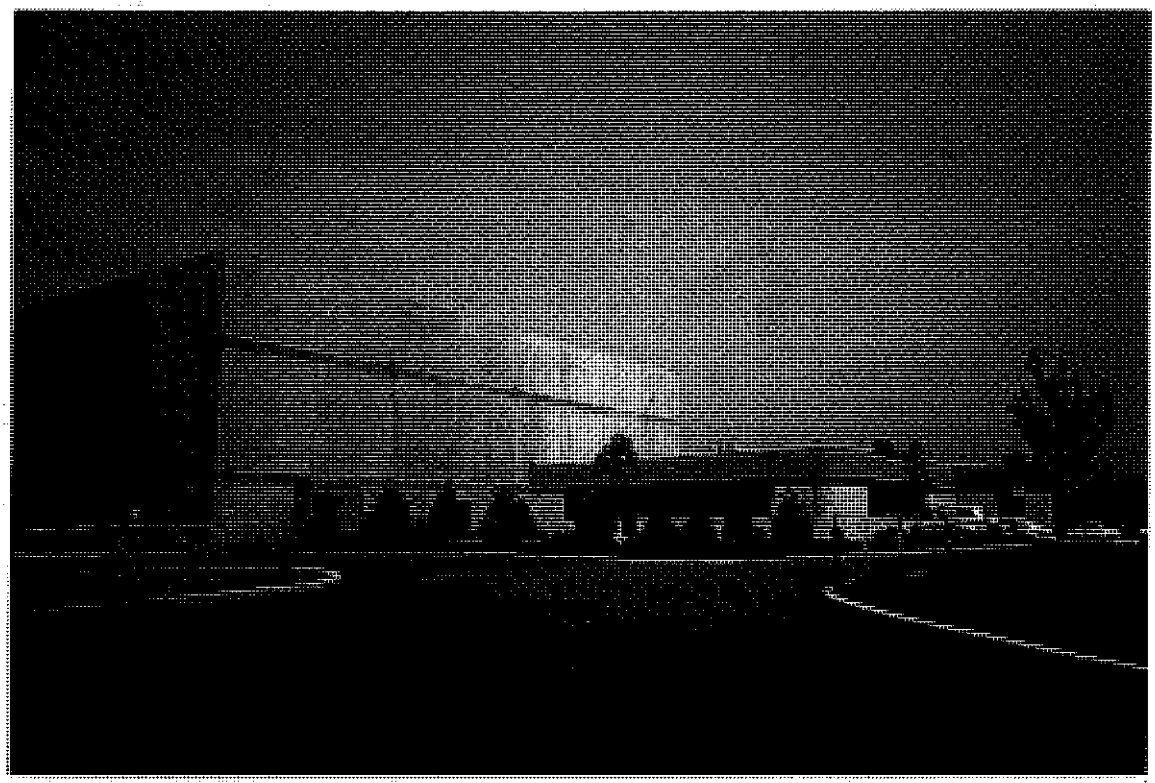
COMPARABLE LAND SALE 8516

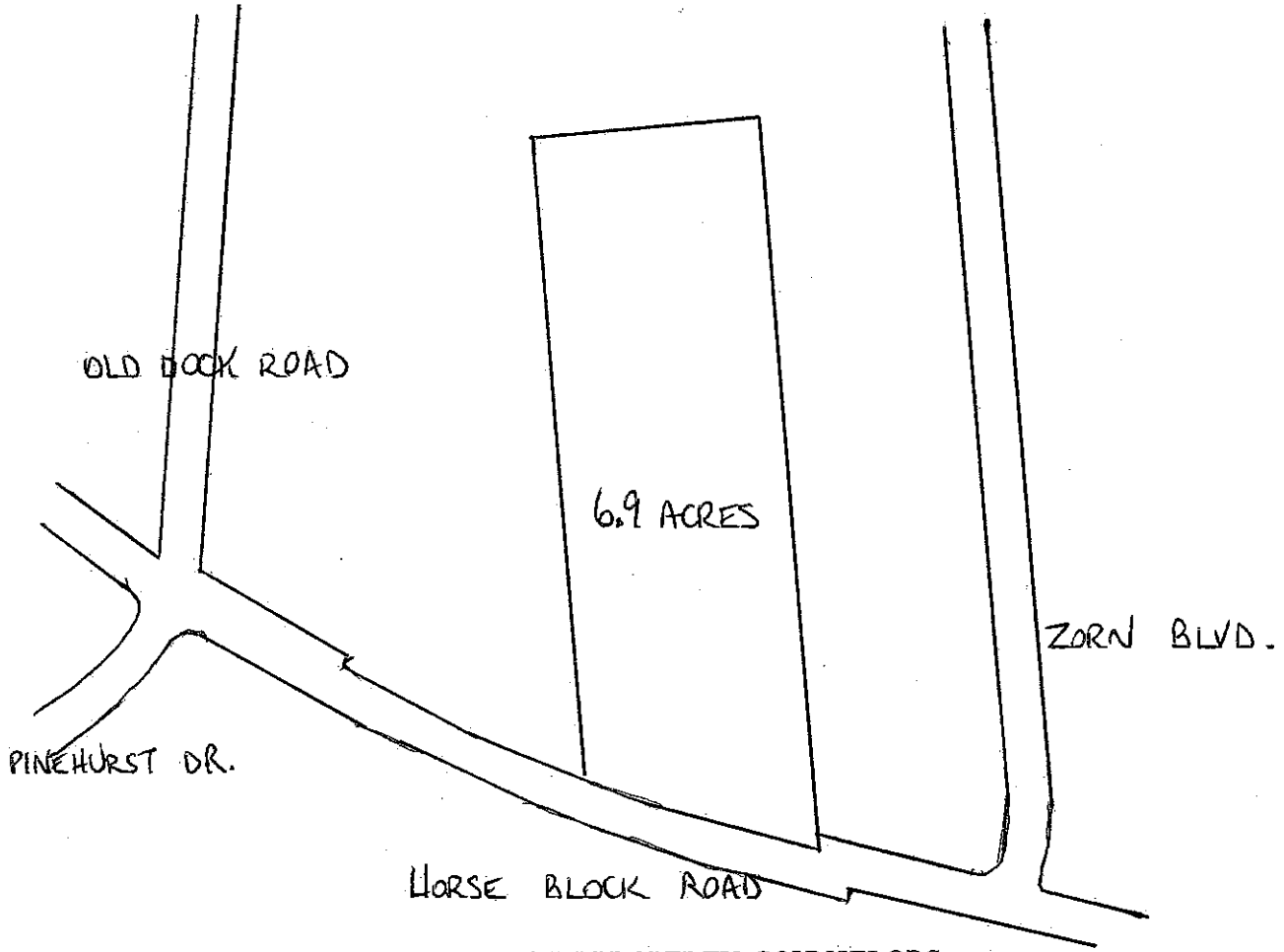
LOCATION:	#74 Horseblock Road, Yaphank, New York	
DATE OF SALE:	January 14, 2004	SALE PRICE: $1,050,000
LAND AREA:	6.9 AC	UNIT PRICE: $152,174/AC
SELLER:	Gus Schad 686 Deer Park Avenue, Dix Hills, New York	
BUYER:	EMRG, LLC 200 Thirteenth Avenue, Ronkonkoma, New York	
DEED RECORDING:	Suffolk County Deeds Liber 12320 page 590	
TAX MAP:	200/814/1/3.6	

DESCRIPTION: This is a level, rectangular industrial site with 344 feet of frontage on the north side of Horseblock Road, east of Old Dock Road and west of Zorn Blvd. This is a modern industrial neighborhood convenient to LIE Exit 66. Zoning is L-1 Industrial, the parcel is in a Brookhaven Empire Zone and the site is served by water, sewer and natural gas lines. The land was vacant when it sold.

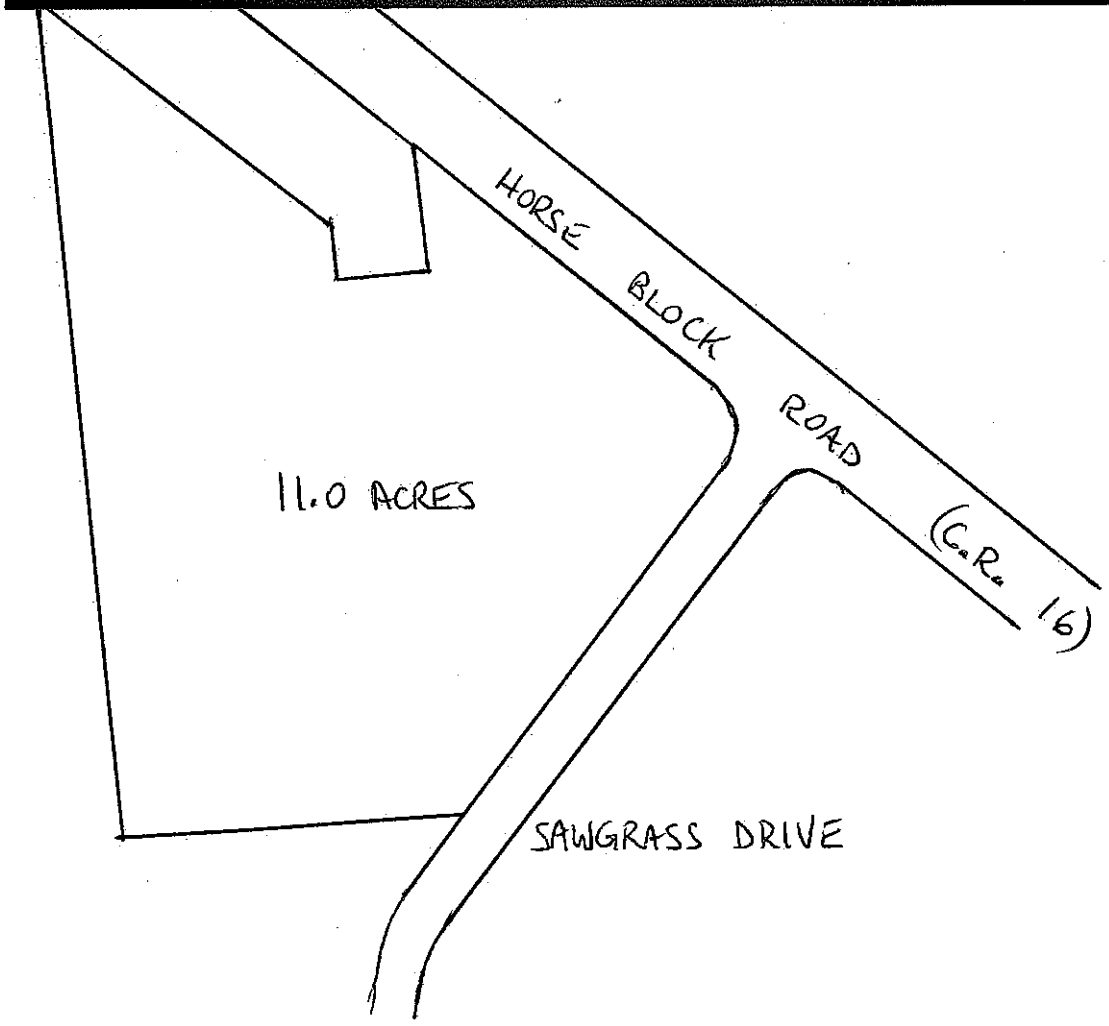
A new 90,000 SF tilt-up warehouse has been built here, fully occupied by "Over and Back," a distributor of housewares.

COMPARABLE SALE 8516

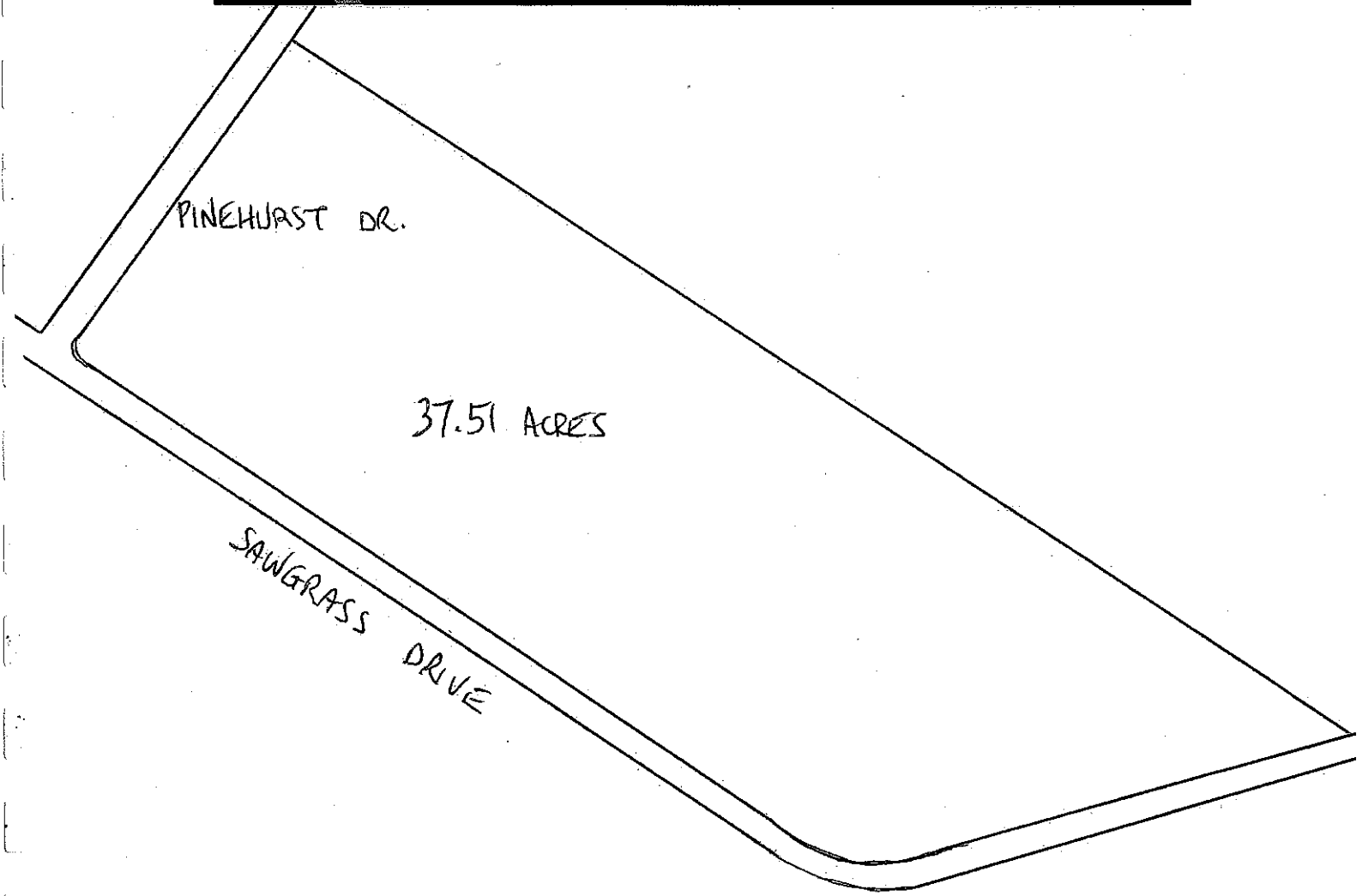




COMPARABLE SALE 8534



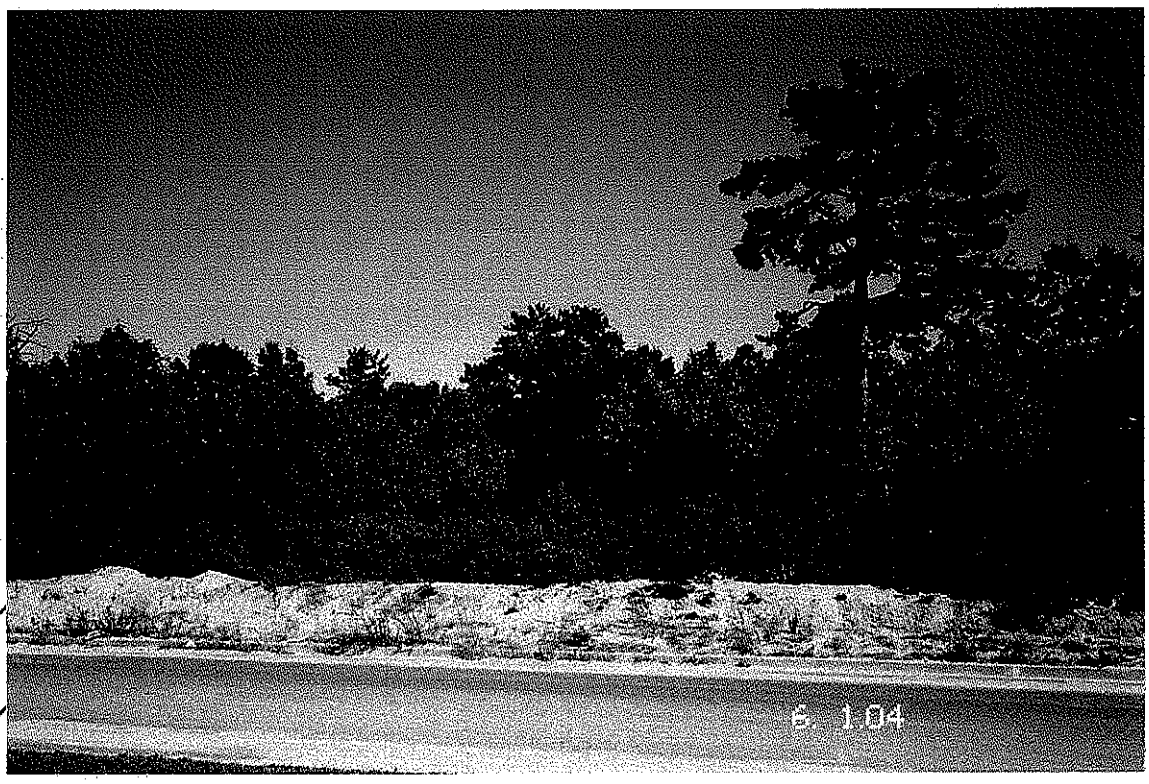
COMPARABLE SALE 8535

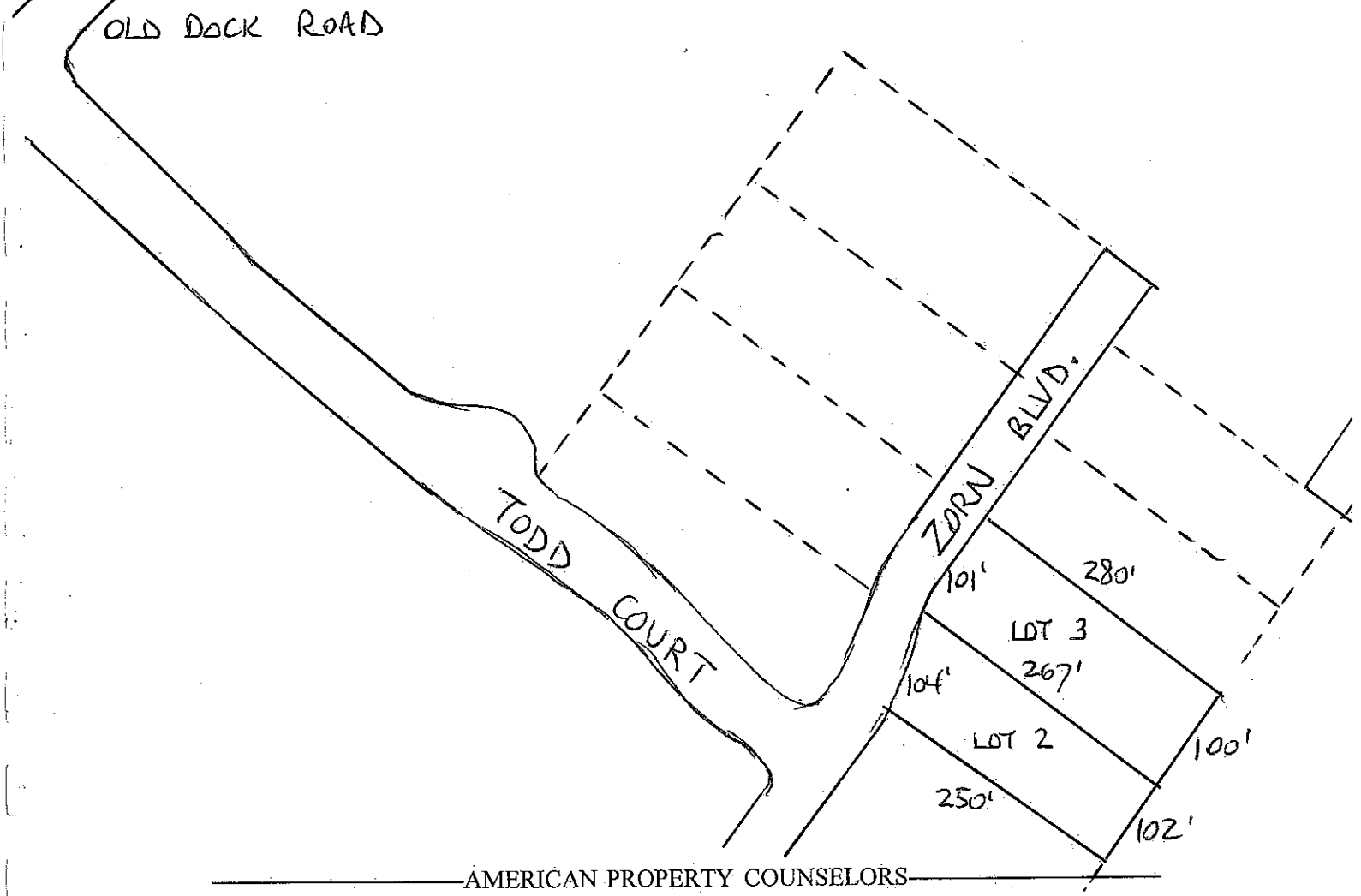


COMPARABLE LAND SALE 8536

LOCATION:	East side of Zorn Blvd. and ±50 feet north of Todd Court, Bellport, New York		
DATE OF SALE:	August 3, 2005	SALE PRICE:	$300,000
LAND AREA:	1.24 AC	UNIT PRICE:	$241,545/AC
SELLER:	Zorn & Sons, LLC		
BUYER:	Amato Realty Corp. 627 Horseblock Road, Farmingville, New York		
DEED RECORDING:	Suffolk County Deeds Liber 12405 page 328		
TAX MAP:	200/777/6/2 and 777/6/3		
DESCRIPTION:	This is one sale of two contiguous industrial sites on a short dead-end street, part of a developing business park. The lots have a combined frontage of 205 feet on Zorn Blvd., depth is 250 feet on the south line and 280 feet on the north line, and 202 feet wide across the rear. Total land area is 54,112 SF or 1.242 acres. The land is level and close to road grade, with no improvements.		

COMPARABLE SALE 8536





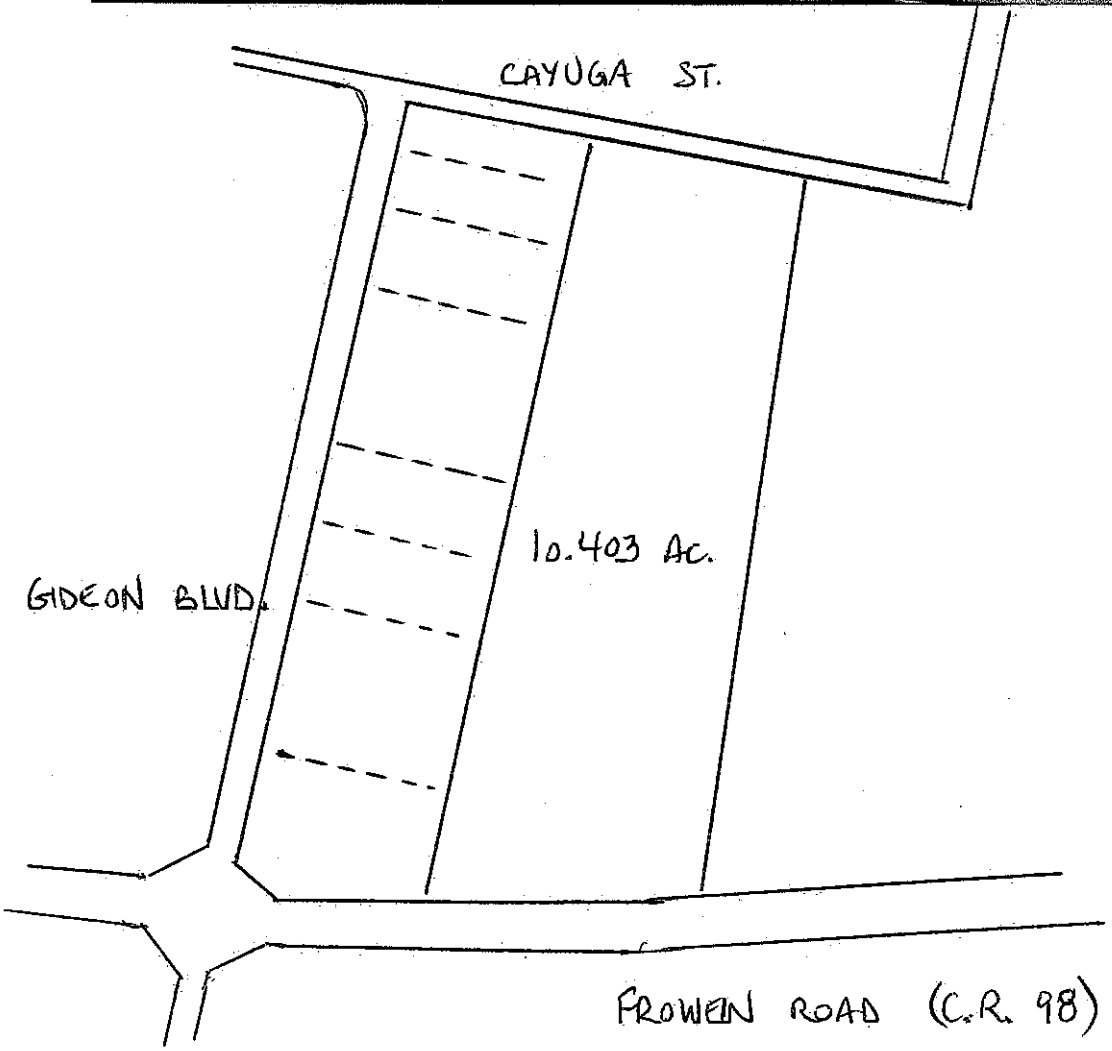
COMPARABLE LAND SALE 8537

LOCATION:	North side of Frowein Road, about 300 feet east of Gideon Blvd., Center Moriches, New York	
DATE OF SALE:	October 6, 2006	SALE PRICE: $1,450,000
LAND AREA:	10.40 AC	UNIT PRICE: $139,383/AC
SELLER:	Educational Resources, LLC Adelaide Avenue, East Moriches, New York	
BUYER:	Moriches Industrial Park, LLC Frowein Road, East Moriches, New York	
DEED RECORDING:	Suffolk County Deeds Liber 12477 page 443	
TAX MAP:	200/793/100/200	

DESCRIPTION: This is a level, rectangular parcel with roughly 300 feet of frontage on Frowein Road, which is a local traffic artery. The lot extends north about 1,100 feet to the south side of Cayuga Street, where there are also about 300 feet of frontage. Land area is 10.403 acres. The parcel is close to street grades and partly wooded, with no improvements of value. The neighborhood has a mix of houses, light industry and secondary commercial uses. This site is zoned L-1, industrial.

The seller had acquired the property on June 8, 2004 for $1.1 million (Liber 12325 page 685). The buyer made application to subdivide the land for a project to be called "Mid-Suffolk Industrial Park at Center Moriches."

COMPARABLE SALE 8537



COMPARABLE LAND SALE 8538

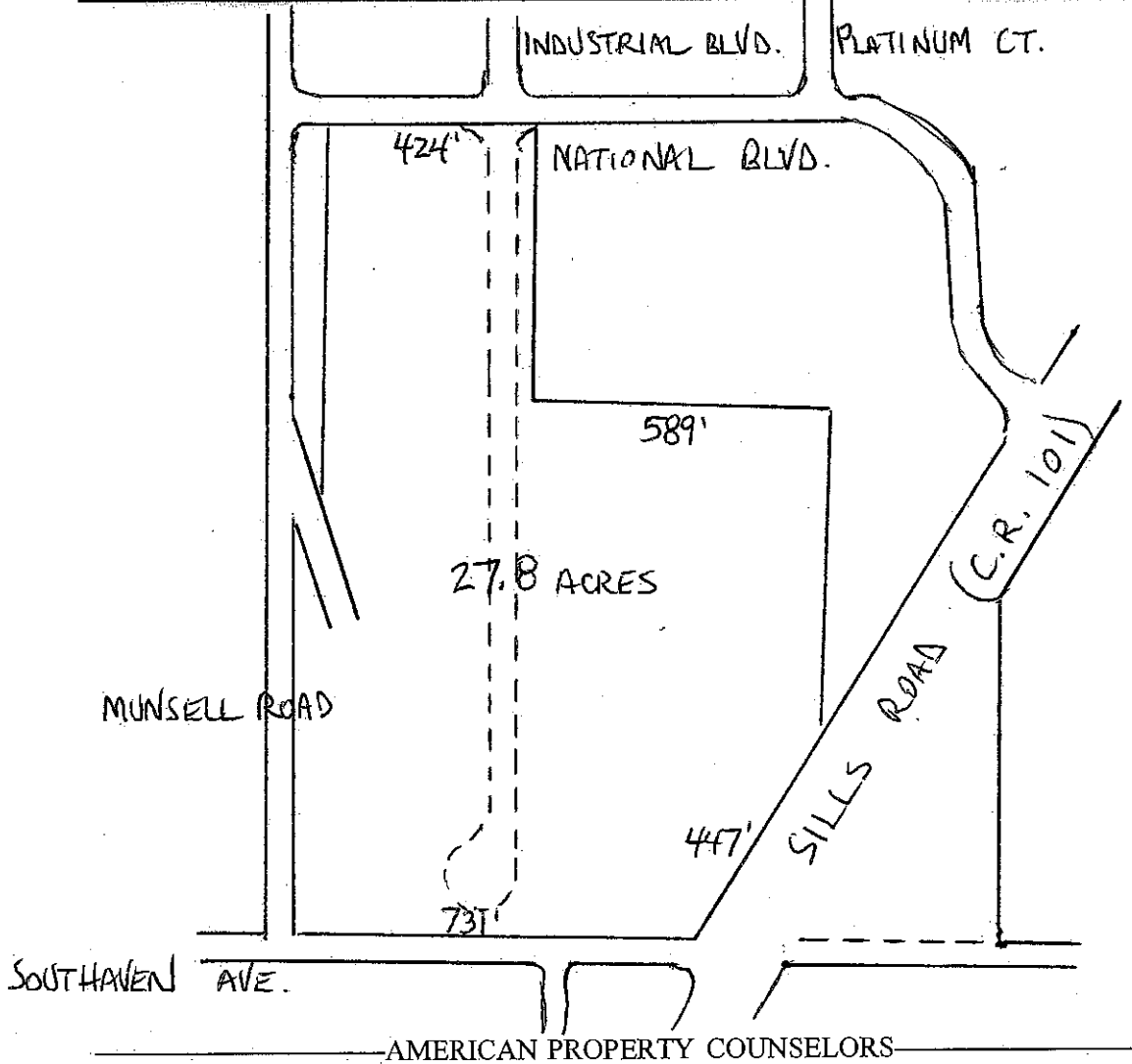
LOCATION:	West side of Sills Road (CR 101) and the south side of National Blvd., South Silver Industrial Park, Medford, New York	
DATE OF SALE:	December 17, 2004	SALE PRICE: $5,085,890
LAND AREA:	27.80 AC	UNIT PRICE: $170,000/AC
SELLER:	Sound Avenue Company, LLC	
BUYER:	Intercounty Associates II, LLC 360 Moreland Avenue, Commack, New York	
DEED RECORDING:	Suffolk County Deeds Liber 12364 page 138	
TAX MAP:	200/812/3/5.13	

DESCRIPTION:

This large, irregularly shaped site is in the South Silver Industrial Park. The 27.8 acre parcel has 447 feet of frontage on the west side of Sills Rd., 731 feet on the north side of Southaven Ave. and 424 feet along the south side of National Blvd. Zoning is industrial, all utilities are available here, and this is in an Empire Zone.

The land had been approved for a new interior road and is further subdividable. The buyer is Intercounty Appliance Distributors, which needs the entire site for a new 250,000 SF warehouse. Title has been transferred to the Brookhaven IDA and the warehouse has been completed.

COMPARABLE SALE 8538



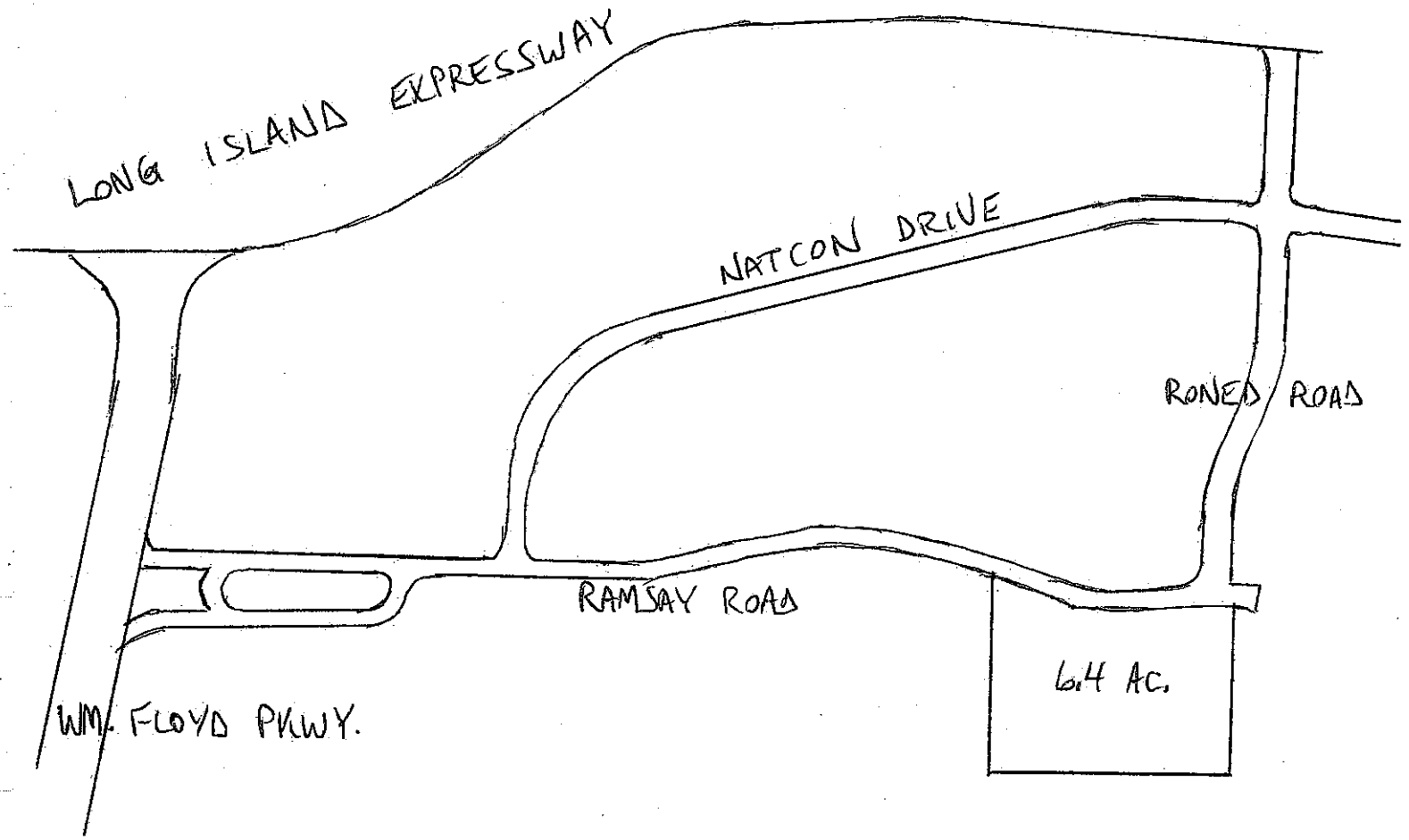
COMPARABLE LAND SALE 8539

LOCATION:	Ramsay Road, Shirley, New York	
DATE OF SALE:	December 14, 2006	SALE PRICE: $1,397,000
LAND AREA:	6.4 AC	UNIT PRICE: $218,281/AC
SELLER:	Northwoods 68 Corp.	
BUYER:	Warco, LLC 10 Dubon Court, Farmingdale, New York	
DEED RECORDING:	Suffolk County Deeds Liber 12485 page 51	
TAX MAP:	200/584/100/4.038	

DESCRIPTION: This is a single, approved industrial site in the Brookhaven Technical Park. The park entrance is off the east side of William Floyd Parkway, on the south side of the Long Island Expressway at Exit 68. The park has its own eastbound expressway entry. Zoning is L-1 industrial, all public utilities are at the curb and this is in a qualified Empire Zone.

There were no improvements at the time of the sale. The buyer is an affiliate of Frank Lowe Rubber & Gasket Co., Inc., which is expanding and relocating here. A new 60,000 SF building is planned.

COMPARABLE SALE 8539



COMPARABLE IMPROVED SALE 8683

LOCATION:	22 Research Way, East Setauket, New York		
DATE OF SALE:	September 22, 2005	SALE PRICE:	$4,600,000
LAND AREA:	196,000 SF	BUILDINGS:	59,312 SF
SELLER:	Douglas J. Todd		
BUYER:	Robert E. Hansen, Jr.		
DEED RECORDING:	Suffolk County Deeds 12415 page 18		
TAX MAP:	200/277/2.0/17.4		

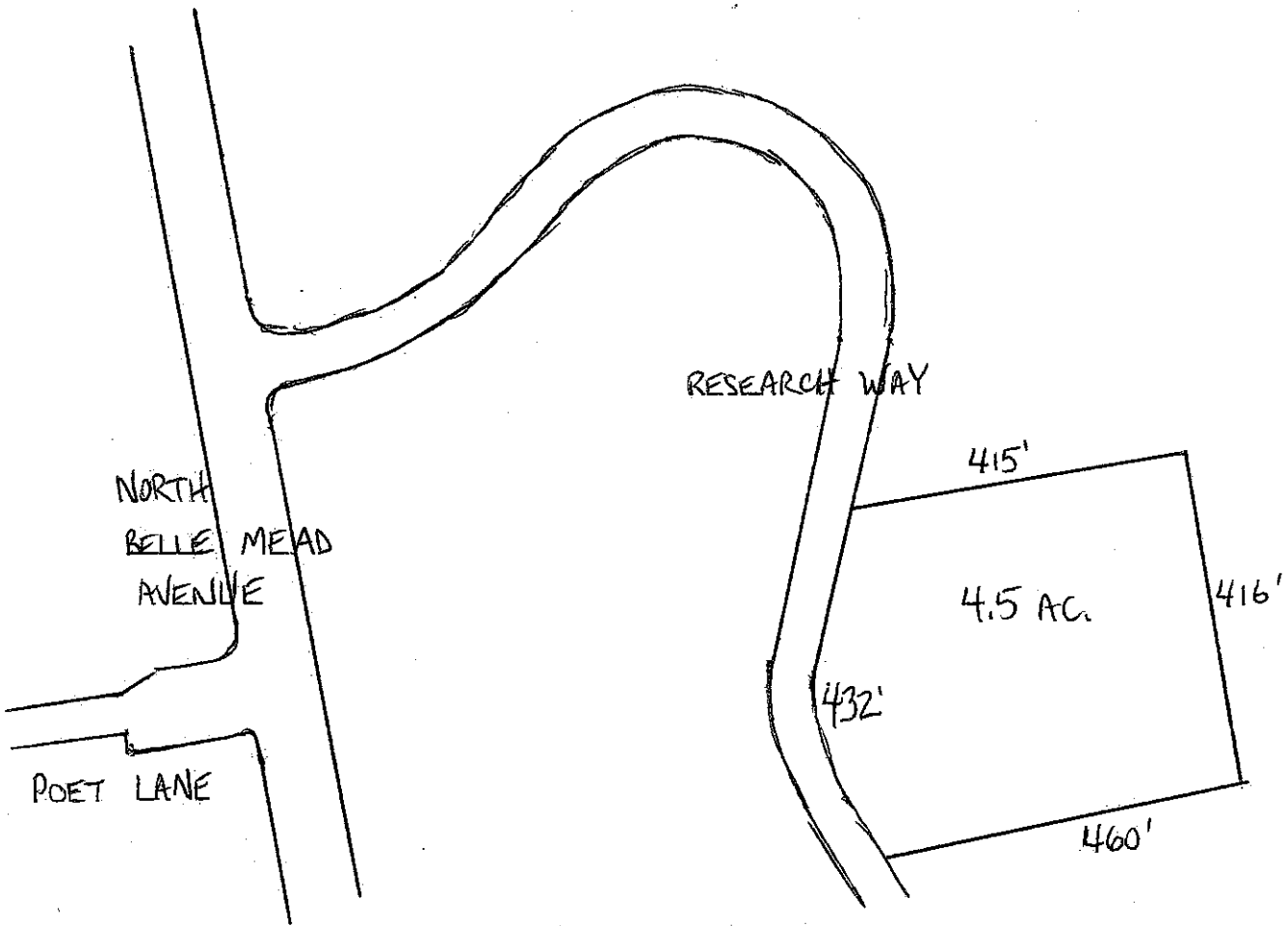
DESCRIPTION:

This is a fairly level 4.5 acre parcel in Stony Brook Technology Center, a modern business park. The site has 432 feet of frontage with a driveway at either end, and is more than 400 feet deep. Most of the site is paved. Zoning is LI - Light Industrial.

The improvement is a single tenant industrial building built in 1988. Construction is steel frame with jumbo brick on three walls and concrete block in the rear. Ceilings are 18' clear, with a 22' section at the rear. There are 5 truck docks plus two drive-in doors, and an office mezzanine in front, with a passenger elevator. Finished office space is about 5,000 SF.

The building is fully occupied by Islandaire, which assembles and distributes air conditioner units. The buyer is president of the company.

COMPARABLE SALE 8683



COMPARABLE IMPROVED SALE 8684

LOCATION:	60 Davids Drive, Hauppauge, New York		
DATE OF SALE:	October 17, 2005	SALE PRICE:	$6,700,000
LAND AREA:	226,150 SF	BUILDINGS:	92,000 SF
SELLER:	G. Greenberg, et. al.		
BUYER:	Castella Realty Co., LLC		
DEED RECORDING:	Suffolk County Deeds 12420 page 583		
TAX MAP:	800/182/1/33.078		

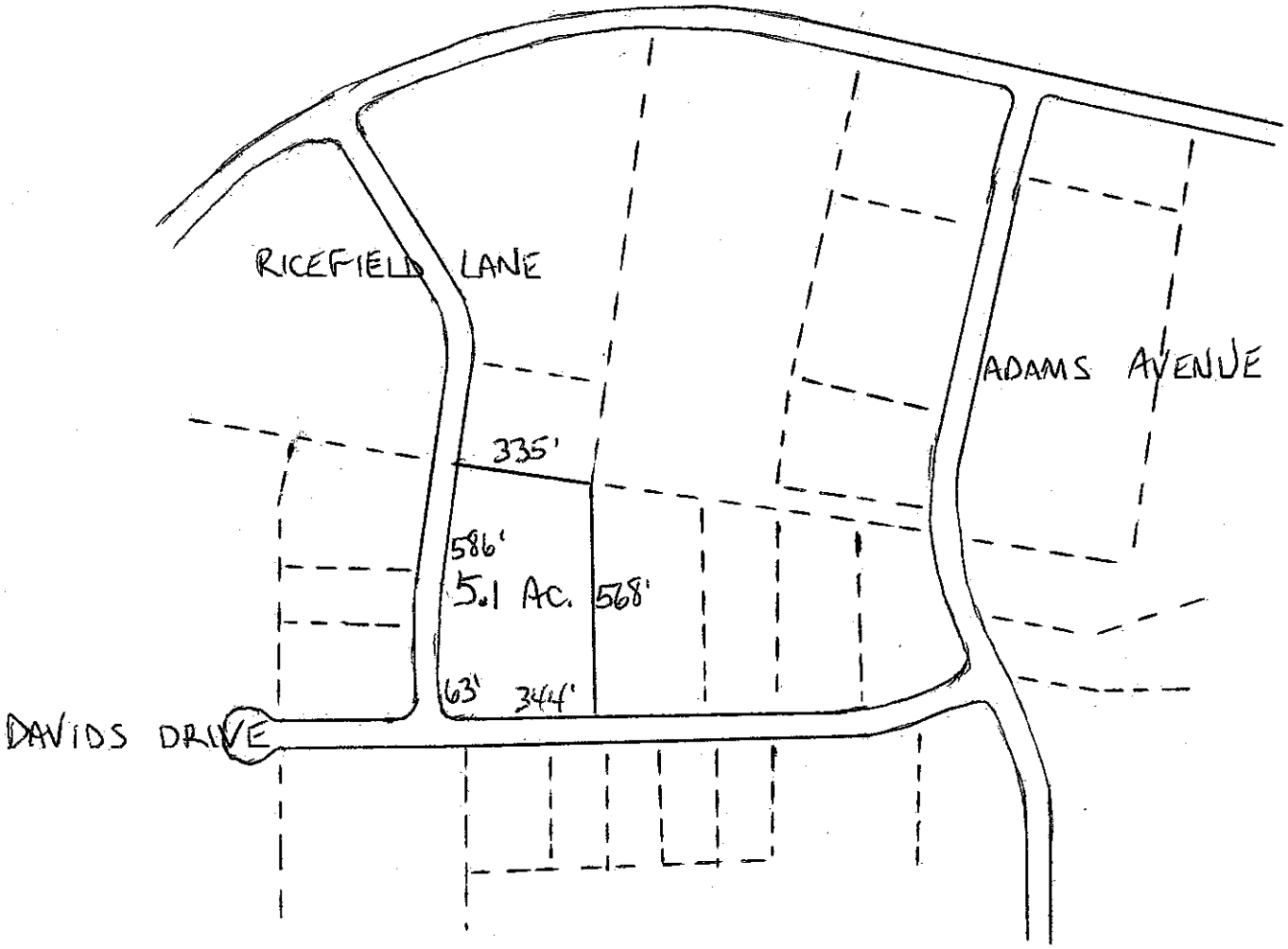
DESCRIPTION:

This 5.1 acre industrial site occupies the northeast corner of Davids Drive and Ricefield Lane in a large, modern business park. The site is on a rise, slightly below the grade of Ricefield Lane but fully usable and mostly paved.

The improvement is a one story warehouse with a steel frame and split block exterior. The main entry and offices face Davids Drive, the office section in front has glass block accent walls. Finished office space is about 10% of the building. The warehouse has 20 and 26 foot ceilings (different sections), full sprinklers and 7 truck docks on the rear wall. There were two additional docks which were mortared in after the sale. This was built in 1974 and was in good condition when it sold.

This is a single tenant building bought for owner occupancy (Castella Imports, which distributes specialty foods).

COMPARABLE SALE 8684



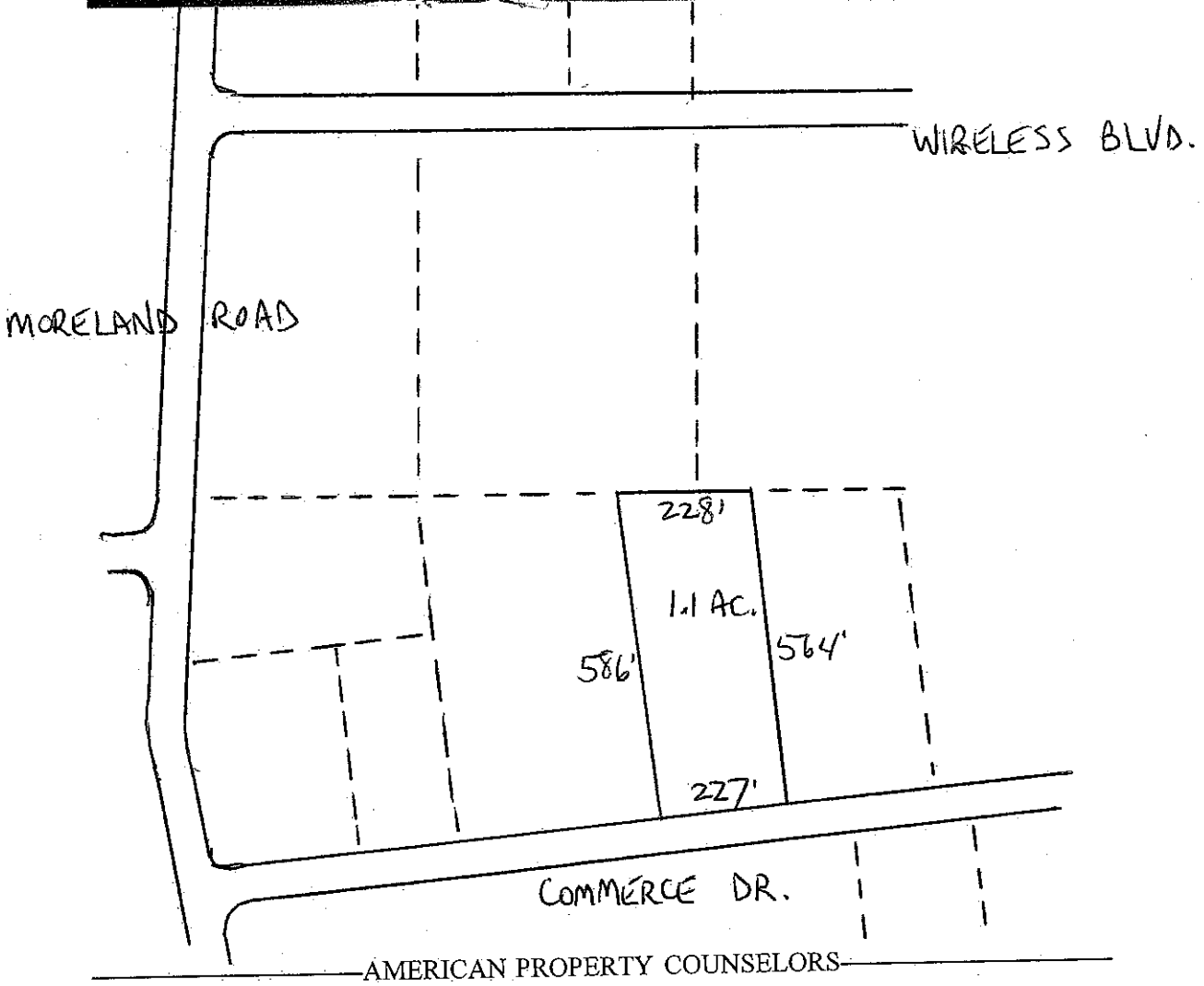
COMPARABLE IMPROVED SALE 8685

LOCATION:	30 Commerce Drive, Hauppauge, New York		
DATE OF SALE:	January 31, 2005	SALE PRICE:	$4,500,000
LAND AREA:	130,680 SF	BUILDINGS:	50,000 SF
SELLER:	Bystonic, Inc.		
BUYER:	J3 Manufacturing		
DEED RECORDING:	Suffolk County Deeds Liber 12369 page 752		
TAX MAP:	800/181/3/1.01		

DESCRIPTION: This 3 acre site is on the north side of Commerce Drive in a large light industrial park (Heartland Industrial Park). The site is level and fully usable. The improvement is a one story split block on steel frame factory building. There are 3 drive-in truck doors and clear ceiling height is 22 feet. The southwest corner of the building is an 8,000 SF office section, with 10 foot ceilings. The building was built in 1982.

This is a single tenant building bought for owner occupancy. The buyer (Twinco Corp.) manufactures railroad equipment, industrial relays and electrical components.

COMPARABLE SALE 8685



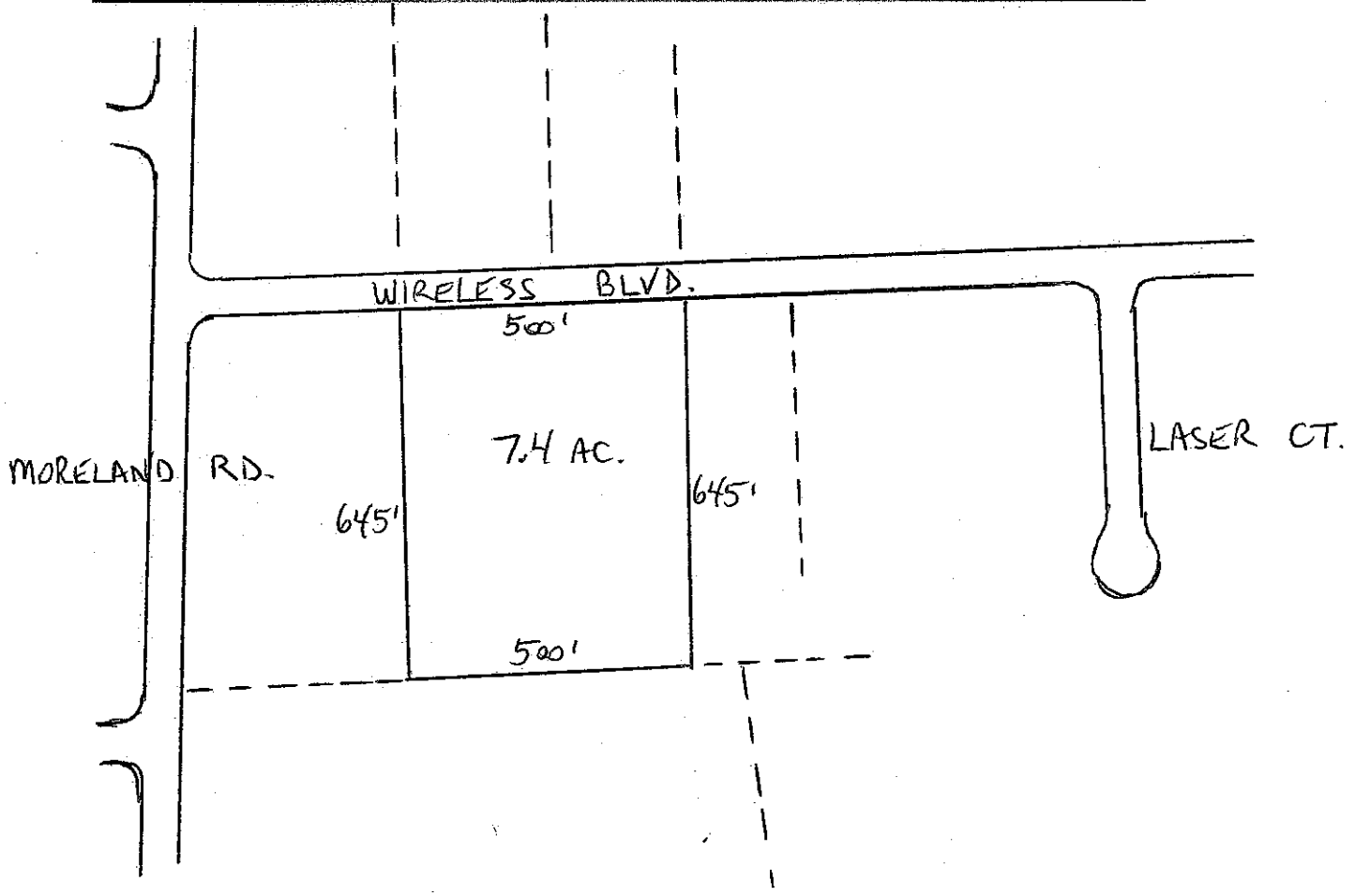
COMPARABLE IMPROVED SALE 8686

LOCATION:	49 Wireless Boulevard, Hauppauge, New York		
DATE OF SALE:	April 1, 2004	SALE PRICE:	$7,000,000
LAND AREA:	322,350 SF	BUILDINGS:	85,600 SF
SELLER:	Powerwave Technologies, Inc.		
BUYER:	49 Wireless, LLC		
DEED RECORDING:	Suffolk County Deeds Liber 12318 page 947		
TAX MAP:	800/181/1/1.51		

DESCRIPTION: This 7.4 acre industrial site is on the south side of Wireless Blvd., one lot west of Moreland Ave. in Heartland Industrial Park. The site downslopes very gently to the south from road grade and has large parking lots plus landscaped buffers. The improvement is a one and two story light industrial building with steel frame and a full face brick exterior. The building is stylized with many office windows and skylights. The industrial space has 2 truck docks plus one drive-in door, clear height is 18 feet. This was built in 1980 and was in good condition at the time of the sale.

The seller had occupied the entire building but it suffered business reverses. The buyer is an investment group which has converted the building for multi-tenant occupancy.

COMPARABLE SALE 8686



COMPARABLE IMPROVED SALE 8687

LOCATION:	350 Wireless Boulevard, Hauppauge, New York		
DATE OF SALE:	April 1, 2004	SALE PRICE:	$6,300,000
LAND AREA:	348,500 SF	BUILDINGS:	71,742 SF
SELLER:	KN NY QRS 12-64, Inc.		
BUYER:	Lanco Long Island Realty Corp.		
DEED RECORDING:	Suffolk County Deeds Liber 12316 page 124		
TAX MAP:	800/181/1/1.72		

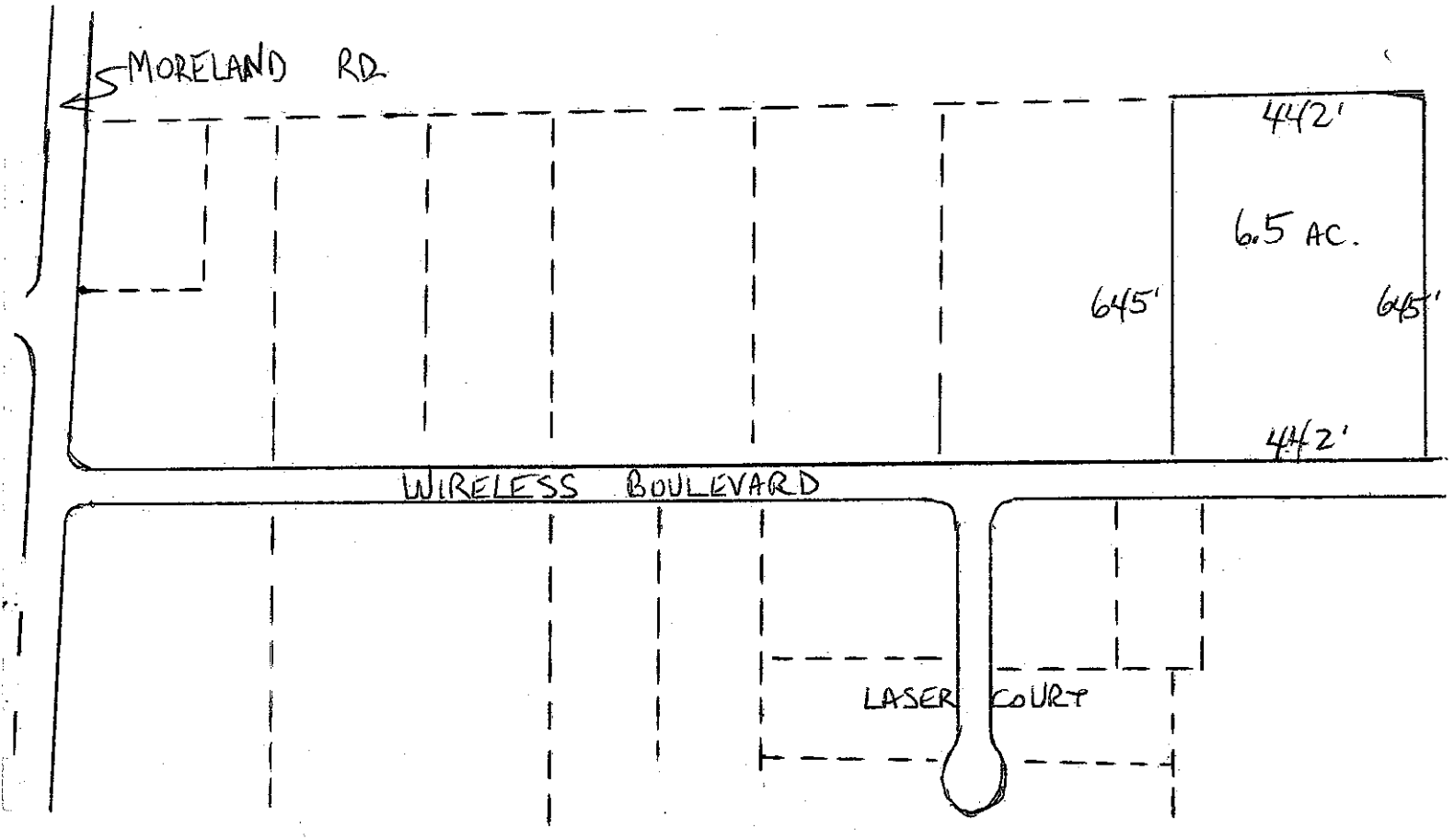
DESCRIPTION:

This rectangular 8 acre site sits slightly above road grade but is mostly level except for a steep upslope at the extreme rear. The site is on the north side of the street, just west of Adams Ave. in Heartland Industrial Park. There is ample paved parking and attractive landscaping in front and on the sides.

The site is improved with a one and two story light industrial building with a large two-floor office section in front. Gross building area is 71,742 SF, about 60% of which is offices or finished personnel space. The warehouse has 24 foot ceilings, two truck docks and one drive-in door. The building exterior is jumbo face brick, with decorative brickwork and arched windows on the office facade. This was built in 1979 and was in good condition when it sold.

The buyer makes and distributes candy. It expanded from another building in the neighborhood and now occupies most of this facility. After the sale it expanded the warehouse by 40,000 SF, sealed one loading dock, installed 4 new truck docks and renovated the office section for multi-tenancy.

COMPARABLE SALE 8687

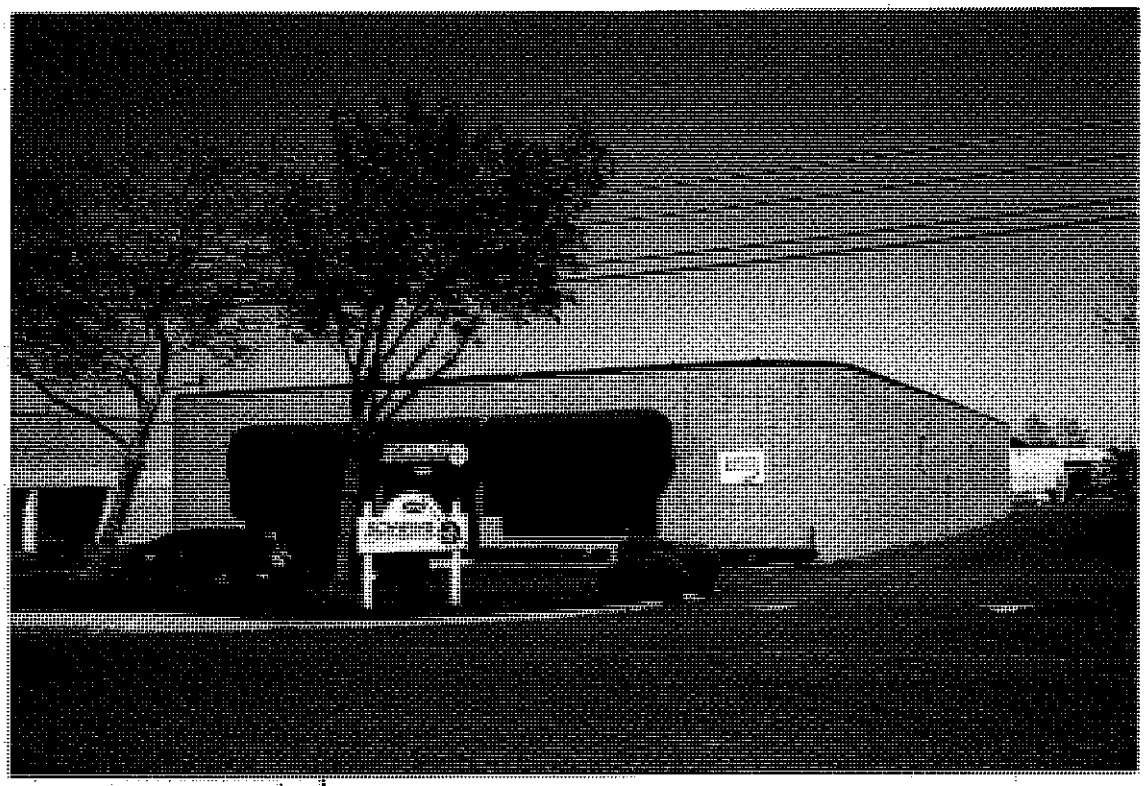


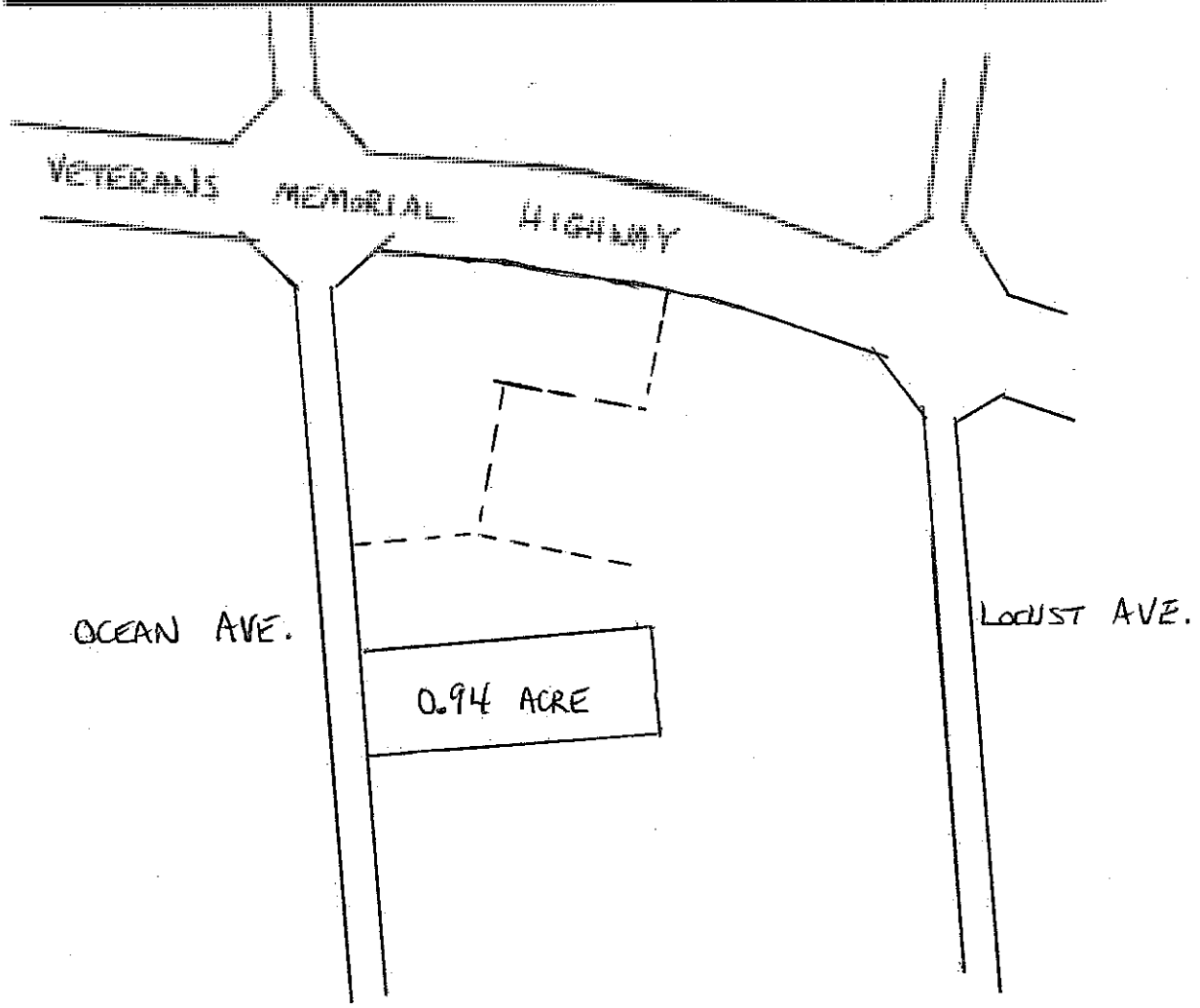
COMPARABLE IMPROVED SALE 8688

LOCATION:	1649 Sycamore Avenue, Bohemia, New York		
DATE OF SALE:	January 20, 2004	SALE PRICE:	$1,020,000
LAND AREA:	40,950 SF	BUILDINGS:	12,307 SF
SELLER:	John Finnerty		
BUYER:	PBJ Realty, LLC		
DEED RECORDING:	Suffolk County Deeds Liber 12299 page 565		
TAX MAP:	500/148/1/2.009		

DESCRIPTION: This level rectangular site is on the east side of the street, just one lot south of Veterans Memorial Highway in a developed business neighborhood. The site is almost entirely paved. The improvement is a one story concrete block light industrial building built in 1986. It is built on a concrete slab with split block walls and a flat roof. About 2,800 SF in front is finished offices, the warehouse section has 14 foot ceilings. The building was in good condition when it sold. This is a single tenant building occupied by an electrical supply distributor.

COMPARABLE SALE 8688





COMPARABLE IMPROVED SALE 8689

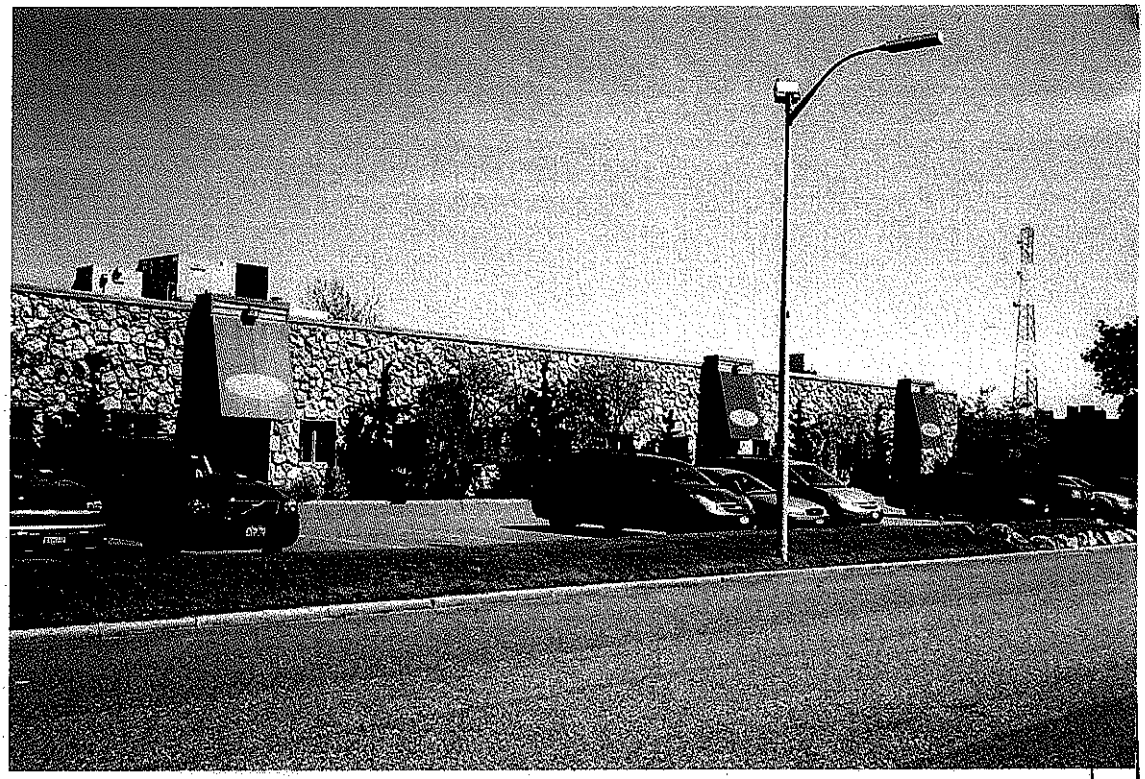
LOCATION:	75 Orrville Drive, Bohemia, New York		
DATE OF SALE:	November 23, 2004	SALE PRICE:	$2,395,000
LAND AREA:	83,635 SF	BUILDINGS:	25,000 SF
SELLER:	119 Cooper Street Corp. c/o Monahan & Sklavos, PC One Old Country Road, Carle Place, New York		
BUYER:	B & H, LLC 160 Irish Lane, Islip Terrace, New York		
DEED RECORDING:	Suffolk County Deeds Liber 12360 page 140		
TAX MAP:	500/192/1/3		

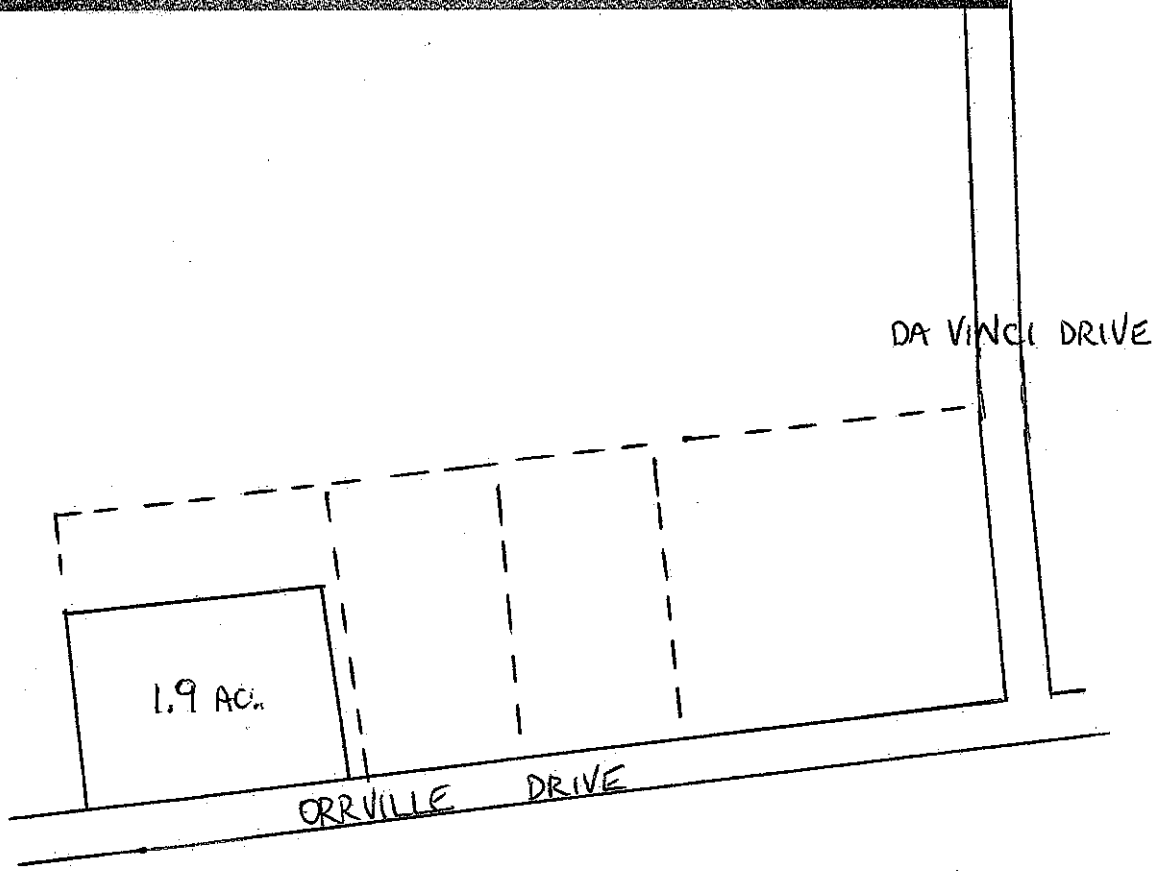
DESCRIPTION:

This rectangular 1.9 acre site is on the east side of Orrville Drive in Rechler Industrial Park, near MacArthur Airport. The improvement is a one story steel frame and masonry factory built in 1970. The facade and parts of the side walls are clad in decorative stone. Gross building size is 25,000 SF, about half of which is finished offices. Clear warehouse height is 16 feet with four overhead doors on the rear wall.

This is a multi-tenant property with several private entrances on the facade. The buyers are investors.

COMPARABLE SALE 8689





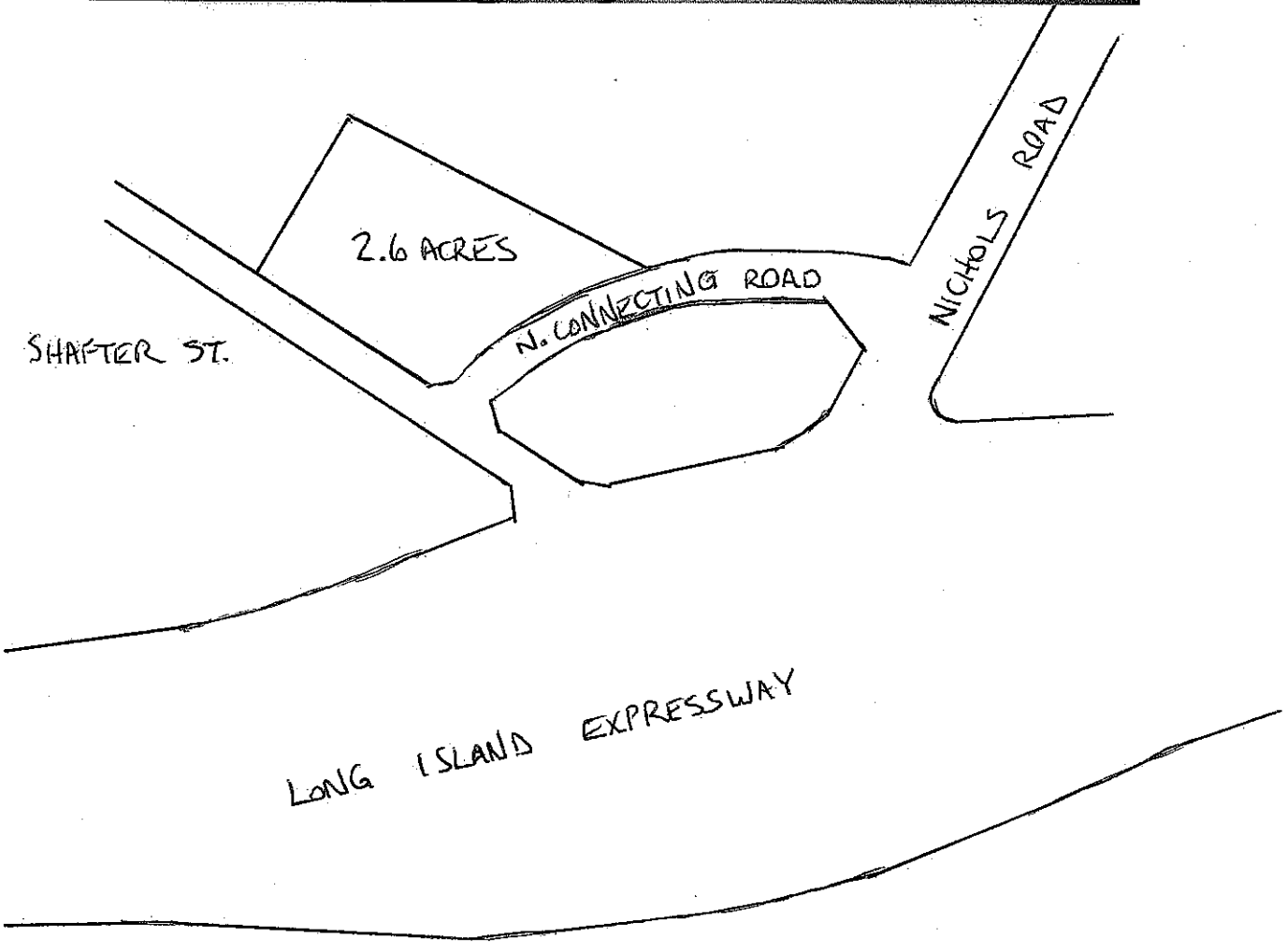
COMPARABLE IMPROVED SALE 8690

LOCATION:	300 North Connecting Road, Islandia, New York		
DATE OF SALE:	January 31, 2005	SALE PRICE:	$2,858,625
LAND AREA:	113,250 SF	BUILDINGS:	31,000 SF
SELLER:	300 North Connecting Road, LLC		
BUYER:	300 NC, Inc.		
DEED RECORDING:	Suffolk County Deeds Liber 12370 page 433		
TAX MAP:	504/9/1/28.2		

DESCRIPTION: This rectangular site occupies the northwest corner of Connecting Road and North Shafta Street in a developed business area on the north side of LIE Exit 58. Expressway ramps are one block away and a public commuter parking lot is across the street. Neighboring properties are light industrial buildings, a BJ Wholesale Club and Hooters restaurant. The improvement is a one story steel frame and masonry warehouse with 31,000 SF, built in 1990. The exterior is face brick, with expansive office windows facing both streets. The warehouse has 18 foot clear height and 6 truck docks.

This was bought for owner occupancy. The buyer distributes HVAC and plumbing supplies.

COMPARABLE SALE 8690



COMPARABLE IMPROVED SALE 8691

LOCATION:	101 Christopher Street, Ronkonkoma, New York		
DATE OF SALE:	April 15, 2004	SALE PRICE:	$1,675,000
LAND AREA:	61,420 SF	BUILDINGS:	20,040 SF
SELLER:	101 Christopher Street, LLC		
BUYER:	Beef Realty, LLC		
DEED RECORDING:	Suffolk County Deeds Liber 12317 page 192		
TAX MAP:	500/103/2/17.2		

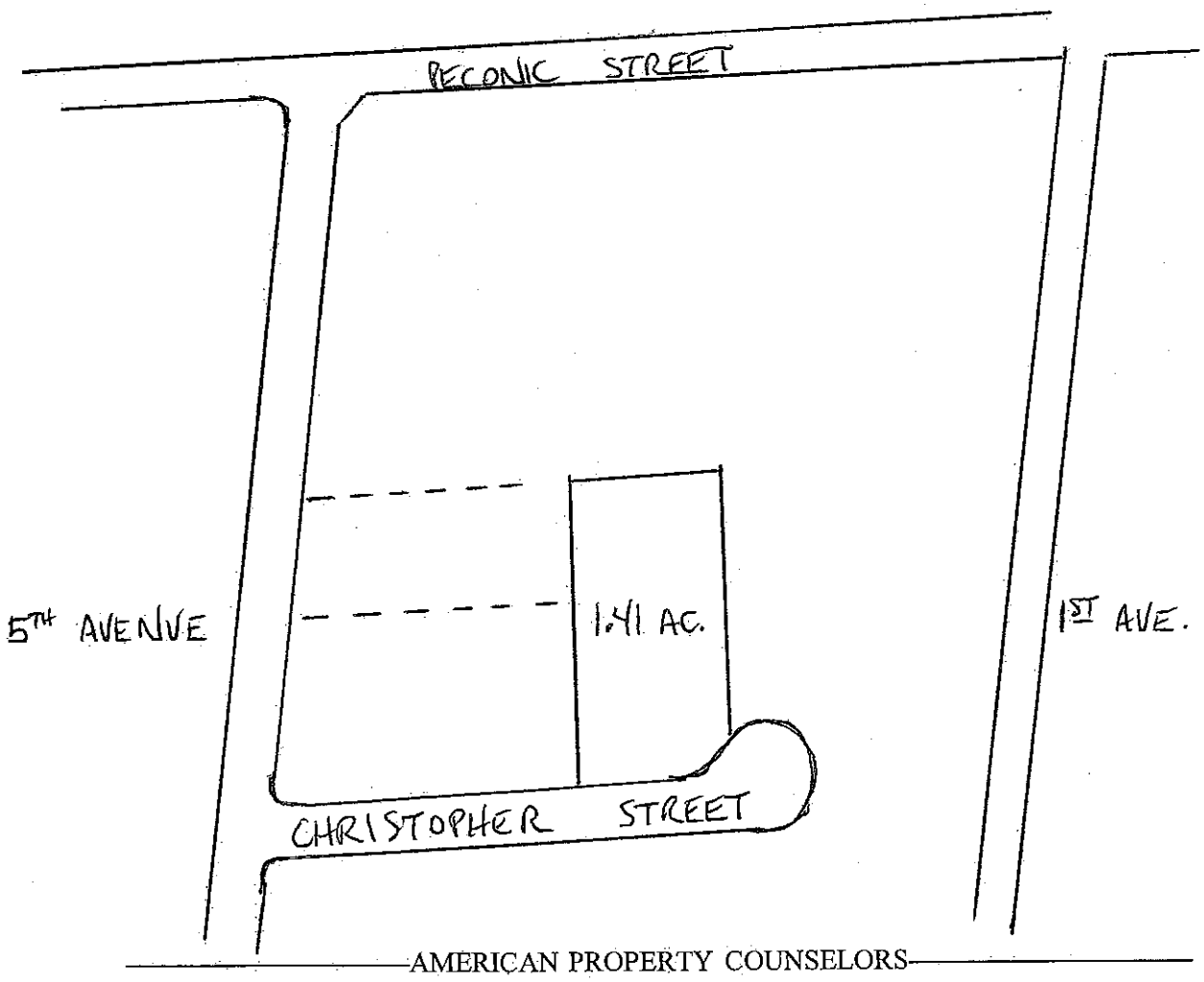
DESCRIPTION:

This rectangular 1.4 acre site is on the north side of Christopher Street, facing the cul-de-sac, in a mature industrial park. The lot is level and fully usable. Zoning is Industrial 1. The location is a short distance north of Veterans Memorial Highway, west of MacArthur Airport.

The improvement is a one story steel frame and brick light industrial building built in 1983. The front section is about 2,000 SF of finished office space, warehouse is fully sprinklered, has 20 foot clear height and 3 drive-in doors. The building was in good condition when it sold.

This is a single tenant building sold between owner occupants. The buyer is an affiliate of Denelex Corp., which makes and distributes electrical connectors.

COMPARABLE SALE 8691



ADDENDA

DEFINITION OF MARKET VALUE

The Appraisal of Real Estate, Ninth Edition, 1987, (Page 19) published by the American Institute of Real Estate Appraisers, defines market value as:

> "The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress."

Fundamental assumptions and conditions presumed in this definition are:

1. Buyer and seller are motivated by self-interest.

2. Buyer and seller are well informed and are acting prudently.

3. The property is exposed for a reasonable time on the open market.

4. Payment is made in cash, its equivalent, or in specified financing terms.

5. Specified financing, if any, may be the financing actually in place or on terms generally available for the property type in its locale on the effective appraisal date.

6. The effect, if any, on the amount of market value of atypical financing, services, or fees shall be clearly and precisely revealed in the appraisal report.

PROPERTY RIGHTS APPRAISED

Owning real property is different than owning almost anything else. Each piece of real estate has its own unique location. It cannot be hidden or moved elsewhere. Buildings often outlast the lives of their owners, land always does. These characteristics limit what an owner can and cannot do with real estate. In a sense one cannot "possess" real estate in the conventional understanding of ownership.

This is why real estate ownership is defined not as pure ownership, but as the rights (or title) to the property. Real property rights are limited and transitory. These property rights must be defined for this appraisal.

The valuation in this report is of the fee simple title of the property. Fee simple title is the most complete form of ownership of real estate, implying complete possession subject only to the four universally applicable powers of government:

1. The power of taxation.
2. The power of eminent domain - the right of government to take private property for the public benefit through condemnation.

3. Police power - the right to regulate property through zoning and building codes, traffic violations, and sanitary regulations.
4. Escheat - the right of the government to assume possession of property when the owner does not pay taxes or dies with no known heirs ascertainable.

The rights which fee simple title implies include, but are not limited to, the right to occupy the property, lease it, assign it, restrict its uses by others, pledge it as collateral for a loan (mortgage it), leave it to designated heirs, and sell it.

ASSUMPTIONS AND LIMITING CONDITIONS

This report has been prepared solely for the use of the client identified in the letter of transmittal and for the purpose stated. No other parties may assume rights to use, reproduce or distribute any information in this report without express authorization from American Property Counselors.

This appraisal was prepared under the following assumptions:

1. There are no encumbrances, encroachments or defects of title and the property has a marketable title which would be acceptable to a title insurance company.

2. Ownership and management are in competent, responsible hands.

3. The property identification and legal description furnished to or researched by American Property Counselors is correct. Other reasonable information furnished to American Property Counselors by others is assumed to be reliable.

4. The property is free and clear of all liens, except as may be noted in this report.

5. The property complies with applicable use, zoning and environmental regulations and building occupancy codes unless otherwise noted.

6. There are no concealed conditions or defects which would render the property more or less valuable than other similar properties.

This appraisal is subject to the following limiting conditions:

1. This report is presented as an integrated whole. Values assigned to the land and improvements, for example, are their value in relation to each other. Using parts of this report out of context invalidates the appraisal.

2. The appraisers signing this report are not required to appear or testify in court with reference to this property, unless prior arrangements have been made.

3. Measurements, plot plans, maps and sketches in this report are only to help the reader visualize the property. They are not intended to be authoritative.

4. This is an analysis of issues relevant to the marketability and value of defined real

estate interests. We make no representation of engineering or legal expertise.

5. No soil analyses or geological studies were ordered or made by the appraisers as part of this assignment, nor were any water, oil, gas, coal or other subsurface minerals or rights investigated.

6. The existence of potentially hazardous materials such as urea formaldehyde foam, lead-based paint, asbestos or toxic waste has not been considered. The appraisers are not qualified to detect or analyze such substances. An environmental engineer should be retained to clarify any ambiguity about potentially hazardous materials.

7. The existence of underground storage tanks and their contents has not been considered. The appraisers are not qualified to analyze such items. An environmental engineer should be retained to clarify any ambiguity about underground storage tanks.

8. The Americans with Disabilities Act (ADA) became effective on January 26, 1992. The appraiser is not qualified to judge compliance of the subject building and/or other improvements. Any comments in this report about ADA compliance are provided only as descriptive information. A qualified architect should be retained to clarify any ambiguity about ADA compliance.

9. All of the facts, observations and conclusions contained in this report are consistent with information available as of the date of appraisal. The market value of real estate is affected by many related and unrelated conditions, local and national. No liability is assumed for sudden or unforeseen changes in the economy, legislation or governmental regulation which might influence the value of this property.

ASSESSMENT AND REAL ESTATE TAX INFORMATION

As part of our background review we assembled the ad valorem tax assessments and tax bills for the subject parcels, from municipal records in the towns of Brookhaven and Smithtown. Here is a summary of our findings.

GYRODYNE TAX PARCELS IN BROOKHAVEN					
PARCEL NUMBER	LAND ASSM'T.	TOTAL ASSM'T.	ACRES LAND	GROSS TAXES	NOTES
200/273/1/3	$72,800	$75,500	177.10	$17,581.61	
200/272/2/8	N/A	N/A	0.03	N/A	isolated by LIRR
GYRODYNE TAX PARCELS IN SMITHTOWN					
PARCEL NUMBER	LAND ASSM'T.	TOTAL ASSM'T.	ACRES LAND	GROSS TAXES	NOTES
800/39/5/42.4*	$2,475	$2,475	3.30	$4,120.07	resid.,S.end
800/39/5/42.3	$1,425	$1,425	1.90	2,372.16	resid.,S.end
800/40/2/4	$520	$520	1.30	865.63	Mills Pond lot
800/40/2/11	$19,800	$44,800	64.90	74,577.48	Bldgs.17,18,25
800/40/2/13 **	$7,290	$77,290	31.80	128,662.81	Bldgs.1,2,7,8
800/40/2/14	$600	$1,385	1.50	2,305.58	lot on W.end 25A
800/40/2/15	$22,600	$49,045	27.90	81,644.03	N.end on 25A
TOTALS		$252,440	309.73	$312,129.38	

* Parcel 800/39/5/42.4 was shown as containing 5.50 acres on the 2005 tax roll, it has since been changed to 3.30 acres, even though the parcel seems the same on the tax map.

** This parcel was redesignated 800/40/2/13.3 after the appropriation. On the 2005 roll this parcel was shown containing 31.90 acres, it has since been changed to 31.80 acres.

We calculated taxes using millage rates for 2005-2006. The millage rate combines county, town and school taxes. Individual bills could differ slightly due to rounding.

Acreage shown for each parcel is approximate. There are some discrepancies between tax maps and tax rolls, between records for different years, and on some survey maps which show land areas different than town tax maps.

We took the assessments from public records but we do not warrant their accuracy. Parcels 800/40/2/14 and 800/40/2/15 include value assessed for improvements but both parcels appear to be unimproved. We might also question the value assessed for improvements on parcel 800/40/2/13.2.

Parcel 200/272/2/8 in Brookhaven is a tiny triangle between the LIRR and the town line. The parcel is shown on the tax map but not on the town tax roll, so we assume its value to be amalgamated with the assessment for the other parcel in Brookhaven, 200/273/1/3 .

Parcels 800/39/5/42.3 and 800/39/5/42.4 are owned by Flowerfield Realty, Inc., title to all other parcels is held by Gyrodyne Company of America, Inc. It is our understanding that both corporations are controlled by the same principals, the properties are contiguous, held and managed together so they are considered part of the same subject property.

The New York State Office of Real Property Services establishes equalization rates each year for every municipality in the state of New York. The equalization rate, sometimes called the assessment ratio, is supposed to be the ratio of the assessment to current market value. The importance of the equalization rate is that it is used by the courts that hear tax protest cases. The courts calculate the assessor's equalized full value according to this formula:

Assessment / Equalization Rate = Equalized Full Value

If the equalized full value differs significantly from the property's market value, the assessor has justification to change the assessment. The state equalization rate can also be critical to the case of a property owner seeking to have his assessment reduced.

The 2005 equalization rate for the Town of Brookhaven was 0.84% The 2005 equalization rate for the Town of Smithtown was 1.30%. On the next page is a table calculating full market values according to the respective assessors in each town. We have also analyzed the land assessments to show per acre values.

The assessments indicate a total market value of roughly $22.6 million for the entire subject property. That is well below our own value conclusion.

We calculated the equalized assessments as part of our general background research. We did not rely on the assessors' value opinions to support our own independent value conclusions. Individual property assessments are not usually changed except in the case of demolition or new construction. There was a revision in the assessment of parcel 800/40/2/13 after the catering hall was sold off in 2002. If and when the subject property is approved for subdivision, then new tax lots would be created and completely new assessments imposed.

The next page shows our analysis of the 2005 assessments.

GYRODYNE TAX PARCELS IN BROOKHAVEN						
TAX PARCEL NUMBER	LAND ASSM'T.	EQUAL. LAND VALUE	SIZE IN ACRES	FULL VALUE/AC.	TOTAL ASSM'T.	EQUAL. ASSM'T.
200/273/1/3	$72,800	$8,666,667	177.10	$48,937	$75,500	$8,988,095
200/272/2/8	N/A		0.03		N/A	
GYRODYNE TAX PARCELS IN SMITHTOWN						
800/39/5/42.4	$2,475	$190,385	3.30	$57,692	$2,475	$190,385
800/39/5/42.3	$1,425	$109,615	1.90	$57,692	$1,425	$109,615
800/40/2/4	$520	$40,000	1.30	$30,769	$520	$40,000
800/40/2/11	$19,800	$1,523,077	64.90	$23,468	$44,800	$3,446,154
800/40/2/13	$7,290	$560,769	31.80	$17,634	$77,290	$5,945,385
800/40/2/14	$600	$46,154	1.50	$30,769	$1,385	$106,538
800/40/2/15	$22,600	$1,738,462	27.90	$62,310	$49,045	$3,772,692
TOTALS		$12,875,128	309.73	$41,567		$22,598,844

We need to make some assessment and tax allocations for sites with existing buildings. In appraising by the income approach, real estate taxes are an operating expense which should be charged to existing buildings and their sites. Current assessments place the buildings on much larger land parcels than necessary. Our subject property's highest and best use is to keep or sell off some existing buildings, keeping them separate from development land.

For example, tax parcel 800/40/2/13 holds Buildings 1, 2, 7 and 8 on 31.9 acres of land. Gyrodyne's master plan allocates a 16.2 acre site for these buildings. So we need to allocate parcel 800/40/2/13's assessment and taxes to the existing buildings on only 16.2 acres. The rest of that tax parcel would be development land, and that land's taxes would be considered a land holding expense.

We calculated the land assessment for tax parcel 800/40/2/13, which is ±$229/acre. ($7,290 land assm't. / 31.80 acres = $229.25/acre). We apply that per acre assessment to the 16.2 acres needed for Buildings 1, 2, 7 and 8 and add the assessment for the building improvements. That gives us a total assessment (rounded), from which we calculate taxes which are a proper operating expense for the buildings. The rest of that parcel's tax bill can be considered a holding cost for development land.

We reviewed records of the Smithtown Assessor which showed the use of a similar calculation to allocate taxes for the catering hall, before it was sold off by Gyrodyne in 2002.

Our allocation for Buildings 17, 18 and 25 is based on 11.8 acre site allocation. Actually, Gyrodyne's master plan allocates very generous sites of 9.0 acres for Building 17 and 2.8 acres for Building 18. No site for Building 25 is shown on the plan, though the site location is peripheral and might be used in a late building phase of the development plan. We consider 11.8 acres total to be an adequate size for these buildings.

Here is our allocation of the assessments and taxes for improved portions of the subject property. Allocations and assessments have been rounded.

ALLOCATION FOR BUILDINGS 1, 2, 7 AND 8					
PARCEL NUMBER	LAND ASSM'T.	IMPR.	TOTAL ASSM'T.	ACRES LAND	TAXES
800/40/2/13	$7,290	$70,000	$77,290	31.8	$128,663
ALLOCATED-IMPROVED	3,700	$70,000	$73,700	16.2	$122,687
ALLOCATED-VACANT	3,590	0	$3,590	15.6	$5,976
ALLOCATION FOR BUILDINGS 17, 18 AND 25					
800/40/2/11	$19,800	$25,000	$44,800	64.9	$74,577
ALLOCATED-IMPROVED	3,600	$25,000	$28,600	11.8	$47,610
ALLOCATED-VACANT	16,200	0	$16,200	53.1	$26,968

ALTERNATE VALUATION TRIALS

The most unpredictable element in the subject property's future is the outcome of land subdivision. We can make fairly accurate valuations of existing buildings, based on their rents, and we can accurately measure per acre value for finished lots. When it comes to subdivision approvals, we are dealing with local planning boards, many different regulatory agencies and neighbors. The approvals process is political in nature, so even the savviest investor can only guess how a development application will fare.

A prudent investor would have to make reasonable assumptions, and formulate a price decision based on those assumptions. We have tried to use the same process in this appraisal. Rather than try to guess how many lots will be approved, we used per acre pricing. We used a range of discount rates that investors would find attractive and realistic. We made reasonable allowances for carrying costs and development costs, as a prospective buyer would. These costs can't be projected more accurately without actually making a formal application for development, then working through the approval process itself.

Our experience has taught us that the most sensitive parts of our subdivision analysis are related to timing, specifically, time needed for approvals, and the timing of the real estate cycle when approvals are granted. We projected that it would take about three years to approve a business park subdivision on this land, and we assumed that a strong, stable market at that time would enable lots to be sold at a pace around 25 acres per year. If approvals took much longer than three years, or if lots were sold at a very different pace, timing would probably have a greater impact on property value than any other element in our projections. That is why we say that timing is the most sensitive part of our subdivision analysis.

There are places where developers can project how long approvals will take. Some jurisdictions place time limits on planning boards, and some jurisdictions process enough applications to demonstrate a normal time frame. Long Island is not such a place. Development applications can drag on year after year, the bigger and more complicated the project, the longer it will take. Some applicants tolerate this because approvals can make land much more valuable, so the process is worth it. Some applicants simply get sucked into a process and persevere because they have no choice. They may even receive development approvals when market conditions are poor, so the project can't get underway.

Nevertheless, investors and developers are optimists by nature, so they assume that they will be able to win timely approvals. That rationale plays a big part in the selection of a 3 year time frame for approving a subject subdivision. We think a 5 year projection might also be used by a developer, and we have tested our analysis using a 5 year schedule. That test will be shown presently.

There are precedents in this region for approvals taking 10 years or more. We do not think financial projections of this type should be carried beyond 10 years, and we will not do so. There are good reasons why an investor or developer doesn't typically project such a long time frame for one development:

a). it would be difficult to get construction financing for such a long-term project.

b). it would be difficult to find equity backers for such a long-term project.

c). if an investor thought approvals would take longer than 5 years, he would deem the project too risky.

d). a 10+ year project is likely to span an economic cycle and/or a real estate cycle. That increases the chances of building in a soft market; it increases the odds of failure.

e). a 10+ year project may extend beyond the developer's career. The developer doesn't want to be burdened with this project in his old age.

So our time projections in this valuation aren't completely empiric, they also reflect human considerations which investors and developers use when making a purchase decision. That is why we will consider 3 and 5 year time frames to win approvals. We will also make projections no further out than 10 years. If the subject can't be fully developed within 10 years, we project a sellout of remaining land at the end of year 10, which could be a bulk sale to another investor. Such bulk sales have occurred in several other business parks in this market.

Following are three alternate valuations, using discounted cash flow schedules which differ in the most critical elements of timing. These are:

1st Alternate Valuation - This assumes 3 years for approvals, followed by a typical sales pace of 50 acres of land per year.

2nd Alternate Valuation - This assumes 5 years for approvals, followed by a typical sales pace of 25 acres of land per year.

3rd Alternate Valuation - This assumes 5 years for approvals, followed by a typical sales pace of 50 acres of land per year.

For reference, our primary valuation relied upon in this appraisal assumed 3 years for approvals, then a typical sales pace of 25 acres of land per year.

There are a few differences we made to the 2nd and 3rd Alternate Valuation schedules, because of the 5 year approval process. Here is a brief list of the different entries, and the reasons why they are different from the schedules for approval in 3 years:

Income - Lot sales are scheduled to start by the end of year 5, after approvals are granted.

Infrastructure - We postponed infrastructure expenses until year 5, when approvals are finalized and lot sales begin. There would be no point in installing infrastructure earlier, since the terms of development approval may affect what is needed. It is also prudent to schedule infrastructure costs close to the time of lot sales, to accelerate recovery of capital.

Professional fees - The approvals process is not passive; five years before the planning board means five years of demands to satisfy, so professional fees will cost more. We previously allotted $100,000 per year for professional fees, that same allowance continues through the

longer approval process.

Real estate taxes - Taxes will increase because the property will be reassessed when approvals are granted. That reassessment will come later in our 5 year schedules, so the tax increase is budgeted later.

Sales costs - These costs are incurred as lots are sold, so the costs appear later on the 5 year schedules.

Developer's overhead - We calculated overhead as a percentage of income, when received, but the developer still charges a base amount for overhead during the approvals process. We allowed a flat amount of $100,000/year. On the 5 year schedules this base amount is paid for a longer period, before initial lot sales occur.

1st ALTERNATE CASH FLOW SCHEDULE FOR SUBDIVISION - BEFORE TAKING

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7
INCOME Acres sold/yr.	0	0	75	50	50	50	31.5
Acres unsold	256.5	256.5	181.5	131.5	81.5	31.5	0
Avg. Price/Ac.	$195,000	$204,750	$214,988	$225,737	$237,024	$248,875	$261,319
Gross income	$0	$0	$16,124,063	$11,286,844	$11,851,186	$12,443,745	$8,231,537
EXPENSES Infrastructure	$0	$0	$500,000	$700,000	$500,000	$575,000	$0
Engineering/fees	50,000	50,000	10,000	5,000	5,000	5,000	0
Prof.fees	100,000	100,000	0	0	0	0	0
Insurance	12,000	12,420	12,855	13,305	13,770	14,252	14,751
R.E.taxes	141,800	146,763	199,650	151,883	98,839	40,112	0
Property maint.	10,000	10,350	10,712	11,087	11,475	11,877	12,293
Sales costs	0	0	1,289,925	902,948	948,095	995,500	658,523
Dev. overhead	100,000	100,000	1,612,406	1,128,684	1,185,119	1,244,375	823,154
Total expenses	$413,800	$833,333	$3,635,548	$2,912,906	$2,762,298	$2,886,115	$1,508,720
Net income	**($413,800)**	**($833,333)**	**$12,488,514**	**$8,373,938**	**$9,088,888**	**$9,557,630**	**$6,722,817**

Discount Rate	Net Present Value
10%	$28,525,816
11%	$27,340,335
12%	$26,217,607
13%	$25,153,639
14%	$24,144,730
15%	$23,187,448

Based on this range, we conclude a rounded subdivision land value of $26,200,000. That is a 1st alternate valuation, assuming 3 years for subdivision approvals, then a sales pace of about 50 acres of land per year.

2nd ALTERNATE CASH FLOW SCHEDULE FOR SUBDIVISION - BEFORE TAKING

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9
INCOME Acres sold/yr.	0	0	0	0	75	50	50	50	31.5
Acres unsold	256.5	256.5	256.5	256.5	181.5	131.5	81.5	31.5	0
Avg. Price/Ac.	$195,000	$204,750	$214,988	$225,737	$237,024	$248,875	$261,319	$274,385	$288,104
Gross income	$0	$0	$0	$0	$17,776,779	$12,443,745	$13,065,932	$13,719,229	$9,075,270
EXPENSES Infrastructure	$0	$0	$0	$0	$500,000	$700,000	$500,000	$575,000	$0
Engineering/fees	50,000	50,000	10,000	5,000	5,000	5,000	0	0	0
Prof.fees	100,000	100,000	100,000	100,000	0	0	0	0	0
Insurance	12,000	12,420	12,855	13,305	13,770	14,252	14,751	15,267	15,802
R.E.taxes	141,800	146,763	151,900	157,216	220,114	167,450	108,970	44,223	0
Property maint.	10,000	10,350	10,712	11,087	11,475	11,877	12,293	12,723	13,168
Sales costs	0	0	0	0	1,422,142	995,500	1,045,275	1,097,538	726,022
Dev. overhead	100,000	100,000	100,000	100,000	1,777,678	1,244,375	1,306,593	1,371,923	907,527
Total expenses	$413,800	$833,333	$385,467	$386,608	$3,950,180	$3,138,454	$2,987,882	$3,116,675	$1,662,518
Net income	**($413,800)**	**($833,333)**	**($385,467)**	**($386,608)**	**$13,826,599**	**$9,305,292**	**$10,078,051**	**$10,602,555**	**$7,412,752**

Discount Rate	Net Present Value
10%	$25,469,247
11%	$23,936,913
12%	$22,510,529
13%	$21,181,748
14%	$19,942,960
15%	$17,787,219

Based on this range, we conclude a rounded subdivision land value of $22,500,000. That is a 2nd alternate valuation, assuming 5 years for subdivision approvals, then a sales pace of about 50 acres of land per year.

3rd ALTERNATE CASH FLOW SCHEDULE FOR SUBDIVISION - BEFORE TAKING

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
INCOME Acres sold/yr.	0	0	0	0	35	25	25	25	25	121.5
Acres unsold	256.5	256.5	256.5	256.5	221.5	196.5	171.5	146.5	121.5	0
Avg. Price/Ac.	$195,000	$204,750	$214,988	$225,737	$237,024	$248,875	$261,319	$274,385	$288,104	$302,509
Gross income	$0	$0	$0	$0	$8,295,830	$6,221,873	$6,532,966	$6,859,615	$7,202,595	$36,754,844
EXPENSES Infrastructure	$0	$0	$0	$0	$500,000	$700,000	$500,000	$575,000	$0	$0
Engineering/fees	50,000	50,000	10,000	5,000	5,000	5,000	0	0	0	0
Prof.fees	100,000	100,000	100,000	100,000	0	0	0	0	0	0
Insurance	12,000	12,420	12,855	13,305	13,770	14,252	14,751	15,267	15,802	16,355
R.E.taxes	141,800	146,763	151,900	157,216	268,624	250,221	229,305	205,673	179,104	0
Property maint.	10,000	10,350	10,712	11,087	11,475	11,877	12,293	12,723	13,168	13,629
Sales costs	0	0	0	0	663,666	497,750	522,637	548,769	576,208	2,940,388
Dev. overhead	100,000	100,000	100,000	100,000	829,583	622,187	653,297	685,961	720,260	3,675,484
Total expenses	$413,800	$833,333	$385,467	$386,608	$2,292,119	$2,101,287	$1,932,283	$2,043,394	$1,504,541	$6,645,856
Net income	**($413,800)**	**($833,333)**	**($385,467)**	**($386,608)**	**$6,003,711**	**$4,120,586**	**$4,600,683**	**$4,816,221**	**$5,698,055**	**$30,108,988**

Discount Rate	Net Present Value
10%	$23,067,774
11%	$21,317,551
12%	$19,715,798
13%	$18,248,481
14%	$16,903,021
15%	$15,668,131

Based on this range, we conclude a rounded subdivision land value of $19,750,000. That is a 3rd alternate valuation, assuming 5 years for subdivision approvals, then a sales pace of about 25 acres of land per year.

Review of Alternate Valuation Trials

Primary Valuation - 3 years for approvals, typical sales pace of 25 acres/year	$22,500,000
1st Alternate Valuation - 3 years for approvals, typical sales pace of 50 acres/year	$26,200,000
2nd Alternate Valuation - 5 years for approvals, typical sales pace of 25 acres/year	$22,500,000
3rd Alternate Valuation - 5 years for approvals, typical sales pace of 50 acres/year	$19,750,000

The Primary Valuation was developed earlier in this report, and relied on. That is because we considered the basic assumptions to be the most likely ones which a typical investor might choose when making a purchasing decision.

We then processed three alternate valuations, using different assumptions about the length of time needed for approvals, and the pace at which finished lots could be sold off.

The above values don't all seem logically consistent. For example, at a sales pace of 25 acres per year, this subdivision is worth essentially the same whether it takes 3 or 5 years to win approvals. The reason is that this subdivision will be hard to sell out at a pace of only 25 acres per year. Both of our projections involve a bulk sale of remaining acreage in year 10, and that bulk sale tends to equalize the values in these two schedules.

The values look more logical with a sales pace of 50 acres per year. Here we show a notably higher value for approval within 3 years. Based on our market research, a steady absorption of 50 acres per year may be unrealistic. That amounts to ten 5 acre sites sold each year. There isn't that much business expansion in Suffolk County, at least for large corporate sites, and there are competing business parks in this region, most of which are more convenient to the LIE. A prudent, informed investor would be cautious about expecting to sell more than 25 acres of land per year in this location.

Nevertheless, fairly drastic differences in timing don't produce drastically different value results for the subject subdivision. The values range from roughly $20 to $26 million, with a mean of $22.6 million. These alternate valuations demonstrate that changes in underlying assumptions might not cause an investor to bid much differently for the property.

SALES OF MAJOR DEVELOPMENT OPPORTUNITIES

We investigated some major real estate transactions on Long Island, as an extra check on the reasonableness of our value before taking. The subject could fall within a property category we refer to as a "major development opportunity." That is a large and prominent property capable of being developed or redeveloped in a way that makes it a noteworthy landmark. There are real reasons why some developers seek out such major opportunities:

1. Very large properties appeal to the most elite (or perhaps, visionary) developers, and some banks are eager to associate themselves with a high visibility project. That can make a major development easier to finance.

2. Very large projects can be innovative, so they appeal to a creative developer.

3. Very large projects offer efficiencies of scale. Size helps to justify a difficult approvals process. Then size justifies a professional marketing program, and the visibility of a large project helps attract buyers and occupants.

4. A developer can stay engaged with a large project for years, so the project becomes steady employment. Most investors and many developers eschew such long-term projects, but there are some who are attracted by a venture with a grand scope.

5. The scale of a large project can offer more opportunities for profit, fees and salaries.

6. Building a very large project is personally gratifying. It is a tangible creation and, if successful, can make or burnish a developer's reputation.

It is tricky for an appraiser to use comparative valuation techniques with a major development opportunity because any such property tends to have unique attributes. The best ways to appraise such a property are to analyze and sum its component parts, or analyze the value potential of the property after completion. That is what we have done in this appraisal.

Nevertheless, there is some merit in looking at other major development opportunities because a developer is prone to compare the subject with someone else's huge project. A review of other major transactions can give us some ideas about purchasing power in the market, and about the demand for such opportunities, and how readily deals get consummated.

We that background in mind, let us review some major development opportunity sales on Long Island, and juxtapose them to the subject property, appraised before the taking for a total market value of $37,500,000.

Opportunity Sale 1

This is Southampton College, on Montauk Highway in Southampton. The campus is 82.263 acres, with long frontage directly on Shinnecock Bay. There are 42 buildings including academic buildings, dormitories, a gymnasium with swimming pool and a 160,000 volume library. Long Island University (LIU) owned and operated the property since 1963, and enrollment on this campus was 2,100 students. LIU made significant investments in the physical

plant, incurring a reported $77 million in debt. The campus was not financially viable for LIU and it offered the property for sale, finally shutting down in summer 2005.

The State University of New York bought the property from Long Island University on October 3, 2006. The price was $35 million.

SUNY has established a Marine Sciences Research Center on this campus. The sale excluded the campus radio station, which was retained by LIU. LIU also retained occupancy rights to some building space for 3 years, to continue its graduate programs.

Southampton College could have been an exciting redevelopment opportunity because of its large shorefront campus. The buildings have the potential for creative adaptation, possibly for a number of uses, and there is land for building as well.

The price is quite close to our before taking value for the subject. Our subject has more land, but this sale's location is more valuable if only because of its water frontage, and the sale has far more valuable buildings. This sale does not give us any clear reason to reconsider our subject value conclusion.

Opportunity Sale 2

The Town of Riverhead acquired the former Naval Weapons Industrial Reserve Plant from the U.S. Navy, in 1998. It has been trying to resell it since, hoping to induce private redevelopment. The facility, now called "Enterprise Park," is in Calverton. It has nearly 500 contiguous acres of land and over 2 million SF of 1950's vintage industrial buildings. At one time much of this property was leased to Grumman.

We understand that there was a $17 million sale contract on this property in 2001 but negotiations were complicated by differences between the Town, as seller and site plan approver, and the would-be buyer. The deal was not consummated.

In June 2007 Riverhead agreed to sell 300 acres of the property to Rechler Equity Partners, for $35 million. Rechler plans to build a 2.5 million SF business park. There were three competing bidders in 2006, and the bidding drove up the price. From all reports, town board conflicts delayed a purchase agreement for months. To the best of our understanding this sale has still not closed nearly a year after town approval of the transaction.

Enterprise Park suggests a number of observations pertinent to our subject property. The land's location is further out on Long Island than the subject, but it has much better access to the LIE, which is important for business development. Enterprise Park also has the advantage of being sold by the Town, which gives the buyer some leverage in getting development approvals. The buyer's plan for 2.5 million SF is one indication of how intensively he expects to develop. It may not be possible to build so much space on the subject property.

Equally interesting is the long time this property has been on the market; nearly 10 years. This may partly be the Town's fault, but economic cycles probably played a role as well. Major development opportunities can lie fallow for years, then get fought over when the market heats up.

Again, the reported price for Enterprise Park is close to our before taking value for the subject. This sale gives us no cause to reconsider our subject value conclusion.

Opportunity Sale 3

This property is LaSalle Center, at 500 Montauk Highway, Oakdale, New York. This is a 175 acre campus on Great South Bay. The school was started in 1926, on a former estate with a 65 room Georgian mansion that still stands. This was a Christian boarding school with grades K through 12 and there are 250,000 SF of buildings, including a middle school completed in 1992.

The school enrollment was dropping and the property was placed on the market in the late 1990's. Dowling College offered $16 million in 1999 but that sale fell apart. In June 2001 St. John's University arranged to buy the property. That sale also fell apart because St. John's found the property too far from their main campus, and they were strained to undertake an institutional expansion. The LaSalle Center school ceased operations in 2001, around the time of the St. John's deal.

In early 2006 the Joint Industry Board of the Electrical Industry contracted to buy the property as a retreat for its union members. The buyer cancelled the deal based on proposed renovation costs which it deemed unfeasibly high.

We were unable to determine the offered prices in 2001 and 2006, we only have the $16 million 1999 price. Given the long exposure on the market and the closure of the school, we would assume that the more recent prices were lower than $16 million.

This again represents a redevelopment opportunity on 175 waterfront acres. We have not inspected the buildings so we cannot attest to anything other than their size and solid structure; other bidders have obviously seen some reuse potential.

This property is a still-available opportunity and the underlying land alone should generate some excitement by either a developer or an institutional buyer. It is discouraging but instructive to see that this property has failed to sell after nearly ten years of trying.

PROFESSIONAL QUALIFICATIONS
KENNETH L. GOLUB

Professional Affiliations
American Society of Real Estate Counselors - CRE Designation
Appraisal Institute - MAI Designation
Westchester County New York Board of Realtors

Services Provided
Investment analysis; valuation for buyers, sellers and lenders; studies for eminent domain takings; appraisals for tax assessment; gift and estate tax appraisals; appraisals for easement acquisitions for sewers and electric power lines, scenic and conservation easements; feasibility studies, market studies; distressed property workout strategies; property investment counseling, leasing arrangements; asset allocation and property exchanges.

I have analyzed properties throughout the United States and prepared intensive studies of the impact of electric power lines, communications towers, highways and conservation easements.

Career Experience
Partner, American Property Counselors since 1987.

President of Golub Appraisal Company, Mount Kisco, New York, specializing in the preparation of real estate appraisals, and counseling relating to real estate matters (1972-1987).

Manager of New York office of C. L. Orbaker and Associates, Inc., a real estate appraisal firm with offices in Connecticut, New Jersey, New York and Pennsylvania (1970-1972).

Staff Appraiser with Thorne Appraisal Service, Inc., Binghamton, New York for two years (1968-1970).

Expert Testimony
I have appeared and been qualified as an expert witness at legal proceedings involving condemnation, tax certiorari and business dissolutions in various jurisdictions in New York, Connecticut, New Jersey and Pennsylvania.

Publications
Articles I have written on valuation related topics have appeared in "The Appraisal Journal," "The Real Estate Appraiser and Analyst," "The Appraisal Review Journal" and "The Journal of Property Tax Management."

Teaching
Faculty Member, American Institute of Real Estate Appraisers. I have written and conducted seminars sponsored by the National Association of Review Appraisers and Mortgage Underwriters, the Northeast Regional Association of Assessing Officers and the New York State Association of Assessing Officers.

CLIENTS WE HAVE SERVED

Corporations
Agway, Inc.
Akindale Farms, Inc.
American Maize Corp.
Atlantic Mutual Insurance Co.
Bancroft & Martin
Bell Atlantic Mobile Corp.
Boise Cascade
Bowater Corp.
BP Oil Co.
Cellular One
Chase Enterprises
Chrysler Corporation
Cibro Petroleum, Inc.
Citgo
Clough Harbour Associates
Con Edison
Continental Insurance Company
Cumberland Farms
Doctor's Sunnyside Hospital
Ellaneff Manufacturing Corp.
Financial Guaranty Insurance Company
Getty Oil
Hackensack Water Co.
Holliday Fenoglio
I.T.T. Corp.
International Business Machines Corp.
KOSCO
McGraw Hill
Meenan Oil Co.
Mobil Oil Corp.
Modern Maid Corporation
New York State Electric & Gas Corp.
Northville Petroleum, Inc.
Pfizer, Inc.
Presidential Realty Corp.
Prudential Insurance Co. of America
Reynolds Metals Company, Inc.
Shell Oil Corp.
Sprint PCS
Star Enterprise, Inc.
Stony Lodge Hospital, Inc.
Texaco, Inc.
United Parcel Service
Westinghouse Electric Corp.
Wyatt Oil Co.

Financial Institutions
AMRESCO
Bank of Baltimore
Bank of New York
Chase Manhattan/Chemical Bank
Citibank
EQ Services, Inc. (Equitable)
Fleet Bank
General Electric Credit Corp.
Holliday & Fenoglio
J. P. Morgan Interfunding Corp.
Marine Midland Bank
Morgan Guaranty Trust Co.
National Westminster Bank
Norwest
RECOLL Management, Inc.
United Jersey Bank

Trusts
AMB Institutional Investors
Mid-Hudson Medical Group, P.C.
Open Space Institute
Scenic Hudson, Iuc.
The Nature Conservancy
The Trust for Public Land
The New School for Social Research

Attorneys and Accountants
Andora, Palmisano & Geany
Bond, Schoeneck & King, LLP
Cadwalader, Wickersham & Taft
Corbally Gartland & Rappleyea
Danziger & Markoff
Fleischman & Mushett
Gellert & Cutler
Hall Dickler Kent Friedman, P.C.
Herzfeld & Rubin
John Rubin, Esq.
John F. Burkhardt, Esq.
Karcher Rainone, P.C.
Kirshon & Shron
Maroney, Ponzini & Spencer
Nixon Hargrave Devans & Doyle
Nolan & Heller
Paul Bergins, Esq.
Plunkett & Jaffe
Podell, Rothman, Schechter & Banfield
Raymond Kuntz, P.C.
Richard Blancato, Esq.
Shanley & Fisher
Sperduto & Spector
Tofl, Saxl & Berenson, P.C.
VanDeWater & VanDeWater
Wilson, Elser, Moskowitz, Edelman & Dicker

CLIENTS WE HAVE SERVED

Federal Agencies
Federal Deposit Insurance Corporation
Resolution Trust Corporation
U.S. Dept. of Agriculture, Forest Service
U.S. Dept. of the Interior, National Park Service
United States Postal Service

State Agencies
New York State Power Authority
New York State Thruway Authority
NJ Transit
Palisades Interstate Park Commission
Port of Seattle, Washington
Illinois Dept. of Transportation
NYS OMRDD
NYS Dormitory Authority
NYS Office of Mental Health
Connecticut Dept. of Transportation
NYS Office of the Attorney General
NYS Facilities Development Corporation
NYS Dept. of Environmental Conservation
State University of New York
NYS OPRHP
NJ Green Acres Program
NJ Dept. of Transportation
NYS Dept. of Transportation

Local Governments
Arlington (N.Y.) School District
Borough of South Plainfield, N.J.
Broome County, N.Y.
City of Mt. Vernon, N.Y.
City of Portsmouth, N.H.
City of Poughkeepsie, N.Y.
City of White Plains, N.Y.
City of Yonkers, N.Y.
Orange County, N.Y.
Orangetown School District
Pearl River School District
Putnam County, N.Y.
Town of Pelham, N.Y.
Town of Ossining, N.Y.
Town of Mount Pleasant, N.Y.
Town of Eastchester, N.Y.
Town of Orangetown, N.Y.
Town of Stony Point N.Y.
Town of Greenburgh, N.Y.
Town of Pleasant Valley, N.Y.
Town of Newington, N.H.
Town of Lagrange, N.Y.
Town of Fishkill, N.Y.
Town of Poughkeepsie, N.Y.
Town of Ramapo, N.Y
Town of Cortlandt, N.Y.
Township of Edison, N.J.
Village of Pelham Manor, N.Y.
Village of Tuckahoe, N.Y.
Village of Elmsford, N.Y.
Village of Mamaroneck, N.Y.
Village of Dobbs Ferry, N.Y.
Westchester County, N.Y.