

BFK CAPITAL GROUP, INC.

15707 Rockfield Boulevard, Suite 105
Irvine, California 92618

949-504-4424
www.bkfcapital.com
ir@bkfcapital.com

Annual Report

For the period ending December 31, 2023 (the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

583,276 as of December 31, 2023 *(Current Reporting Period Date or More Recent Date)*

583,276 as of December 31, 2022 *(Most Recent Completed Fiscal Year End)*

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control

Indicate by check mark whether a Change in Control⁴ of the company has occurred during this reporting period:

Yes: ☐ No: ☒

⁴ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

BKF Capital Group, Inc.

Current State and Date of Incorporation or Registration: Delaware, 1954

Standing in this jurisdiction: (e.g. active, default, inactive): Active

Prior Incorporation Information for the issuer and any predecessors during the past five years:

None

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

None

List any stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

Address of the issuer's principal executive office:

15707 Rockfield Boulevard, Suite 105, Irvine, California 92618

Address of the issuer's principal place of business:

☒ *Check if principal executive office and principal place of business are the same address:*

15707 Rockfield Boulevard, Suite 105, Irvine, California 92618

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: Standard Registrar and Transfer Company
Phone: 1-801-571-8844
Email: info@standardtransferco.com
Address: 440 East 400 South, Suite 200, Salt Lake City, UT 84111

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	<u>BKFG</u>	
Exact title and class of securities outstanding:	<u>Common stock</u>	
CUSIP:	<u>05548G300</u>	
Par or stated value:	<u>\$0.001</u>	
Total shares authorized:	<u>1,000,000</u>	as of date: <u>December 31, 2023</u>
Total shares outstanding:	<u>583,276</u>	as of date: <u>December 31, 2023</u>
Number of shares in the Public Float ¹ :	<u>45,995</u>	as of date: <u>December 31, 2023</u>
Total number of shareholders of record:	<u>less than 10</u>	as of date: <u>March 26, 2024</u>

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g., preferred shares that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security:	_____	
Par or stated value:	_____	
Total shares authorized:	_____	as of date: _____
Total shares outstanding:	_____	as of date: _____
Total number of shareholders of record:	_____	as of date: _____

Please provide the above-referenced information for all other classes of authorized or outstanding equity securities.

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. For common equity, describe any dividend, voting and preemption rights.

Shareholders of common stock participate in dividends if and when declared by the board of directors.
Common stock shareholders receive one vote per share for matters subject to shareholder vote.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

¹ "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

N/A – no preferred shares.

3. **Describe any other material rights of common or preferred stockholders.**

None

4. **Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

None

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities in the past two completed fiscal years and any subsequent interim period.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☒ Yes: ☐ (If yes, you must complete the table below)

Shares Outstanding <u>Opening Balance</u> :			*Right-click the rows below and select "Insert" to add rows as needed.						
Date _____	Common: _____ Preferred: _____								
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to. ***You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____

Shares Outstanding on Date of This Report: <div style="text-align: right; margin-right: 20px;"><u>Ending Balance:</u></div> Date _____ Common: _____ Preferred: _____	
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Example: A company with a fiscal year end of December 31st 2023, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2022 through December 31, 2023 pursuant to the tabular format above.

*****Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

Use the space below to provide any additional details, including footnotes to the table above:

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☒ Yes: ☐ (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. *** You must disclose the control person(s) for any entities listed.	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

*****Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

Use the space below to provide any additional details, including footnotes to the table above:

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. Ensure that these descriptions are updated on the Company's Profile on www.OTCMarkets.com.

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

BKF Capital Group, Inc. is a publicly traded holding company operating through its wholly and majority owned subsidiaries, BKF Asset Holdings, Inc., which makes controlling principal investments (or effective control) in publicly and privately owned businesses, Bronson Financial LLC, a FINRA registered broker-dealer which provides investment banking services (consisting of M&A advisory and capital raising services) to lower- and middle-market companies, and Qualstar Corporation (and its subsidiaries), which manufactures and markets data storage system products and compact, high efficiency power solutions.

BKF Asset Holdings, Inc. currently has investments (accounted for under the equity method) in Interlink Electronics, Inc. (Nasdaq: LINK), a global leader in human-machine interface and sensor technologies, and MyTabolite, Inc., a developer of a next generation mobile health application that utilizes an individual's blood test in conjunction with proprietary algorithms to guide a healthier lifestyle.

B. List any subsidiaries, parent company, or affiliated companies.

BKF Capital Group, Inc. has two wholly owned subsidiaries, BKF Asset Holdings, Inc. and Bronson Financial LLC, and one majority owned subsidiary, Qualstar Corporation, including Qualstar Corporation's wholly owned subsidiaries, N2Power, Inc., Q-Smart Data Limited (China), and Qualstar Limited (U.K.).

C. Describe the issuers' principal products or services.

BKF Capital Group, Inc., through its wholly and majority owned operating subsidiaries, enters into principal investment transactions, provides investment management and advisory services, and manufactures and markets data storage system products and compact, high efficiency power solutions.

5) Issuer's Facilities

The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

The Company's principal corporate office is in Irvine, California, which it occupies under a facilities agreement with an affiliated entity whose lease expires in May 2024. The Company also leases office and warehouse space in Camarillo, California under a lease agreement that expires July 2027, office and warehouse space in Shenzhen, China under a lease agreement that expires May 2024, and office space in London, UK under a month-to-month lease. The Company does not own any real estate.

6) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.

If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

Names of All Officers, Directors, and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of 5% or more)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
Steven N. Bronson	Chairman, CEO, and President	Los Angeles, CA	506,643	Common	86.8%	N/A
Leonard A. Hagan	Director	Baldwin, NY	30,638	Common	5.3%	N/A
Ryan J. Hoffman	CFO	Irvine, CA	-0-	Common	-0-%	N/A
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to www.OTCIQ.com to update your company profile.

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

None

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

None

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

None

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

None

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

None

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name:	John McIlvery
Firm:	Stubbs Alderton & Markiles, LLP
Address 1:	15260 Ventura Blvd, 20th Floor
Address 2:	Sherman Oaks, CA 91403
Phone:	(818) 444-4502
Email:	jmcilvery@stubbsalderton.com

Accountant or Auditor

Name:	_____
Firm:	_____
Address 1:	_____
Address 2:	_____
Phone:	_____
Email:	_____

Investor Relations

Name:	_____
Firm:	_____
Address 1:	_____
Address 2:	_____

Phone: _____
Email: _____

All other means of Investor Communication:

X (Twitter): _____
Discord: _____
LinkedIn: _____
Facebook: _____
[Other]: _____

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: _____
Firm: _____
Nature of Services: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: **Ryan J. Hoffman**
Title: **Chief Financial Officer**
Relationship to Issuer: **Officer**

B. The following financial statements were prepared in accordance with:

- ☐ IFRS
☒ U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: **Ryan J. Hoffman**
Title: **Chief Financial Officer**
Relationship to Issuer: **Officer**

Describe the qualifications of the person or persons who prepared the financial statements:⁵ **Ryan has 20+ years of accounting, auditing and professional services experience in roles at public corporations and global public**

⁵ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

accounting firms. He graduated with a degree in accounting from Chapman University and is a licensed CPA (inactive). He is also the Chief Financial Officer of Interlink Electronics, Inc. (Nasdaq: LINK).

Provide the following qualifying financial statements:

- Audit letter, if audited;
- Balance Sheet;
- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- Financial Notes

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be "machine readable". Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Steven N. Bronson certify that:

1. I have reviewed this Disclosure Statement for BKF Capital Group, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

March 26, 2024 [Date]

/s/ Steven N. Bronson [CEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Principal Financial Officer:

I, Ryan J. Hoffman certify that:

1. I have reviewed this Disclosure Statement for BKF Capital Group, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

March 26, 2024 [Date]

/s/ Ryan J. Hoffman [CFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")



BKF Capital Group, Inc. and Subsidiaries

Annual Report

For the Year Ended December 31, 2023

BKF Capital Group, Inc.
15707 Rockfield Boulevard, Suite 105
Irvine, CA 92618

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

(UNAUDITED)

	December 31, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 2,552	\$ 3,153
Marketable securities	240	33
Accounts receivable	2,175	1,645
Inventory	2,870	3,036
Investments – equity method	3,785	3,628
Prepaid expenses and other assets	372	151
Total current assets	11,994	11,646
Property and equipment, net	65	104
Right-of-use assets	88	258
Deferred tax assets	30	30
Other assets	59	74
Total assets	\$ 12,236	\$ 12,112
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 1,484	\$ 949
Accrued payroll and related liabilities	147	145
Deferred service revenue	577	687
Lease liabilities	95	180
Accrued income taxes	-	162
Other accrued liabilities	137	163
Total current liabilities	2,440	2,286
Long-term liabilities		
Deferred service revenue, long-term	567	510
Lease liabilities, long-term	-	95
Other long-term liabilities	27	27
Total long-term liabilities	594	632
Total liabilities	3,034	2,918
Commitments and contingencies		
Stockholders' equity		
Common stock, \$0.001 par value, authorized — 1,000,000 shares, 583,276 issued and outstanding as of both December 31, 2023 and December 31, 2022	1	1
Additional paid-in capital	74,115	74,224
Accumulated deficit	(66,370)	(66,821)
Total BKF Capital Group, Inc. stockholders' equity	7,746	7,404
Noncontrolling interest	1,456	1,790
Total stockholders' equity	9,202	9,194
Total liabilities and stockholders' equity	\$ 12,236	\$ 12,112

See accompanying notes that are an integral part of these consolidated financial statements.

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)
(UNAUDITED)

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Revenues				
Data storage and power supplies revenue	\$ 3,404	\$ 2,826	\$ 10,616	\$ 2,826
Advisory services revenue	30	30	120	210
Total revenues	3,434	2,856	10,736	3,036
Expenses				
Cost of data storage and power supplies revenue	2,191	1,879	7,336	1,879
Engineering	142	66	386	66
Sales and marketing	390	307	1,353	307
General and administrative	385	389	1,508	576
Total expenses	3,108	2,641	10,583	2,828
Operating income	326	215	153	208
Non-operating income (expense):				
Income (loss) on equity method investments, net	(34)	(14)	157	(148)
Gain on adjusting equity method investment to fair value	-	-	-	857
Bargain gain on business acquisition	-	-	-	1,402
Interest income	2	-	2	-
Other income (expense), net	13	52	54	52
Total non-operating income (expense), net	(19)	38	213	2,163
Income before income taxes	307	253	366	2,371
Income tax (provision) benefit	159	(5)	159	(5)
Net income	466	248	525	2,366
Less: Net (income) loss attributable to noncontrolling interests	(131)	(129)	(74)	(129)
Net income attributable to BKF Capital Group, Inc.	\$ 335	\$ 119	\$ 451	\$ 2,237
Earnings per share attributable to BKF Capital Group, Inc. common stockholders				
Basic and diluted	\$ 0.57	\$ 0.20	\$ 0.77	\$ 3.84
Weighted average common shares outstanding:				
Basic and diluted	583,276	583,276	583,276	583,276

See accompanying notes that are integral part of these consolidated financial statements.

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)
(UNAUDITED)

Three Months Ended December 31, 2023	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total BKF Capital Group, Inc. Stockholders' Equity	Noncontrolling Interest	Total Stockholders'
	Shares	Amount					
Balances at October 1, 2023	583,276	\$ 1	\$ 74,211	\$ (66,705)	\$ 7,507	\$ 1,603	\$ 9,110
Share repurchases - noncontrolling interest	-	-	(96)	-	(96)	(283)	(379)
Share issuances - share-based compensation - noncontrolling interest	-	-	-	-	-	5	5
Net income	-	-	-	335	335	131	466
Balances at December 31, 2023	583,276	\$ 1	\$ 74,115	\$ (66,370)	\$ 7,746	\$ 1,456	\$ 9,202

Year Ended	Common Stock		Additional	Accumulated	Total BKF Capital Group, Inc. Stockholders' Equity	Noncontrolling	Total Stockholders'
	Shares	Amount					
December 31, 2023	583,276	\$ 1	\$ 74,224	\$ (66,821)	\$ 7,404	\$ 1,790	\$ 9,194
Balances at January 1, 2023							
Share repurchases - noncontrolling interest	-	-	(109)	-	(109)	(413)	(522)
Share issuances - share-based compensation - noncontrolling interest	-	-	-	-	-	5	5
Net income	-	-	-	451	451	74	525
Balances at December 31, 2023	583,276	\$ 1	\$ 74,115	\$ (66,370)	\$ 7,746	\$ 1,456	\$ 9,202

Three Months Ended December 31, 2022	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total BKF Capital Group, Inc. Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount					
Balances at October 1, 2022	583,276	\$ 1	\$ 74,224	\$ (66,940)	\$ 7,285	\$ 1,933	\$ 9,218
Share repurchases - noncontrolling interest	-	-	-	-	-	(272)	(272)
Net income	-	-	-	119	119	129	248
Balances at December 31, 2022	583,276	\$ 1	\$ 74,224	\$ (66,821)	\$ 7,404	\$ 1,790	\$ 9,194

Year Ended December 31, 2022	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total BKF Capital Group, Inc. Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount					
Balances at January 1, 2022	583,276	\$ 1	\$ 74,224	\$ (69,058)	\$ 5,167	\$ -	\$ 5,167
Noncontrolling interest from business acquisition	-	-	-	-	-	1,933	1,933
Share repurchases - noncontrolling interest	-	-	-	-	-	(272)	(272)
Net income	-	-	-	2,237	2,237	129	2,366
Balances at December 31, 2022	583,276	\$ 1	\$ 74,224	\$ (66,821)	\$ 7,404	\$ 1,790	\$ 9,194

See accompanying notes that are integral part of these consolidated financial statements.

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Year Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 525	\$ 2,366
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	46	21
Share-based compensation	5	-
Adjustment to reconcile operating lease expense to cash paid	(10)	(1)
(Gain) loss on equity method investments, net	(157)	148
(Gain) on adjusting equity method investment to fair value	-	(857)
Bargain (gain) on business acquisition	-	(1,402)
Realized and unrealized (gain) on marketable securities	(6)	(8)
Change in operating assets and liabilities:		
Accounts receivable	(530)	(211)
Inventory	166	(46)
Prepaid expenses and other assets	(206)	80
Accounts payable and accrued expenses	349	171
Deferred service revenue	(53)	52
Net cash provided by operating activities	129	313
Cash flows from investing activities:		
Purchases of property and equipment	(7)	-
Purchases of marketable securities	(201)	(25)
Cash and cash equivalents from business acquisition	-	2,733
Net cash provided by (used in) investing activities	(208)	2,708
Cash flows from financing activities:		
Share repurchases	(522)	(272)
Net cash used in financing activities	(522)	(272)
Net increase (decrease) in cash and cash equivalents	(601)	2,749
Cash and cash equivalents at beginning of period	3,153	404
Cash and cash equivalents at end of period	\$ 2,552	\$ 3,153
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 5	\$ 1
Cash paid for interest	\$ -	\$ -

See accompanying notes that are integral part of these consolidated financial statements.

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

BKF Capital Group, Inc. (together with its subsidiaries described below, “we,” “us,” “our,” “BKF” or the “Company”) was incorporated in Delaware in 1954. The Company was formerly Baker, Fentress & Company and operated as a non-diversified, closed-end management investment company under the Investment Company Act of 1940. Pursuant to a Plan for Distribution of Assets adopted in 1999, BKF sold substantially all of its investment securities and distributed the cash proceeds, along with shares of its largest investment, to its stockholders. These distributions were completed in January 2000. In April 2000, BKF received a deregistration order from the Securities and Exchange Commission (“SEC”), which completed BKF’s transformation from an investment company to an operating company.

The Company’s consolidated financial statements include BKF and its wholly owned subsidiaries, BKF Asset Holdings, Inc. (“BAH”) and Bronson Financial LLC (“BF”), and its majority owned subsidiary Qualstar Corporation (“Qualstar”), which is consolidated as of September 26, 2022, including Qualstar’s wholly owned subsidiaries N2Power, Inc., Q-Smart Data Limited (China), and Qualstar Limited (U.K.). The consolidated financial statements previously included BKF’s wholly owned subsidiary BKF Investment Group, Inc., formerly known as BKF Management Co., Inc. (“BIG”), BIG’s wholly owned subsidiary BKF Asset Management, Inc. (“BAM”), and BAM’s wholly owned subsidiary BKF GP, Inc. (“BGP”). In 2019, BAM and BIG were dissolved, and in 2021, BGP was dissolved. As a result, the corporate structure currently includes BKF, its wholly owned subsidiaries BAH and BF, and its majority owned subsidiary Qualstar (including its wholly owned subsidiaries).

BAH makes controlling principal investments (or effective control) in publicly and privately owned businesses. BF is an investment banking firm focusing on capital raising and mergers and acquisitions advisory services to lower- and middle-market companies; in June 2021, BF obtained approval from the Financial Industry Regulatory Authority, Inc. to operate as a registered broker-dealer.

Qualstar Corporation and its subsidiaries manufacture and market data storage system products and compact, high efficiency power solutions. Qualstar’s data storage systems are marketed under the Qualstar brand and include highly scalable automated magnetic tape libraries used to store, retrieve and manage electronic data primarily in the network computing environment. Qualstar’s data storage devices include models ranging from entry level to enterprise and are a cost-effective solution for organizations requiring backup, recovery and archival storage of critical electronic information. The distribution channels for Qualstar’s data storage devices include resellers, system integrators, and original equipment manufacturers (“OEMs”). In addition, Qualstar’s subsidiary, N2Power, Inc. (“N2Power”), is a leading provider of standard, semi-custom and custom power solutions marketed under the N2Power brand. N2Power’s power solution products provide OEM designers increased functionality while reducing thermal loads and cooling requirements and lowering operating costs. N2Power’s power solution products are currently sold to OEMs in a wide range of markets, including telecom/networking equipment, audio/visual, industrial, gaming and medical. In addition to N2Power, Qualstar has two other wholly owned subsidiaries, Q-Smart Data Limited (China) which pursues new data storage business opportunities in Asia, and Qualstar Limited (U.K.) which expands the Company’s data storage business in Europe and Africa. Qualstar sells its products globally through authorized resellers and distributors, and directly to OEMs. Qualstar’s data storage products are manufactured by its OEM suppliers in other parts of the world and are configured to order by Qualstar at its facility in Camarillo, California, or at its facility in Shenzhen, China, or by its fulfilment and logistics partner in Warsaw, Poland. N2Power utilizes contract manufacturers in Asia to produce its power solutions products.

The Company’s common stock is quoted on the OTCPink marketplace of the OTC Markets Group under the symbol “BKFG”. Our principal executive office is located at 15707 Rockfield Boulevard, Suite 105, Irvine, CA 92618 and the telephone number is (949) 504-4424. Our website address is www.bkfcapital.com. BKF makes available its

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

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annual financial statements, quarterly financial statements, and other significant reports and amendments to such reports, free of charge, on its website as soon as reasonably practicable after such reports are prepared.

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the consolidated accounts of the Company and its wholly and majority owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and in accordance with Regulation S-X of the SEC. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and disclosures made in the accompanying notes to the consolidated financial statements. Management regularly evaluates estimates and assumptions related to revenue recognition and sales returns, allowances for doubtful accounts, product life cycles and inventory obsolescence, warranty costs, fair value, useful lives, asset retirement obligations, and deferred income tax asset valuation allowances. These estimates and assumptions are based on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The actual results we experience may differ materially and adversely from our original estimates. To the extent there are material differences between the estimates and the actual results, our future results of operations will be affected.

Revenue Recognition

The Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of Topic 606 of the Financial Accounting Standards Board Accounting Standards Codification ("ASC"), we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy a performance obligation. The five-step model is applied to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services transferred to the customer. At contract inception, once the contract is determined to be within the scope of ASC Topic 606, we assess the goods or services promised within each contract and determine those that are performance obligations and assess whether each promised good or service is distinct. We then recognize revenue in the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

We derive revenues from two primary sources: products and services. Product revenue includes the shipment of product according to the agreement with our customers for data storage products and power supplies. Services include customer support (technical support), installations, consulting, and design services, as well as professional services revenue earned from contracts with clients for services, such as M&A advisory consulting services. For our sales of products, title and risk of loss generally pass to our customers upon shipment and therefore revenue is recognized at the time goods are shipped to the customers. In limited circumstances where either title or risk of loss pass upon destination, we defer revenue recognition until such events occur. A contract may include both product and services. Rarely, contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. Standalone selling prices are typically estimated based on observable transactions when these services are sold on a standalone basis.

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A variety of technical services can be contracted by our customers for a designated period of time. The service contracts allow customers to call us for technical support, replace defective parts and to have onsite service provided by our third party contract service provider. We record revenue for contract services at the amount of the service contract, but such amount is deferred at the beginning of the service term and amortized ratably over the life of the contract. Deferred service revenue is shown separately in the consolidated balance sheets as current and long-term.

Cash and Cash Equivalents

The Company considers all highly liquid debt investments with original maturities from the date of purchase of three months or less as cash equivalents. Cash equivalents can include investments such as corporate debt, financial institution instruments, and government debt. The Company maintains substantially all of its cash and cash equivalents invested in interest bearing instruments at nationally recognized financial institutions and licensed investment advisory firms. The Company often has amounts in excess of \$250,000 in a single account. Cash amounts over \$250,000 (per depositor, per account) are not insured by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. Management regularly monitors the financial institutions, together with its cash balances, and tries to keep this potential risk to a minimum.

Allowance for Credit Losses

The allowance for credit losses reflects our best estimate of probable losses inherent in the accounts receivable balance. We determine the allowance based on known troubled accounts, historical experience, and other currently available evidence.

Inventories

Inventories are stated at the lower of cost (first in, first out basis) or net realizable value. Cost includes materials, labor, and manufacturing overhead related to the purchase and production of inventories. We regularly review inventory quantities on hand, future purchase commitments with our suppliers, and the estimated utility of our inventory. If our review indicates a reduction in utility below carrying value, we reduce our inventory to a new cost basis.

Marketable Securities

Marketable securities are classified within cash and cash equivalents, short-term investments, or long-term investments based on the remaining maturity of the investment. Marketable securities are reported at fair value, with realized and unrealized gains and losses recorded through earnings. We determine the cost of the investment sold based on an average cost basis at the individual security level.

Our marketable securities could include:

- Marketable debt instruments when the interest rate and foreign currency risks are not hedged at the inception of the investment or when our criteria for designation as trading assets are not met. We record the interest income and realized gains or losses on the sale of these instruments in interest income (expense), net.
- Marketable equity securities when there is no plan to sell or hedge the investment at the time of original classification. We acquire these equity investments to promote business and strategic objectives. We record the realized gains or losses on the sale or exchange of marketable equity securities in other income (expense).

Non-Marketable and Other Equity Investments

We may invest in non-marketable equity instruments of private companies, which range from early-stage companies that are often still defining their strategic direction to more mature companies with established revenue streams and

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business models. We account for non-marketable equity and other equity investments for which we do not have control over the investee as:

- Equity method investments when we have the ability to exercise significant influence, but not control, over the investee. This is generally deemed to be when we control 20%-50% of the decision-making ability over the investment entity's operations. Equity method investments may include marketable and non-marketable investments. Our proportionate share of the income or loss is recognized on a one-quarter lag and is recorded in income (loss) on equity method investments, net.
- When the equity method does not apply, non-marketable and other equity investments are recorded at fair value. Equity investments without readily determinable fair values are recorded at cost, less impairment, and plus or minus subsequent adjustments for observable price changes.

Significant judgment is required to identify whether an impairment exists in the valuation of our non-marketable equity investments portfolio, and therefore we consider this a critical accounting estimate. Our quarterly analysis considers both qualitative and quantitative factors that may have a significant impact on the investee's fair value. Qualitative analysis of our investments involves understanding the financial performance and near-term prospects of the investee, changes in general market conditions in the investee's industry or geographic area, and the management and governance structure of the investee. Quantitative assessments of the fair value of our investments are developed using the market and income approaches. The market approach includes the use of comparable financial metrics of private and public companies and recent financing rounds. The income approach includes the use of a discounted cash flow model, which requires significant estimates regarding the investee's revenue, costs, and discount rates. Our assessment of these factors in determining whether an impairment exists could change in the future due to new developments or changes in applied assumptions.

Other-Than-Temporary Impairment

Our marketable securities and non-marketable and other equity investments are subject to a periodic impairment review. Impairments affect earnings as follows:

- Marketable debt instruments when the fair value is below amortized cost and we intend to sell the instrument, or when it is more likely than not that we will be required to sell the instrument before recovery of its amortized cost basis, or when we do not expect to recover the entire amortized cost basis of the instrument (that is, a credit loss exists). When we do not expect to recover the entire amortized cost basis of the instrument, we separate other-than-temporary impairments into amounts representing credit losses, which are recognized in other miscellaneous income (expense), net, and amounts not related to credit losses, which are recognized in other comprehensive income (loss).
- Marketable equity securities include the consideration of general market conditions, the duration and extent to which the fair value is below cost, and our ability and intent to hold the investment for a sufficient period of time to allow for recovery of value in the foreseeable future. We also consider specific adverse conditions related to the financial health of, and the business outlook for, the investee, which may include industry and sector performance, changes in technology, operational and financing cash flow factors, and changes in the investee's credit rating. We record other-than-temporary impairments on marketable equity securities in unrealized gain (loss) on marketable securities, and on marketable equity method investments in income (loss) on equity method investments, net.
- Non-marketable equity investments based on our assessment of the severity and duration of the impairment, and qualitative and quantitative analysis of the operating performance of the investee; adverse changes in market conditions and the regulatory or economic environment; changes in operating structure or management of the investee; additional funding requirements; and the investee's ability to remain in business. We record other-than-temporary impairments on non-marketable cost method investments in

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other miscellaneous income (expense), and on non-marketable equity method investments in income (loss) on equity method investments, net.

Property and Equipment

Property and equipment is carried at cost less accumulated depreciation and amortization. Depreciation and amortization expense are calculated using the straight-line method over the assets' estimated useful lives, being five-to-seven years for machinery and equipment, five-to-seven years for furniture and fixtures, three-to-five years for computers and equipment, and the shorter of the lease terms or estimated useful lives for leasehold improvements. When property and equipment is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Gains and losses from retirements and asset disposals are recorded in other operating expenses. Repairs and maintenance on property and equipment are expensed in the period incurred.

We perform periodic reviews to evaluate the recoverability of property and equipment and to determine whether facts and circumstances exist that would indicate that the carrying amounts of property and equipment exceed their fair values. If facts and circumstances indicate that the carrying amount of property and equipment might not be fully recoverable, projected undiscounted net cash flows associated with the related asset or group of assets over their estimated remaining useful lives are compared against their respective carrying amounts. In the event that the projected undiscounted cash flows are not sufficient to recover the carrying value of the assets, the assets are written down to their estimated fair values. All long-lived assets to be disposed of are reported at the lower of carrying amount or fair market value, less expected selling costs.

Long-Lived Assets

We evaluate long-lived assets for potential impairment whenever events or changes in circumstances indicate the carrying amount of any asset may not be recoverable. An impairment loss would be recognized when the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than the carrying amount. If impairment is indicated, the amount of the loss to be recorded is based upon an estimate of the difference between the carrying amount and the fair value of the asset. Fair value is based upon discounted cash flows expected to result from the use of the asset and its eventual disposition and other valuation methods. No impairment losses of long-lived assets were recognized during the periods presented.

Warranty Obligations

A provision for costs related to warranty expense is recorded when revenue is recognized, which is estimated based on historical warranty costs incurred.

The Qualstar subsidiary provides a three-year warranty on all Q-Series, XLS and RLS libraries. This includes replacement of components, or if necessary, complete libraries. XLS libraries sold in North America also include one year of on-site service. Customers may purchase on-site service if they are located in the United States and selected countries in Europe, Asia Pacific and Latin America. All customers may purchase extended warranty service coverage upon expiration of the standard warranty.

The N2Power subsidiary of the Qualstar subsidiary provides a three-year warranty on all power supplies that includes repair or, if necessary, replacement of the power supply.

Shipping and Handling Costs

We record all customer charges for outbound shipping and handling to freight revenue, which is classified in data storage and power supplies revenue. All inbound and outbound shipping and fulfillment costs are classified in cost of data storage as and power supplies revenue.

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Engineering

All engineering costs are charged to expense as incurred. These costs consist primarily of engineering salaries, benefits, outside consultant fees, purchased parts and supplies directly involved in the design and development of new products, compliance testing, facilities costs, and other internal costs.

Advertising

Advertising and promotion expenses include costs associated with direct and indirect marketing, trade shows and public relations. We expense all costs of advertising and promotion as incurred.

Leases

We account for leases under ASC Topic 842, *Leases*. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases, and are recorded on the consolidated balance sheet as both a right-of-use asset ("ROU asset") and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or our incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the ROU asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the ROU asset result in straight-line rent expense over the lease term. For finance leases, interest on the lease liability and the amortization of the ROU asset results in front-loaded expense over the lease term. Variable lease expenses are recorded when incurred.

In calculating the ROU asset and lease liability, we have elected to combine lease and non-lease components. We exclude short-term leases having initial terms of 12 months or less as an accounting policy election and recognize rent expense on a straight-line basis over the lease term.

Income Taxes

We account for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not determinable beyond a "more likely than not" standard, we establish a valuation allowance. To the extent we establish a valuation allowance or increase or decrease this allowance in a period, we include an expense or benefit within the tax provision in the consolidated statements of operations. We also utilize a "more likely than not" recognition threshold and measurement analysis for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company does not have any uncertain tax positions. We recognize potential accrued interest and penalties related to unrecognized tax benefits within the consolidated statements of operations as income tax expense.

Earnings Per Share

Basic earnings (loss) per common share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per common share is calculated by adjusting outstanding shares, assuming conversion of all potentially dilutive convertible equity instruments.

Fair Values of Financial Instruments

We determine fair value measurements based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, we follow the following fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) our own assumptions about market

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participant assumptions developed based on the best information available in the circumstances (unobservable inputs):

- Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets;
- Level 2: Other inputs observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborate inputs; and
- Level 3: Unobservable inputs for which there is little or no market data and which requires the owner of the assets or liabilities to develop its own assumptions about how market participants would price these assets or liabilities.

Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy.

Contingent Liabilities

We assess contingent liabilities and classify them as “Probable”, “Reasonably Possible”, and “Remote”.

- Amounts classified as “Probable” and measurable are reported on the consolidated balance sheet.
- Amounts classified as “Reasonably Possible” are disclosed in the footnotes to the financial statements. A contingent liability is disclosed in the notes to the financial statements if any of the conditions for liability recognition (probable and measurable) are not met and there is a reasonable possibility that a loss or additional loss may have been incurred. Amounts that are probable, but not measurable, are also disclosed in the footnotes.
- Amounts classified as “Remote” are not included in the reports.

Recent Accounting Developments

We reviewed all recently issued, but not yet effective, accounting pronouncements and concluded none are expected to be applicable or material to our consolidated financial statements.

Subsequent Events

The Company has evaluated subsequent events through March 26, 2024, being the date these consolidated financial statements were issued.

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NOTE 2. BALANCE SHEET DETAILS

The following tables provide details of selected balance sheet accounts:

	December 31, 2023	December 31, 2022
	(in thousands)	
Inventories		
Raw materials	\$ 161	\$ 145
Finished goods	2,709	2,891
Total inventory	<u>\$ 2,870</u>	<u>\$ 3,036</u>

	December 31, 2023	December 31, 2022
	(in thousands)	
Property and equipment		
Machinery and equipment	\$ 26	\$ 19
Furniture and fixtures, and computer equipment	54	54
Leasehold improvements	59	59
	139	132
Less: accumulated depreciation and amortization	(74)	(28)
Total property and equipment	<u>\$ 65</u>	<u>\$ 104</u>

Depreciation and amortization expense totaled \$11,000 and \$13,000 for the three months ended December 31, 2023 and 2022, respectively. Depreciation and amortization expense totaled \$46,000 and \$21,000 for the years ended December 31, 2023 and 2022, respectively.

	December 31, 2023	December 31, 2022
	(in thousands)	
Accrued payroll and related liabilities		
Accrued salaries, wages, and payroll taxes	\$ 29	\$ 36
Accrued vacation	118	109
Total accrued payroll and related liabilities	<u>\$ 147</u>	<u>\$ 145</u>

	December 31, 2023	December 31, 2022
	(in thousands)	
Accrued other liabilities		
Accrued warranty	\$ 36	\$ 81
Accrued outside commission	84	49
Other accrued liabilities	17	33
Total accrued other liabilities	<u>\$ 137</u>	<u>\$ 163</u>

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NOTE 3. INVESTMENTS IN UNCONSOLIDATED AFFILIATED COMPANIES

Equity method investments in unconsolidated affiliated companies were as follows:

	Interlink Electronics, Inc.	MyTabolite, Inc.	Total
	(in thousands)		
Balance at January 1, 2023	\$ 3,622	\$ 6	\$ 3,628
Plus: purchases	-	-	-
Less: sales	-	-	-
Proportional share of net income (loss)	162	(5)	157
Balance at December 31, 2023	\$ 3,784	\$ 1	\$ 3,785

	Qualstar Corporation	Interlink Electronics, Inc.	MyTabolite, Inc.	Total
	(in thousands)			
Balance at January 1, 2022	\$ 1,130	\$ 3,782	\$ 10	\$ 4,922
Plus: purchases	-	-	-	-
Less: sales	-	-	-	-
Proportional share of net income (loss)	16	(160)	(4)	(148)
Adjustment of equity method investment to fair value	857	-	-	857
Reclassification from equity method to consolidation	(2,003)	-	-	(2,003)
Balance at December 31, 2022	\$ -	\$ 3,622	\$ 6	\$ 3,628

Qualstar Corporation (OTCMKTS: QBAK)

In 2013, Steven N. Bronson, BKF's Chairman of the Board, Chief Executive Officer and majority shareholder, was appointed President and Chief Executive Officer of Qualstar Corporation. This resulted in the Company's ownership in Qualstar (which was then 18.3%) to be accounted for using the equity method, a change from the available for sale method, on the basis that BKF could assert significant influence over the operations of Qualstar.

At December 31, 2018 the Company held 548,084 common shares of Qualstar, representing 27.0% of the then outstanding shares. During the years ended December 31, 2019 and 2020, the Company purchased an additional 342,006 common shares of Qualstar for a cost of \$1,347,994, bringing the total investment to 890,090 shares, or 45.7% of the outstanding shares as of December 31, 2020. There have been no changes to the Company's investment position in Qualstar since December 31, 2020. However, due to share repurchases and issuances by Qualstar since December 31, 2020, the Company's ownership percentage in Qualstar increased to 48.8% at September 26, 2022, and further increased to 50.9% on September 26, 2022 in connection with Qualstar's reverse/forward stock split on that date in which it cashed out its less-than-1,000-share stockholders. As a result of the Company's ownership percentage in Qualstar increasing to above 50% during September 2022, the Company transitioned from accounting for its investment in Qualstar under the equity method to consolidating Qualstar.

In respect of the Company's initial tranche of 548,084 shares of Qualstar, during the nine months ended September 30, 2022, the Company would have been allocated income on this tranche of its investment in Qualstar of \$25,018. However, under the equity method, the loss is restricted to the carrying value of the investment, and income may only be recognized once all prior suspended losses are absorbed. Accordingly, because prior equity method losses allocated to the Company on this initial tranche exceed the Company's carrying value, the Company recognized no income or loss during the nine months ended September 30, 2022 on this tranche. At September 30, 2022 (prior to transitioning from equity method to consolidation), prior suspended losses on this tranche were approximately \$2.4 million.

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The accounting guidance provides an investor making subsequent investments after the suspension of equity method loss recognition should only recognize previously suspended losses up to the amount of the additional investment determined to represent the funding of prior losses. Because the additional Qualstar investments in 2019 and 2020 do not represent a funding of prior losses, the Company separately applies the equity method of accounting to its additional investment, including recording its share of income (loss) incurred after the additional investment. In respect of the Company's 2019 and 2020 follow-on investments of 342,006 shares of Qualstar, during the nine months ended September 30, 2022, the Company recorded income on its second tranche investment in Qualstar of \$15,611.

In connection with the Company obtaining control of Qualstar in September 2022, as required by ASC Topic 805, the Company adjusted its equity method investment in Qualstar to fair value, and then transitioned from the equity method of accounting to consolidation by application of the acquisition method of accounting (Note 4). In adjusting its equity method investment to fair value, the Company recorded a gain of \$857,000 in September 2022, which resulted from adjusting the investment's equity method carrying value of \$1.1 million to its fair value of \$2.0 million (being 890,090 shares multiplied by the \$2.25 per share price at which Qualstar cashed out its less-than-1,000-share stockholders).

In April 2020, Qualstar Corporation filed a Form 25 with the SEC voluntarily delisting its common stock from Nasdaq and, based upon ownership of its shares by fewer than 300 holders of record, deregistering its common stock under the Securities Exchange Act of 1934 (the "Exchange Act") and suspending its public reporting obligations. The delisting became effective on April 30, 2020, at which time trading on Nasdaq ceased. The common stock of Qualstar was thereafter eligible for quotation on OTCPink marketplace of the OTC Markets Group under the symbol "QBAK", if market makers commit to making a market in the shares.

In May 2020, Qualstar filed a Form 15 with the SEC suspending its obligation to file periodic reports under the Exchange Act, including annual, quarterly and current reports on Form 10-K, Form 10-Q and Form 8-K, respectively. All requirements associated with being an Exchange Act-registered company, including the requirement to file current and periodic reports, terminated permanently 90 days thereafter. Qualstar has made, and intends to continue to make its financial results publicly available through other means.

Interlink Electronics, Inc. (Nasdaq: LINK)

At both December 31, 2023 and 2022, the Company held 993,658 shares of common stock of Interlink Electronics, Inc. ("Interlink"). These holdings represent approximately 15% of Interlink's outstanding shares. Steven N. Bronson, BKF's Chairman of the Board, Chief Executive Officer, and majority shareholder, is also the Chairman of the Board, Chief Executive Officer, and majority shareholder of Interlink. Mr. Bronson can significantly influence the operational decisions at Interlink, and accordingly the equity method is being used to account for this investment.

The carrying value of the Company's equity method investment in Interlink was \$3.8 million at December 31, 2023 and \$3.6 million at December 31, 2022. During the three months ended December 31, 2023 and 2022, the Company recorded (loss) on its equity method investment in Interlink of \$(34,011) and \$(14,143), respectively. During the years ended December 31, 2023 and 2022, the Company recorded income (loss) on its equity method investment in Interlink of \$161,845 and \$(160,276), respectively. These equity method accounting amounts do not include the results of Interlink for the quarter ended December 31, 2023, but do include the results through September 30, 2023, because the equity method accounting amounts related to the Company's investment in Interlink are recorded on a three-month (quarterly) lag. This lag is consistent from period to period. The financial results for Interlink's quarter

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ended December 31, 2023 were not publicly available prior to the preparation of our financial statements. Summarized financial information for Interlink is as follows:

	September 30, 2023 (late st public filing)		December 31, 2022	
Interlink Electronics, Inc. summarized balance sheet information	(in thousands)			
Balance sheet:				
Current assets	\$	9,930	\$	13,702
Noncurrent assets		5,364		1,281
Total assets	\$	15,294	\$	14,983
Current liabilities	\$	1,961	\$	1,089
Noncurrent liabilities		54		46
Total liabilities		2,015		1,135
Total stockholders' equity		13,279		13,848
Total liabilities and stockholders' equity	\$	15,294	\$	14,983
	Nine Months Ended September 30, 2023 (late st public filing)		Year Ended December 31, 2022	
Interlink Electronics, Inc. summarized statement of operations information	(in thousands)			
Results of Operations:				
Revenue, net	\$	10,402	\$	7,493
Cost of revenue		5,295		3,632
Gross profit		5,107		3,861
Operating expenses		4,966		4,529
Income (loss) from operations		141		(668)
Other income (expense)		154		2,611
Income (loss) before taxes		295		1,943
Income tax (expense) benefit		(230)		(271)
Net income (loss)		65		1,672
Less: preferred stock dividends		(300)		(400)
Net income (loss) applicable to common stockholders	\$	(235)	\$	1,272

The fair value of the Company's 993,658 shares in Interlink was approximately \$12.7 million at December 31, 2023 and \$8.6 million at December 31, 2022.

At December 31, 2023 and 2022, the cost-basis of our investment in Interlink in the aggregate exceeded our proportionate share of the net assets of this equity method investee by approximately \$1.6 million and \$1.7 million, respectively. This difference is not amortized.

In August 2020, Interlink filed a Registration Statement on Form 10 with the SEC to register shares of its common stock under the Exchange Act, as amended, which became effective on October 3, 2020. On March 25, 2021, Interlink's common stock became listed on The Nasdaq Capital Market of The Nasdaq Stock Market LLC.

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MyTabolite, Inc.

In May 2021, the Company formed MyTabolite, Inc. (“MyTabolite”), together with another stockholder, each of which holds a 50% ownership interest in MyTabolite. The Company and the other stockholder each contributed \$10,000 of initial capital at that time. During the years ended December 31, 2021 and 2022, and for the nine months ended September 30, 2023, MyTabolite conducted start-up operations, and incurred net losses of approximately \$4,000 \$10,000, and \$3,000, respectively. As of September 30, 2023, MyTabolite had \$3,000 in assets and \$3,000 in stockholders’ equity. These amounts do not include the results of MyTabolite for the quarter ended December 31, 2023, but do include the results of MyTabolite through September 30, 2023, because all balances related to the Company’s investment in MyTabolite are recorded on a three-month (quarterly) lag. This lag is consistent from period to period.

NOTE 4. ACQUISITION OF QUALSTAR CORPORATION

On September 26, 2022, the Company’s equity method investee, Qualstar Corporation, completed a reverse/forward stock split which resulted in Qualstar cashing-out all of its stockholders that held less than 1,000 shares of its common stock. Although the reverse/forward stock split transaction did not impact the Company’s investment position in Qualstar, the reduction in the number of Qualstar’s issued and outstanding shares caused the Company’s ownership stake of Qualstar to reach 50.9%, resulting in the Company obtaining a controlling interest (greater than 50% interest) in Qualstar. Accordingly, pursuant to ASC Topic 805, although the Company did not transfer any consideration to obtain a controlling interest, the Company applied the acquisition method of accounting to the transaction in order to transition its investment in Qualstar from the equity method of accounting to consolidation. Following summarizes the net assets acquired in the business acquisition transaction, and the bargain gain on business acquisition (in thousands):

Fair value of net assets acquired	
Cash and cash equivalents	\$ 2,633
Restricted cash	100
Accounts receivable	1,434
Inventory	2,990
Prepaid expenses and other assets	250
Property and equipment	92
Right-of-use assets	281
Deferred tax assets	30
Other assets	40
Accounts payable	(709)
Accrued payroll and related liabilities	(125)
Deferred service revenue	(1,145)
Lease liabilities	(300)
Other accrued expenses	(233)
Fair value of net assets acquired	5,338
Less:	
Fair value of consideration transferred	-
Fair value of prior equity method interest	2,003
Fair value of noncontrolling interest	1,933
Bargain gain on business acquisition	\$ 1,402

The fair value of the Company’s equity method interest in Qualstar held immediately before the business acquisition was approximately \$2.0 million, which was calculated by multiplying the Company’s 890,090 shares of Qualstar by

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the \$2.25 per share price at which Qualstar cashed out its less-than-1,000-share stockholders. Adjusting our equity method investment to fair value resulted in a gain of \$857,000. The fair value of the 49.1% noncontrolling interest recorded in connection with the business acquisition was approximately \$1.9 million, which was calculated by multiplying the 859,255 shares held by Qualstar's noncontrolling stockholders by the \$2.25 per share price at which Qualstar cashed out its less-than-1,000-share stockholders. The transaction resulted in a bargain gain because the fair value of Qualstar's net assets exceeded the fair value of its market capitalization as of the date of the transaction.

The cost-basis of our 890,090 shares in Qualstar is approximately \$6.3 million. The fair value of our 890,090 shares in Qualstar was approximately \$4.0 million at December 31, 2023, and \$2.0 million at December 31, 2022.

The acquisition of Qualstar contributed revenues to the Company for the three months and year ended December 31, 2023 of \$3,404,000 and \$10,616,000, respectively, and contributed earnings to the Company for the three months and year ended December 31, 2023 of \$320,000 and \$191,000, respectively. The following pro forma summary presents consolidated information of the Company as if the business acquisition had occurred on January 1, 2022.

	Pro Forma Three Months Ended December 31,		Pro Forma Year Ended December 31,	
	2023	2022	2023	2022
	(in thousands)			
Pro Forma Revenues	\$ 3,434	\$ 2,856	\$ 10,736	\$ 9,965
Pro Forma Net Income (Loss)	\$ 466	\$ 248	\$ 525	\$ (128)

NOTE 5. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value on a recurring basis are summarized as follows:

As of December 31, 2023	Adjusted Cost	Unrealized Gains (Losses)	Fair Value
	(in thousands)		
Level 1:			
Cash and cash equivalents	\$ 2,552	\$ -	\$ 2,552
Marketable securities			
Marketable equity securities	129	11	140
Marketable debt securities (*)	100	-	100
Marketable securities – total	229	11	240
Investments – equity method			
Investments – equity method – marketable	3,784	8,905	12,689
Investments – equity method – non-marketable (*)	1	-	1
Investments – equity method – total	3,785	8,905	12,690
Note receivable (Ridgefield Note)	108	-	108
Total	\$ 6,674	\$ 8,916	\$ 15,590

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	Adjusted Cost	Unrealized Gains (Losses)	Fair Value
As of December 31, 2022	(in thousands)		
Level 1:			
Cash and cash equivalents	\$ 3,153	\$ -	\$ 3,153
Marketable securities – equity securities	25	8	33
Investments – equity method			
Investments – equity method – marketable	3,622	4,943	8,565
Investments – equity method – non-marketable (*)	6	-	6
Investments – equity method – total	3,628	4,943	8,571
Note receivable (Ridgefield Note)	51	-	51
Total	\$ 6,857	\$ 4,951	\$ 11,808

* The fair value of marketable debt securities and equity method investments in non-marketable securities is estimated at cost.

NOTE 6. INCOME TAXES

Income tax provision (benefit) consists of the following for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	2022
	(in thousands)	
Current:		
Federal	\$ -	\$ -
State, net of federal benefit	3	5
Foreign	-	-
Total current tax expense (benefit)	3	5
Deferred:		
Federal	-	-
State, net of federal benefit	(162)	-
Foreign	-	-
Total deferred tax expense (benefit)	(162)	-
Total income tax provision (benefit)	\$ (159)	\$ 5

With respect to global intangible low-taxed income (“GILTI”) rules which are applicable to a U.S. shareholder of any controlled foreign corporation, the Company accounts for taxes related to GILTI as such income is incurred.

The Company experienced an ownership change under IRC Section 382 in 2008. In general, a Section 382 ownership change occurs if there is a cumulative change in our ownership by “5% shareholders” (as defined in the Internal Revenue Code of 1986, as amended) that exceeds 50 percentage points over a rolling three-year period. An ownership change generally affects the rate at which net operating losses (“NOLs”) and potential other deferred tax assets are permitted to offset future taxable income. Certain state jurisdictions within which we operate contain similar provisions and limitations. Because these limitations preclude the use of a large portion of these pre-ownership-change NOLs, the Company permanently wrote-off deferred tax assets related to that portion of the pre-acquisition NOLs that were expected to expire unutilized.

At December 31, 2023, the gross federal NOLs (including the amount written off that has not expired) was approximately \$80.5 million. Of this amount, approximately \$40.7 million are subject to limitations under IRC Section 382. If not utilized, federal NOLs will expire between 2027 and 2037, although \$3.4 million are available

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indefinitely but are limited to 80 percent of taxable income. As of December 31, 2022, federal NOLs for which deferred tax assets are considered were approximately \$43.8 million, \$39.8 million of which are not limited by Section 382.

The Company also has state NOL carryforwards of approximately \$28.8 million, which expire between 2029 and 2037, with \$3.3 million available indefinitely. Due to the way taxable income is apportioned based on each state's share of the Company's overall property, payroll, sales and other applicable factors, the Company may not be able to utilize state NOLs in their entirety. In addition, in June 2020, California suspended net operating loss utilization and imposed a cap on the amount of business incentive tax credits companies can utilize, effective for tax years 2020, 2021 and 2022. With regard to California deferred tax assets, because Qualstar files on a separate company basis, and because Qualstar expects to generate income in the foreseeable future applicable to California, a portion of the deferred tax assets related to separate company California NOLs is not offset by a valuation allowance.

The Company had engineering and other credit carryforwards for federal tax purposes of \$1.4 million as of December 31, 2023. If not utilized, the tax credits will expire beginning in 2024. A state engineering credit of approximately \$1.1 million has no limit on the carryforward period. The Company also had capital loss carryforwards for state income tax purposes of approximately \$0.2 million as of both December 31, 2023 and 2022.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a full valuation allowance as of December 31, 2023 and 2022, except for a limited amount of state tax carryforward that are expected to be utilized in the near future.

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The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities consisted of the following:

	December 31, December 31, 2023 2022	
	(in thousands)	
Deferred tax assets		
Net operating loss carry forwards	\$ 11,094	\$ 11,022
Credits and other carry forwards	1,897	1,929
Inventory reserves	327	470
Share-based compensation	97	96
Other deferred tax assets	211	264
Gross deferred tax assets	13,626	13,781
Deferred tax liabilities		
Investments, equity method	(256)	(212)
Noncontrolling interests	(541)	(541)
Right-of-use assets	(19)	(55)
Other deferred tax liabilities	(3)	(2)
Gross deferred tax liabilities	(819)	(810)
Net deferred tax asset	12,807	12,971
Valuation allowance	(12,777)	(12,941)
	\$ 30	\$ 30

A reconciliation of income tax expense (benefit) with expected federal income tax expense (benefit) computed at the applicable U.S. federal tax rate is as follows:

	Year Ended December 31, 2023 2022	
	(in thousands)	
Federal income tax provision (benefit) at statutory rate	\$ 111	\$ 498
State tax expense, net of federal tax benefit	118	156
Foreign tax expense	26	(32)
Bargain gain on business acquisition	-	(294)
Uncertain tax positions	(196)	-
Provision to return true-ups	4	(1)
Other permanent items	(53)	11
Change in valuation allowance	(169)	(333)
Income tax expense (benefit)	\$ (159)	\$ 5

U.S. federal income tax returns after 2019 remain open to examination. Generally, state income tax returns after 2018 remain open to examination. No income tax returns are currently under examination.

As of December 31, 2023 and 2022, the Company has uncertain tax position related to state exposures, and continues to monitor its current and prior tax positions for any changes. Our income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits reflect management's best estimate of current and future taxes to be paid. Significant judgments and estimates are required in the determination of the consolidated income tax expense. The Company recognizes penalties and interest related to uncertain tax positions as income tax

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expense. For the years ended December 31, 2023 and 2022, there were no penalties nor interest recorded in income tax expense. The following is a tabular reconciliation of the total amounts of uncertain tax positions:

	Year Ended December 31,	
	2023	2022
	(in thousands)	
Uncertain tax positions – January 1	\$ 189	\$ 162
Gross increases – prior-year positions	2	27
Gross decreases – prior-year positions	-	-
Gross increases – current-year positions	-	2
Settlements with tax authorities	-	-
Reduction due to statute lapse	(164)	(2)
Uncertain tax positions – December 31	\$ 27	\$ 189

We believe that none of the uncertain tax positions will change within the coming year.

The deferred tax asset amounts related to NOL and credit carryforwards have been reduced by approximately \$503,000 of uncertain tax positions. The Company expects that any future changes in the unrecognized tax benefit will have no impact on the Company's effective tax rate due to the existence of the valuation allowance.

NOTE 7. STOCKHOLDERS' EQUITY

Common Stock

The Company's Articles of Incorporation allow for the issuance of up to 1,000,000 shares of common stock. At both December 31, 2023 and 2022, there were 583,276 shares of common stock outstanding, respectively.

Qualstar Corporation Stock Repurchase Program

Qualstar's board of directors approved a stock repurchase program (the "Stock Repurchase Program") to repurchase shares of the Company's common stock. During the years ended December 31, 2023, and 2022, respectively, the Company repurchased 182,570 and 121,926 shares for aggregate purchase prices of \$522,000 (of which \$109,000 was allocated to BKF Capital Group, Inc. additional paid-in capital as being in excess of the carrying amount of noncontrolling interest) and \$272,000 (of which \$0 was allocated to BKF Capital group, Inc. additional paid-in capital).

NOTE 8. RELATED PARTY TRANSACTIONS

Interlink Electronics, Inc.

Interlink Electronics, Inc. is a related party to BKF. Steven N. Bronson, our Chairman of the Board, President and Chief Executive Officer, is also the Chairman of the Board, Chief Executive Officer and majority shareholder of Interlink. Ryan J. Hoffman, our Chief Financial Officer, is also the Chief Financial Officer of Interlink. We have a facilities agreement with Interlink to allow Interlink to use of a portion of our Camarillo, California office and warehouse facility, for which we have agreed to split substantially all rent and facilities-related costs on an apportioned basis according to the approximate relative usage levels by each entity. We also have a facilities agreement with Interlink to allow us to use of a portion of Interlink's office in Irvine, California, for which we have agreed to split substantially all rent and facilities-related costs on an apportioned basis according to the approximate relative usage levels by each entity. We also have consulting agreements with Interlink for certain of our respective employees and/or independent contractors that provide certain operational, sales, marketing, general and administrative services to the other entity. BF, our wholly owned subsidiary, provides M&A advisory consulting

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services to Interlink under a consulting services agreement. Finally, we and Interlink also agree to reimburse, or be reimbursed by, one another for expenses paid by one company on behalf of the other.

Transactions with Interlink are as follows:

	Three Months Ended December 31,			
	2023		2022	
	Due to Interlink	Due from Interlink	Due to Interlink	Due from Interlink
	(in thousands)			
Balance at October 1,	\$ 30	\$ 12	\$ 37	\$ 8
Billed (or accrued) to BKF Capital by Interlink	130	-	229	-
Paid by BKF Capital to Interlink	(156)	-	(259)	-
Billed (or accrued) to Interlink by BKF Capital	-	101	-	73
Paid by Interlink to BKF Capital	-	(81)	-	(81)
Balance at December 31,	<u>\$ 4</u>	<u>\$ 32</u>	<u>\$ 7</u>	<u>\$ -</u>
	Year Ended December 31,			
	2023		2022	
	Due to Interlink	Due from Interlink	Due to Interlink	Due from Interlink
	(in thousands)			
Balance at January 1,	\$ 7	\$ -	\$ 96	\$ 8
Billed (or accrued) to BKF Capital by Interlink	803	-	902	-
Paid by BKF Capital to Interlink	(806)	-	(991)	-
Billed (or accrued) to Interlink by BKF Capital	-	325	-	243
Paid by Interlink to BKF Capital	-	(293)	-	(251)
Balance at December 31,	<u>\$ 4</u>	<u>\$ 32</u>	<u>\$ 7</u>	<u>\$ -</u>

Ridgefield Acquisition Corp.

Ridgefield Acquisition Corp. (Nasdaq: RDGA) (“Ridgefield”) is a related party. Steven N. Bronson, our President and Chief Executive Officer and Director, is also the Chief Executive Officer and Chairman of the Board of Ridgefield as well as Ridgefield’s largest shareholder. On September 27, 2022, the Company executed an unsecured Revolving Promissory Note with Ridgefield (the “Ridgefield Note”). Under the terms of the Ridgefield Note, the Company may (but is not required to) make loans to Ridgefield from time to time upon request by Ridgefield, up to a maximum principal amount of \$200,000 outstanding at any time. The Ridgefield Note may be prepaid by Ridgefield at any time without penalty and is repayable on demand by the Company on or after December 31, 2024. The Ridgefield Note provides for interest to accrue on the outstanding principal balance at a rate of ten percent per annum. Ridgefield borrowed an initial amount of \$20,000 under the Ridgefield Note in September 2022, and additional amounts of \$30,000 in December 2022, \$25,000 in June 2023, and \$25,000 in December 2023. The balance of principal and accrued interest on the Ridgefield Note was \$108,000 as of December 31, 2023 (classified in prepaid expenses and other assets on our consolidated balance sheet) and \$51,000 as of December 31, 2022 (classified in other assets on our consolidated balance sheet).

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NOTE 9. COMMITMENTS AND CONTINGENCIES

Lease Agreements

The Company uses a portion of Interlink's Irvine, California office as its corporate headquarters, pursuant to which the Company pays a facility usage fee of approximately \$2,000 per month. The Company also previously used a portion of Interlink's prior Los Angeles, California office, pursuant to which the Company paid a facility usage fee of approximately \$3,400 per month. As described in Note 8, Interlink is a related party.

The Company leases a 9,910 square-foot facility in Camarillo, California, expiring July 31, 2024. The rent on this facility is currently \$10,929 per month. The Company permits Interlink to use a portion of the facility and is reimbursed for the space and other related expenses on a monthly basis.

The Company leases a 7,287 square foot facility in Shenzhen, China. In May 2022, the Company renewed this lease for the period June 2022 through May 2024 for approximately \$3,500 per month.

The Company leases a small office in London, England for less than \$1,000 per month on a month-to-month term.

The Company also leases a 560 square-foot office in Singapore for \$1,600 per month. The term of the lease is for one year expiring in July 2024.

The Company's leases do not require any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. Variable expenses generally represent the Company's share of the landlord's operating expenses. The Company does not have any leases classified as financing leases. The rate implicit in each lease is not readily determinable; we therefore use our incremental borrowing rate to determine the present value of the lease payments. Certain of our contracts for real estate may contain both lease and non-lease components which we have elected to treat as a single lease component.

Right-of-use assets for operating leases are periodically reduced by impairment losses. We use the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment – Overall*, to determine whether a ROU asset is impaired, and if so, the amount of the impairment loss to recognize. As of December 31, 2023, we have not recognized any impairment losses for our ROU assets.

We monitor for events or changes in circumstances that require a reassessment of our leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in profit or loss.

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At December 31, 2023, the Company had a current operating lease liability of \$95,000, and right-of-use assets of \$88,000. Future imputed interest as of December 31, 2023 totaled approximately \$1,000. The weighted average remaining lease term of the Company's leases as of December 31, 2023 is 0.6 year.

Future minimum lease payments under these leases are as follows:

	Minimum Lease Payments
	(in thousands)
2024	\$ 96
2025	-
2026	-
2027	-
2028	-
Total undiscounted future non-cancelable minimum lease payments	96
Less: Imputed interest	(1)
Present value of lease liabilities	<u>\$ 95</u>

Legal and Other Contingencies

The Company is subject to a variety of claims and legal proceedings that arise from time to time in the ordinary course of our business. Although management currently believes that resolving claims against us, individually or in the aggregate, will not have a material adverse impact on our consolidated financial statements, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. An estimated loss from a loss contingency such as a legal proceeding or claim is accrued by a charge to income if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. When legal costs that the entity expects to incur in defending itself in connection with a loss contingency accrual are expected to be material, the loss should factor in all costs and, if the legal costs are reasonably estimable, they should be accrued in accordance with ASC Topic 450, regardless of whether a liability can be estimated for the contingency itself. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred. Changes in these factors could materially impact our consolidated financial statements. No loss contingency was recorded as of December 31, 2023.