

BFK CAPITAL GROUP, INC.

11100 NE 8th Street, Suite 320
Bellevue, Washington 98004

425-800-4423
www.bkfcapital.com
ir@bkfcapital.com

Quarterly Report

For the period ending September 30, 2024 (the “Reporting Period”)

Outstanding Shares

The number of shares outstanding of our Common Stock was:

583,276 as of September 30, 2024 (Current Reporting Period Date or More Recent Date)

583,276 as of December 31, 2023 (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:

11100 NE 8th Street, Suite 320, Bellevue, Washington 98004

Address of the issuer's principal place of business:

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

11100 NE 8th Street, Suite 320, Bellevue, Washington 98004 and
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>September 30, 2024</u>
Total shares outstanding:	<u>583,276</u>	as of date: <u>September 30, 2024</u>
Total number of shareholders of record:	<u>less than 10</u>	as of date: <u>November 7, 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.

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:									
<u>Ending Balance</u> :									

Date _____	Common: _____	
	Preferred: _____	

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. <small>*** You must disclose the control person(s) for any entities listed.</small>	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, which through April 2024 was a FINRA

registered broker-dealer that provided investment banking 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 Bellevue, Washington, which it occupies under an agreement with an affiliated entity whose lease expires in October 2027. The Company also uses an administrative office in Irvine, California under an agreement with an affiliated entity whose lease expires in May 2025. The Company also leases office and warehouse space in Camarillo, California under a lease agreement that expires July 2027, and office space in Singapore on a month-to-month basis. 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	Kirkland, WA	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 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), and the Acting Chief Financial Officer of Qualstar Corporation (OTC: QBAK).**

Provide the following qualifying financial statements:

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.

- 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.

November 7, 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.

November 7, 2024 [Date]

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

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



BKF Capital Group, Inc. and Subsidiaries

Quarterly Report

For the Quarter Ended September 30, 2024

BKF Capital Group, Inc.
11100 NE 8th Street, Suite 320
Bellevue, WA 98004

INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF OPERATIONS	4
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)
(UNAUDITED)

	September 30,	December 31,
	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 2,513	\$ 2,552
Marketable securities	198	240
Accounts receivable	607	2,175
Inventory	2,695	2,870
Investments – equity method	3,515	3,785
Prepaid expenses and other assets	366	372
Total current assets	9,894	11,994
Property and equipment, net	36	65
Right-of-use assets	414	88
Deferred tax assets	30	30
Other assets	47	59
Total assets	\$ 10,421	\$ 12,236
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 206	\$ 1,484
Accrued payroll and related liabilities	90	147
Deferred service revenue	581	577
Lease liabilities	134	95
Other accrued liabilities	117	137
Total current liabilities	1,128	2,440
Long-term liabilities		
Deferred service revenue, long-term	524	567
Lease liabilities, long-term	281	-
Other long-term liabilities	27	27
Total long-term liabilities	832	594
Total liabilities	1,960	3,034
Commitments and contingencies		
Stockholders' equity		
Common stock, \$0.001 par value, authorized — 1,000,000 shares, 583,276 issued and outstanding as of both September 30, 2024 and December 31, 2023	1	1
Additional paid-in capital	74,067	74,115
Accumulated deficit	(66,931)	(66,370)
Total BKF Capital Group, Inc. stockholders' equity	7,137	7,746
Noncontrolling interest	1,324	1,456
Total stockholders' equity	8,461	9,202
Total liabilities and stockholders' equity	\$ 10,421	\$ 12,236

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		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Revenues				
Data storage and power supplies revenue	\$ 1,358	\$ 3,142	\$ 6,011	\$ 7,212
Advisory services revenue	-	30	40	90
Total revenues	1,358	3,172	6,051	7,302
Expenses				
Cost of data storage and power supplies revenue	806	2,161	4,236	5,145
Engineering	99	118	347	244
Sales and marketing	146	366	766	963
General and administrative	365	364	1,279	1,123
Total expenses	1,416	3,009	6,628	7,475
Operating income (loss)	(58)	163	(577)	(173)
Non-operating income (expense):				
Income (loss) on equity method investments, net	(62)	42	(273)	191
Interest income	3	-	9	-
Other income (expense), net	10	3	71	41
Total non-operating income (expense), net	(49)	45	(193)	232
Income (loss) before income taxes	(107)	208	(770)	59
Income tax (provision) benefit	-	-	11	-
Net income (loss)	(107)	208	(759)	59
Less: Net (income) loss attributable to noncontrolling interests	34	(70)	198	57
Net income (loss) attributable to BKF Capital Group, Inc.	\$ (73)	\$ 138	\$ (561)	\$ 116
Earnings (loss) per share attributable to BKF Capital Group, Inc. common stockholders				
Basic and diluted	\$ (0.13)	\$ 0.24	\$ (0.96)	\$ 0.20
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 September 30, 2024	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total BKF Capital Group, Inc. Stockholders' Equity		Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount			Equity	Equity		
Balances at July 1, 2024	583,276	\$ 1	\$ 74,115	\$ (66,858)	\$ 7,258	\$	\$ 1,369	\$ 8,627
Share repurchases	-	-	(48)	-	(48)	-	(63)	(111)
Share-based compensation	-	-	-	-	-	-	52	52
Net income (loss)	-	-	-	(73)	(73)	-	(34)	(107)
Balances at September 30, 2024	583,276	\$ 1	\$ 74,067	\$ (66,931)	\$ 7,137	\$	\$ 1,324	\$ 8,461

Nine Months Ended September 30, 2024	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total BKF Capital Group, Inc. Stockholders' Equity		Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount			Equity	Equity		
Balances at January 1, 2024	583,276	\$ 1	\$ 74,115	\$ (66,370)	\$ 7,746	\$	\$ 1,456	\$ 9,202
Share repurchases	-	-	(48)	-	(48)	-	(63)	(111)
Share-based compensation	-	-	-	-	-	-	129	129
Net income (loss)	-	-	-	(561)	(561)	-	(198)	(759)
Balances at September 30, 2024	583,276	\$ 1	\$ 74,067	\$ (66,931)	\$ 7,137	\$	\$ 1,324	\$ 8,461

Three Months Ended September 30, 2023	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total BKF Capital Group, Inc. Stockholders' Equity		Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount			Equity	Equity		
Balances at July 1, 2023	583,276	\$ 1	\$ 74,224	\$ (66,843)	\$ 7,382	\$	\$ 1,537	\$ 8,919
Share repurchases	-	-	(13)	-	(13)	-	(4)	(17)
Net income (loss)	-	-	-	138	138	-	70	208
Balances at September 30, 2023	583,276	\$ 1	\$ 74,211	\$ (66,705)	\$ 7,507	\$	\$ 1,603	\$ 9,110

Nine Months Ended September 30, 2023	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total BKF Capital Group, Inc. Stockholders' Equity		Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount			Equity	Equity		
Balances at January 1, 2023	583,276	\$ 1	\$ 74,224	\$ (66,821)	\$ 7,404	\$	\$ 1,790	\$ 9,194
Share repurchases	-	-	(13)	-	(13)	-	(130)	(143)
Net income (loss)	-	-	-	116	116	-	(57)	59
Balances at September 30, 2023	583,276	\$ 1	\$ 74,211	\$ (66,705)	\$ 7,507	\$	\$ 1,603	\$ 9,110

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)

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net income (loss)	\$ (759)	\$ 59
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	29	35
Share-based compensation	129	-
Adjustment to reconcile operating lease expense to cash paid	(6)	(6)
(Gain) loss on equity method investments, net	273	(191)
Realized and unrealized (gain) on marketable securities	(7)	(41)
Change in operating assets and liabilities:		
Accounts receivable	1,568	(268)
Inventory	175	555
Prepaid expenses and other assets	18	(111)
Accounts payable and accrued expenses	(1,355)	(203)
Deferred service revenue	(39)	(25)
Net cash provided by (used in) operating activities	26	(196)
Cash flows from investing activities:		
Proceeds from sale of (purchases of) marketable securities, net	49	(100)
Purchases of equity method investments	(3)	-
Net cash provided by (used in) investing activities	46	(100)
Cash flows from financing activities:		
Share repurchases	(111)	(143)
Net cash used in financing activities	(111)	(143)
Net increase (decrease) in cash and cash equivalents	(39)	(439)
Cash and cash equivalents at beginning of period	2,552	3,153
Cash and cash equivalents at end of period	\$ 2,513	\$ 2,714
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 1	\$ 6
Cash paid for interest	\$ -	\$ -
Supplemental disclosure of non-cash investing and financing activities:		
Lease liabilities arising from obtaining right-of-use assets	\$ 438	\$ -

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

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

BKF Capital Group, Inc., together with its subsidiaries (“we,” “us,” “our,” “BKF” or the “Company”) makes controlling principal investments (or effective control) in publicly and privately owned businesses. The Company’s largest subsidiary, Qualstar Corporation, of which the Company holds a majority stake, manufactures and markets data storage system products and compact, high efficiency power solutions. The Company’s Bronson Financial LLC (“BF”) subsidiary operated through April 2024 as a FINRA registered broker-dealer, an investment banking firm focusing on capital raising and mergers and acquisitions advisory services to lower- and middle-market companies.

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 11100 NE 8th Street, Suite 320, Bellevue, WA 98004 and the telephone number is (425) 800-4423. Our website address is www.bkfcapital.com. We make available our annual financial statements, quarterly financial statements, and other significant reports and amendments to such reports, free of charge, on our website as soon as reasonably practicable after such reports are prepared.

Principles of Consolidation

The consolidated financial statements include the consolidated accounts of the Company and its wholly and majority owned subsidiaries. The Company’s consolidated financial statements include BKF, its wholly owned subsidiaries, BKF Asset Holdings, Inc. (“BAH”) and BF, and its majority owned subsidiary Qualstar Corporation (“Qualstar”), together with Qualstar’s wholly owned subsidiaries, N2Power, Inc., Q-Smart Data Limited (China), and Qualstar Limited (U.K.). All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“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 credit losses, 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

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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.

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.

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Non-Marketable and Other Investments

We may invest in non-marketable equity or debt 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 business models. We account for non-marketable equity and other 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 investments are recorded at fair value. Equity or debt 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 investments portfolio. Our analysis considers both qualitative and quantitative factors that may have a significant impact on the investee's fair value.

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.

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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.

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. 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

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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 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.

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 November 7, 2024, being the date these consolidated financial statements were issued.

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 2. BALANCE SHEET DETAILS

The following tables provide details of selected balance sheet accounts:

	September 30,	December 31,
	2024	2023
Inventories	(in thousands)	
Raw materials	\$ 117	\$ 161
Finished goods	2,578	2,709
Total inventory	<u>\$ 2,695</u>	<u>\$ 2,870</u>

	September 30,	December 31,
	2024	2023
Property and equipment	(in thousands)	
Machinery and equipment	\$ 26	\$ 26
Furniture and fixtures, and computer equipment	54	54
Leasehold improvements	59	59
	139	139
Less: accumulated depreciation and amortization	(103)	(74)
Total property and equipment	<u>\$ 36</u>	<u>\$ 65</u>

Depreciation and amortization expense totaled \$7,000 and \$11,000 for the three months ended September 30, 2024 and 2023, respectively. Depreciation and amortization expense totaled \$29,000 and \$35,000 for the nine months ended September 30, 2024 and 2023, respectively.

	September 30,	December 31,
	2024	2023
Accrued payroll and related liabilities	(in thousands)	
Accrued salaries, wages, and payroll taxes	\$ 13	\$ 29
Accrued vacation	77	118
Total accrued payroll and related liabilities	<u>\$ 90</u>	<u>\$ 147</u>

	September 30,	December 31,
	2024	2023
Accrued other liabilities	(in thousands)	
Accrued warranty	\$ 31	\$ 36
Accrued outside commission	5	84
Other accrued liabilities	81	17
Total accrued other liabilities	<u>\$ 117</u>	<u>\$ 137</u>

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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, 2024	\$ 3,784	\$ 1	\$ 3,785
Plus: purchases	-	3	3
Less: sales	-	-	-
Proportional share of net income (loss)	(271)	(2)	(273)
Balance at September 30, 2024	<u>\$ 3,513</u>	<u>\$ 2</u>	<u>\$ 3,515</u>

	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)	195	(4)	191
Balance at September 30, 2023	<u>\$ 3,817</u>	<u>\$ 2</u>	<u>\$ 3,819</u>

Interlink Electronics, Inc. (Nasdaq: LINK)

At both September 30, 2024 and December 31, 2023, the Company held 1,490,487 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 \$3.5 million at September 30, 2024, and \$3.8 million at December 31, 2023. During the three months ended September 30, 2024 and 2023, the Company recorded income (loss) on its equity method investment in Interlink of \$(61,522) and \$42,367, respectively. During the nine months ended September 30, 2024 and 2023, the Company recorded income (loss) on its equity method investment in Interlink of \$(271,483) and \$195,855, respectively. These equity method accounting amounts do not include the results of Interlink for the quarter ended September 30, 2024, but do include the results through June 30, 2024, 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

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

quarter ended September 30, 2024 were not publicly available prior to the preparation of our financial statements. Summarized financial information for Interlink is as follows:

	June 30, 2024 (latest public filing)	December 31, 2023
(in thousands)		
Interlink Electronics, Inc. summarized balance sheet information		
Balance sheet:		
Current assets	\$ 8,295	\$ 9,328
Noncurrent assets	5,946	5,734
Total assets	<u>\$ 14,241</u>	<u>\$ 15,062</u>
Current liabilities	\$ 1,440	\$ 1,375
Noncurrent liabilities	1,132	659
Total liabilities	<u>2,572</u>	<u>2,034</u>
Total stockholders' equity	11,669	13,028
Total liabilities and stockholders' equity	<u>\$ 14,241</u>	<u>\$ 15,062</u>

	Six Months Ended June 30, 2024 (latest public filing)	Year Ended December 31, 2023
(in thousands)		
Interlink Electronics, Inc. summarized statement of operations information		
Results of Operations:		
Revenue, net	\$ 6,022	\$ 13,940
Cost of revenue	3,464	7,381
Gross profit	2,558	6,559
Operating expenses	3,622	6,998
Income (loss) from operations	(1,064)	(439)
Other income (expense), net	48	164
Income (loss) before taxes	(1,016)	(275)
Income tax (expense) benefit	(32)	(108)
Net income (loss)	(1,048)	(383)
Less: preferred stock dividends	(200)	(400)
Net income (loss) applicable to common stockholders	<u>\$ (1,248)</u>	<u>\$ (783)</u>

The fair value of the Company's 1,490,487 shares in Interlink was approximately \$5.4 million at September 30, 2024, and \$12.7 million at December 31, 2023.

At September 30, 2024 and December 31, 2023, the cost-basis of our investment in Interlink in the aggregate exceeded our proportionate share of its net assets by approximately \$1.9 million and \$1.6 million, respectively. This difference is not amortized.

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 capital at that time, and each contributed another \$2,500 in March 2024. MyTabolite has conducted start-up operations, and incurred net losses for 2021, 2022, 2023, and the six months ended June 30, 2024 of

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

approximately \$4,000 \$10,000, \$4,000, and \$3,000, respectively. As of June 30, 2024, MyTabolite had \$4,000 of assets and \$4,000 of stockholders' equity. These amounts do not include the results of MyTabolite for the quarter ended September 30, 2024, but do include the results of MyTabolite through June 30, 2024, 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. INVESTMENT IN QUALSTAR CORPORATION, A CONSOLIDATED COMPANY

As of both September 30, 2024 and December 31, 2023, the Company held 890,090 shares of Qualstar Corporation's total issued and outstanding shares of 1,419,183 as of September 30, 2024 and of 1,447,122 as of December 31, 2023, or approximately 62.7% and 61.5%, respectively. Because this investment position exceeds 50% of Qualstar's outstanding shares, the Company has a controlling interest in Qualstar and accordingly consolidates Qualstar. The cost-basis of these shares is approximately \$6.3 million. The fair value of these shares was approximately \$3.5 million at September 30, 2024 and \$4.0 million at December 31, 2023.

For the three months ended September 30, 2024 and 2023, Qualstar contributed revenues of \$1,358,000 and \$3,142,000, respectively. For the nine months ended September 30, 2024 and 2023, Qualstar contributed revenues of \$6,011,000 and \$7,212,000, respectively. For the three months ended September 30, 2024 and 2023, Qualstar contributed net income (loss) of \$(34,000) and \$161,000, respectively. For the nine months ended September 30, 2024 and 2023, Qualstar contributed net (loss) of \$(461,000) and \$(129,000), respectively.

NOTE 5. FAIR VALUE MEASUREMENTS

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

As of September 30, 2024	Adjusted Cost	Unrealized Gains (Losses)	Fair Value
	(in thousands)		
Level 1:			
Cash and cash equivalents	\$ 2,513	\$ -	\$ 2,513
Marketable securities			
Marketable equity securities	129	(31)	98
Marketable debt securities (*)	100	-	100
Marketable securities – total	229	(31)	198
Investments – equity method			
Investments – equity method – marketable	3,513	1,897	5,410
Investments – equity method – non-marketable (*)	2	-	2
Investments – equity method – total	3,515	1,897	5,412
Note receivable (Ridgefield Note)	127	-	127
Total	\$ 6,384	\$ 1,867	\$ 8,251

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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

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

NOTE 6. 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 September 30, 2024 and December 31, 2023, there were 583,276 shares of common stock outstanding, respectively.

Noncontrolling Interest

The noncontrolling interest balance represents the fair value of the noncontrolling equity interest in Qualstar as of the date the Company obtained a controlling interest in Qualstar (September 2022), adjusted for the portion of Qualstar's income or loss attributable to the noncontrolling interest since that date, and any changes in Qualstar's capital attributable to the noncontrolling interest since that date, such as issuances or repurchases of such shares.

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 three- and nine-month periods ended September 30, 2024, the Company repurchased 27,939 shares under the Stock Repurchase Program, for an aggregate purchase price of \$111,000. During the three- and nine-month periods ended September 30, 2023, the Company repurchased 5,145 shares and 54,529 shares, respectively, under the Stock Repurchase Program, for aggregate purchase prices of \$17,000 and \$143,000, respectively.

NOTE 7. 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

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

agreement with Interlink to allow us to use of a portion of Interlink’s offices in Bellevue, Washington, and 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. Until termination of the agreement in April 2024, BF, our wholly owned subsidiary, provided M&A advisory consulting services to Interlink under a consulting services agreement. Finally, we and Interlink also agree to reimburse, or be reimbursed by, one another for certain expenses paid by one company on behalf of the other. Transactions with Interlink are as follows:

	Three Months Ended September 30,			
	2024		2023	
	Due to Interlink	Due from Interlink	Due to Interlink	Due from Interlink
	(in thousands)			
Balance at July 1,	\$ 17	\$ 11	\$ 91	\$ 9
Billed (or accrued) to BKF Capital by Interlink	143	-	204	-
Paid by BKF Capital to Interlink	(134)	-	(265)	-
Billed (or accrued) to Interlink by BKF Capital	-	45	-	87
Paid by Interlink to BKF Capital	-	(27)	-	(84)
Balance at September 30,	<u>\$ 26</u>	<u>\$ 29</u>	<u>\$ 30</u>	<u>\$ 12</u>

	Nine Months Ended September 30,			
	2024		2023	
	Due to Interlink	Due from Interlink	Due to Interlink	Due from Interlink
	(in thousands)			
Balance at January 1,	\$ 4	\$ 32	\$ 8	\$ -
Billed (or accrued) to BKF Capital by Interlink	327	-	671	-
Paid by BKF Capital to Interlink	(305)	-	(649)	-
Billed (or accrued) to Interlink by BKF Capital	-	193	-	223
Paid by Interlink to BKF Capital	-	(196)	-	(211)
Balance at September 30,	<u>\$ 26</u>	<u>\$ 29</u>	<u>\$ 30</u>	<u>\$ 12</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. In September 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 (calculated on the basis of a 360-day year), compounded and payable quarterly. 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, \$25,000 in December 2023, and \$10,000 in April 2024. The balance of principal and accrued interest on the Ridgefield Note was \$127,000 as of September 30, 2024, and \$108,000 as of December 31, 2023 (classified in Prepaid Expenses and Other Assets on our consolidated balance sheets).

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 8. COMMITMENTS AND CONTINGENCIES

Lease Agreements

The Company uses a portion of Interlink's Bellevue, Washington office as its corporate headquarters, for which the Company pays a facility usage fee of approximately \$4,300 per month.

The Company uses a portion of Interlink's Irvine, California office, for which the Company pays a facility usage fee of approximately \$2,000 per month.

The Company leases a 9,910 square-foot facility in Camarillo, California. The original term of this lease was for five years and three months expiring July 31, 2024. In February 2024, the Company extended the term of this lease through July 31, 2027. The rent on this facility is currently \$12,983 per month, with a 3% step-up annually. 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 560 square-foot office in Singapore on a month to month basis for approximately \$1,600 per month.

The Company previously leased a 7,287 square foot facility in Shenzhen, China for approximately \$3,500 per month under a lease that expired in May 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. The weighted average incremental borrowing rate used to determine the initial value of ROU assets and lease liabilities during the nine months ended September 30, 2024 was 6.50%. No new ROU assets were capitalized during the nine months ended September 30, 2023. 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. As of September 30, 2024, 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.

At September 30, 2024, the Company had right-of-use assets of \$414,000 and current and long-term operating lease liabilities of \$134,000 and \$281,000, respectively. At December 31, 2023, the Company had right-of-use assets of \$88,000 and current operating lease liabilities of \$95,000. Future imputed interest as of September 30, 2024 totaled approximately \$40,000. The weighted average remaining lease term of the Company's leases as of September 30, 2024 is approximately 2.8 years.

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Future minimum lease payments under these leases are as follows:

	Minimum Lease Payments
	(in thousands)
2024 (remainder of the year)	\$ 39
2025	158
2026	162
2027	96
2028	-
Total undiscounted future non-cancelable minimum lease payments	455
Less: Imputed interest	(40)
Present value of lease liabilities	<u>\$ 415</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. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred. No loss contingency was recorded as of September 30, 2024.