BKF Capital Group, Inc. and Subsidiaries

Quarterly Report

for the Period Ended June 30, 2020

BKF Capital Group, Inc.

1 Jenner, Suite 200

Irvine, CA 92618

Business

Overview

BKF Capital Group, Inc., ("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 on August 19, 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 by January 7, 2000. On April 18, 2000, BKF received a deregistration order from the Securities and Exchange Commission, which completed BKF's transformation from an investment company to an operating company.

Since then, the Company operates through its wholly-owned subsidiaries, BKF Investment Group, Inc., formerly known as BKF Management Co., Inc. ("BIG"), and BKF Asset Holdings, Inc. ("BAH") all of which are collectively referred to herein as the "Company" or "BKF." The consolidated financial statements include BKF, BIG and BIG's wholly owned subsidiary BKF Asset Management, Inc., ("BAM") and BAM's wholly-owned subsidiary BKF GP, Inc. ("BGP").

The Company operated in the investment advisory and asset management business entirely through BAM, which was a registered investment adviser with the Securities and Exchange Commission ("SEC"). BAM specialized in managing equity portfolios for institutional investors through its long-only equity and alternative investment strategies. BAM withdrew its registration as a registered investment advisor on December 19, 2006 and ceased operating in the investment advisory and asset management business. LEVCO Securities Inc, ("LEVCO"), a former subsidiary of BAM that was dissolved in 2012, was a broker dealer registered with the SEC and a member of the National Association of Securities Dealers, Inc. (now known as the Financial Industry Regulatory Authority). LEVCO withdrew its registration as a broker-dealer on November 30, 2006 and ceased operating as a broker dealer. BGP, the other subsidiary of BAM, acts as the managing general partner of an affiliated investment partnership which has been in the process of being liquidated and dissolved since 2006.

In November 2019 BAM was dissolved into BIG, and BIG was subsequently dissolved into BKF. As a result, the corporate structure includes BKF and its wholly owned subsidiaries BAH and BGP. BGP is in the process of winding up its affairs and is expected to be dissolved in 2020.

In February 2020, BKF Capital formed a wholly owned entity organized in Delaware named Bronson Financial LLC ("BF"). BF was formed to become an Investment Banking Firm focusing on capital raising and M&A advisory services. We are in the process of applying with the Financial Industry Regulatory Authority, Inc. ("FINRA") to become a registered broker-dealer.

Since January 1, 2007, the Company has had no operating business and no third-party assets under management. The Company's principal assets consist of a significant cash position, investments in securities (often representing controlling positions), sizable net operating tax losses to potentially carry forward, and its status as a publicly traded Exchange Act reporting company. BKF's current revenue stream will not be sufficient to cover BKF's ongoing expenses, however the Company has enough cash and investments to continue in operation beyond the upcoming year.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China, and has since spread to a number of other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of the time these financial statements were prepared, several states in the United States have declared states of emergency, and several countries around the world, including the United States, have taken steps to restrict travel. The existence of a worldwide pandemic, the fear associated with COVID-19, or any, pandemic, and the reactions of governments in response to COVID-19, or any, pandemic, to regulate the flow of labor and products and impede the travel of personnel, may impact the ability of many operations to conduct normal business operations, including those where we have made significant investments. This could adversely affect our results of operations and liquidity. Global health concerns, such as

COVID-19, could also result in social, economic, and labor instability in the markets in which we operate. Any of these uncertainties could have a material adverse effect on our business, financial condition or results of operations.

Our principal executive office is located at 1 Jenner, Suite 200, Irvine, CA 92618, and the telephone number is (805) 484-8855. Our website address is www.bkfcapital.com.

Strategy

BKF seeks to generate value opportunities where a creative approach to capital can create mutually beneficial results for not only our shareholders but for our acquired businesses and their management teams. BKF will continue to invest and hold control positions in public and private companies through its primary subsidiary BAH. Capital provided to potential investee companies will primarily come in the form of share ownership and/or convertible instruments.

In 2018 the Company was forced to focus its resources and attention to permanently resolving two legacy environmental remediation complaints filed by the Department of Justice (DOJ) through a process of direct negotiation with the DOJ. In November 2018, the parties agreed to voluntary mediation and reached a comprehensive settlement agreement in principle to resolve two civil complaints. Under the settlement, BKF agreed to pay $725,000 covering both cases, and received a limited covenant not to sue on the tracts of land specified in the Complaints in the form of a comfort letter. The settlement was subject to the negotiation and approval of a Consent Decree, which was published in the Federal Register on May 24, 2019. The comment period (30 days) expired on June 23, 2019 with no comments received. The consent decree was approved and entered by the District Court (Middle District of Florida) on July 19, 2019 and cash payment of the settlement obligation occurred on July 30, 2019.

The Company had sufficient funds to resolve the legacy environmental remediation liabilities, but may need additional funds in the future to effectuate an acquisition or additional investment, should the opportunity present itself. There is no assurance that the Company will be able to obtain such additional funds, if needed.

Market Information

The Company's common stock is quoted on the OTCPink marketplace of the OTC Markets Group under the symbol "BKFG".

Holders of Record

As of June 30, 2020, the Company had approximately 380 shareholders of record of its common stock, $0.001 par value.

Dividend Policy

We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any cash dividends on our common stock in the foreseeable future, if at all. Any future determination to declare cash dividends will be made at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant.

Share Repurchase Authorization

The Board has approved and adopted a stock repurchase program, pursuant to which the Company may purchase in open market or privately negotiated transactions up to 100,000 shares of the Company’s common stock during the twelve (12) month period July 1, 2017 through June 30, 2018. On June 25, 2018, this program was reauthorized, whereas the Company may purchase in open market or privately negotiated transactions up to 100,000 shares of the Company’s common stock during the twelve (12) month period July 1, 2018 through June 30, 2019.

On July 8, 2019, this program was again reauthorized, whereas the Company may purchase in open market or privately negotiated transactions up to 100,000 shares of the Company's common stock during the twelve (12) month period July 1, 2019 through June 30, 2020.

In September 2019, the Company repurchased 11,741 shares of common stock for $144,680. In November and December of 2019, the Company repurchased 6,220 shares of common stock for $74,614. During the first six months of 2020 the Company purchased 50 shares of common stock for $433. All repurchased shares were immediately retired, reducing the number of issued shares to 691,157 at June 30, 2020.

Change in Par Value of Common Stock

On December 19, 2018, we amended our Certificate of Incorporation to reduce the par value of all shares of common stock from $1.00 to $0.001 per share. We also reduced the number of common shares authorized from 15,000,000 to 1,000,000. Our common stock and paid-in capital accounts as presented in this Report reflect the change in par value and authorized shares.

Other Information

The Company's securities were registered under Section 12(g) of the Securities Exchange Act of 1934 (the "Exchange Act"). On May 20, 2015, we filed Form 15-12g to terminate the registration and reporting obligations under Section 12(g) of the Exchange Act. Since May 20, 2015, 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. Our website address is www.bkfcapital.com.

INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Dollar amounts in thousands)

		June 30, 2020		December 31, 2019
Assets				
Cash and cash equivalents	$	2,040	$	2,282
Other Receivables		3		3
Investments, marketable securities		-		-
Investments, equity method		4,692		4,668
Prepaid expenses and other assets		20		20
Total assets	$	6,755	$	6,973
Liabilities and stockholders' equity				
Accounts payable	$	9	$	1
Accrued expenses		4		4
Accrued expenses-related party		1		2
Accrued income taxes		162		162
Total liabilities		176		169
Commitments and Contingencies		-		-
Stockholders' equity				
Common stock, $0.001 par value, authorized — 1,000,000 shares, 691,157 and 691,207 issued and outstanding as of June 30, 2020 and December 31, 2019, respectively		1		1
Additional paid-in capital		75,249		75,249
Accumulated deficit		(68,671)		(68,446)
Total stockholders' equity		6,579		6,804
Total liabilities and stockholders' equity	$	6,755	$	6,973

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

(Dollar amounts in thousands, except for share and per share data)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Expenses:				
Employee compensation and benefits	$ 34	$ 34	$ 69	$ 68
Legal and Professional Fees	45	40	65	76
Licenses and Fees	1	-	2	2
Other operating expenses	3	12	7	22
Total expenses	83	86	143	168
Non-operating income (expense):				
Interest income (expense), net	-	21	7	31
Other miscellaneous income (expense), net	-	(14)	-	6
Gain (loss) on equity investments, net	(19)	(43)	(89)	(36)
Realized gain (loss) on marketable securities, net	-	58	-	58
Unrealized gain (loss) on marketable securities, net	-	(73)	-	(45)
Total non-operating income (expense)	(19)	(51)	(82)	14
Net income (loss) before income taxes	(102)	(137)	(225)	(154)
Income tax benefit (expense), net	-	-	-	-
Net income (loss) after taxes	$ (102)	$ (137)	$ (225)	$ (154)
Income (loss) per share				
Basic and diluted	$ (0.15)	$ (0.19)	$ (0.33)	$ (0.22)
Weighted average shares outstanding basic and diluted	694,317	709,168	703,988	709,168
Net income (loss) after taxes	$ (102)	$ (137)	$ (225)	$ (154)
Adjustments to arrive at comprehensive income (loss)	-	-	-	-
Comprehensive income (loss)	$ (102)	$ (137)	$ (225)	$ (154)
Comprehensive income (loss) per share	$ (0.15)	$ (0.19)	$ (0.33)	$ (0.22)

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
(UNAUDITED)

(Dollar amounts in thousands, except share data)

	Common Stock Shares		Common Stock Amount		Additional paid-in capital		Accumulated deficit		Comprehensive gain or loss		Total
Balance at January 1, 2019	709,168	$	1	$	75,466	$	(68,202)	$	-	$	7,265
Net income (loss)	-		-		-		(17)		-		(17)
Balance at March 31, 2019	709,168	$	1	$	75,466	$	(68,219)	$	-	$	7,248
Net income (loss)	-		-		-		(137)		-		(137)
Balance at June 30, 2019	709,168	$	1	$	75,466	$	(68,356)	$	-	$	7,111

	Common Stock Shares		Common Stock Amount		Additional paid-in capital		Accumulated deficit		Comprehensive gain or loss		Total
Balance at January 1, 2020	691,207	$	1	$	75,249	$	(68,446)	$	-	$	6,804
Repurchase of shares	(17)		-		-		-		-		-
Net income (loss)	-		-		-		(123)		-		(123)
Balance at March 31, 2020	691,190	$	1	$	75,249	$	(68,569)	$	-	$	6,681
Repurchase of shares	(33)		-		-		-		-		-
Net income (loss)	-		-		-		(102)		-		(102)
Balance at June 30, 2020	691,157	$	1	$	75,249	$	(68,671)	$	-	$	6,579

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

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Dollar amounts in thousands)

		Six Months Ended June 30, 2020		Six Months Ended June 30, 2019
Operating activities:				
Net income (loss) after taxes	$	(225)	$	(154)
Adjustments to reconcile net income (loss) to net cash used in operations:				
(Gain) loss on equity investment, net		89		36
Realized (gain) loss on marketable securities, net		-		(58)
Unrealized (gain) loss on marketable securities, net		-		45
Change in operating assets and liabilities:				
Decrease (increase) in other receivables		-		(178)
Decrease (increase) in prepaid expenses and other assets		-		8
Increase (decrease) in accounts payable		8		2
Increase (decrease) in accrued expenses		-		(15)
Increase (decrease) in accrued expenses-related party		(1)		-
Increase (decrease) in accrued income taxes		-		(41)
Net cash (used in) operating activities	$	(129)	$	(355)
Investing activities:				
Repurchase of stock	$	-	$	-
Proceeds from the sale of marketable securities		-		419
Purchases of equity investment securities		(113)		(310)
Purchases of marketable securities		-		(455)
Net cash provided by (used in) investing activities	$	(113)	$	(346)
Financing activities:				
Net cash provided by (used in) financing activities	$	-	$	-
Net increase (decrease) in cash and cash equivalents	$	(242)	$	(701)
Cash and cash equivalents at the beginning of the period		2,282		4,642
Cash and cash equivalents at the end of the period	$	2,040	$	3,941
Supplemental disclosures of cash flow information:				
Cash paid for interest	$	-	$	-
Cash paid for income taxes	$	-	$	41

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

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

BKF Capital Group, Inc., (“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 on August 19, 1999, BKF sold substantially all of its investment securities and distributed the cash proceeds, along with shares of Consolidated-Tomoka Land Company, to its stockholders. These distributions were completed by January 7, 2000. On April 18, 2000, BKF received a deregistration order from the Securities and Exchange Commission, which completed BKF's transformation from an investment company to an operating company.

BKF presently operates through its wholly-owned subsidiaries, BKF Investment Group, Inc., formerly known as BKF Management Co., Inc. ("BIG"), and BKF Asset Holdings, Inc. (“BAH”). The Company trades on the Over the Counter (“OTC”) market under the ticker symbol "BKFG".

The corporate structure includes BAH, BIG and BIG's wholly owned subsidiary BKF Asset Management, Inc., ("BAM"), and BAM's wholly-owned subsidiary, BKF GP, Inc. (“BGP”). In November 2019 BAM was dissolved into BIG, and BIG was subsequently dissolved into BKF.

In February 2020, BKF Capital formed a wholly owned entity organized in Delaware named Bronson Financial LLC (“BF”). BF was formed to become an Investment Banking Firm focusing on capital raising and M&A advisory services. We are in the process of applying with the Financial Industry Regulatory Authority, Inc. (“FINRA”) to become a registered broker-dealer. There was no activity in BF during the six months ended June 30, 2020.

After the dissolution of BAM and BIG, the consolidated financial statements of BKF include BKF and its wholly owned subsidiaries BAH, BGP and BF. BGP is in the process of winding up its affairs and is expected to be dissolved in 2020.

Our principal executive office is located at 1 Jenner, Suite 200, Irvine, CA 92618 and the telephone number is (805) 484-8855. Our website address is www.bkfcapital.com. BKF makes available its 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.

Change in Par Value of Common Stock

On December 19, 2018, we amended our Certificate of Incorporation to reduce the par value of all shares of common stock from $1.00 to $0.001 per share. We also reduced the number of common shares authorized from 15,000,000 to 1,000,000. Our common stock and paid-in capital accounts, as presented in the accompanying consolidated balance sheets and consolidated statements of equity, reflect the change in par value and authorized shares.

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the consolidated accounts of the Company and its wholly-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 Securities and Exchange Commission (the "SEC"). All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with 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, allowances for doubtful accounts, various reserves, 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.

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, government debt. The Company maintains substantially all of its cash and cash equivalents invested in interest bearing instruments at a nationally recognized financial institution and two licensed investment advisory firms. The Company often has amounts in excess of $250,000 in a single bank. Amounts over $250,000 (per depositor, per bank) are not insured by the Federal Deposit Insurance Corporation. In addition, the Company held cash and cash equivalents in brokerage accounts, none of which are insured by the Federal Deposit Insurance Corporation. Management regularly monitors the financial institutions, together with its cash balances, and tries to keep this potential risk to a minimum.

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. Before 2018, our marketable securities were classified as "available for sale" with unrealized gains or losses, net of tax, recorded in accumulated other comprehensive income (loss), except as noted in the "Other-Than-Temporary Impairment" section. Effective January 1, 2018, the Company adopted Accounting Standards Update ("ASU") No. 2016-01, "*Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*", that amends existing guidance around classification and measurement of certain financial assets and liabilities. Under ASU 2016-1, we now record unrealized gains or losses on marketable securities through earnings.

We determine the cost of the investment sold based on an average cost basis at the individual security level. Our marketable securities 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 and other, 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 gains (losses) on marketable equity investments, net.

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 business models. Non-marketable equity and other equity investments are included in other long-term assets. 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 the 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 gains (losses) on equity 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 investees' 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.

<u>Other-Than-Temporary Impairment</u>

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 interest and other, 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 and marketable equity method investments in gains (losses) on equity 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 for non-marketable cost method investments and equity method investments in gains (losses) on equity investments, net.

Investments in Affiliated Investment Partnerships

BKF GP served as the managing general partner for an affiliated investment partnership which primarily engaged in the trading of distressed corporate debt. Currently all activities have been terminated and BKF GP is in the process of dissolving the partnership.

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 statement 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 income (loss) per common share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Diluted income per common share is calculated by adjusting outstanding shares, assuming conversion of all potentially dilutive convertible equity instruments consisting of options. There is no difference in the calculation of basic and diluted income per share for 2020 and 2019, respectively.

Related Parties

The Company defines a related person as any director, executive officer, nominee for director, or greater than 5% beneficial owner of our common stock, in each case since the beginning of the most recently completed year, and any of their immediate family members. Related parties also include entities controlled by related persons. Transactions with related parties are conducted on terms equivalent to those prevailing in arm’s length transactions with unrelated parties.

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.

Contingent Liabilities

We classify 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

In January 2017, the FASB issued ASU 2017-01, “*Business Combinations (Topic 805): Clarifying the Definition of a Business*”, clarifying the definition of a business, reducing the number of transactions that need to be further evaluated and providing a framework to assist entities in evaluating whether both an input and a substantive process are present. The amendments in the ASU specify that when the fair value of the gross assets acquired or disposed of is concentrated in a single identifiable asset or a group of similar identifiable assets, the integrated set of assets and activities is not a business. The guidance also requires that an integrated set of assets and activities must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output to be considered a business and removes the evaluation of whether a market participant could replace the missing elements. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The ASU did not have any impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, “*Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*”, which adds disclosure requirements to Topic 820 for the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. After evaluating ASU 2018-13, the Company found no material changes to its fair value disclosures in the notes to the consolidated financial statements were necessary to comply with the pronouncement.

We reviewed all other recently issued, but not yet effective, accounting pronouncements and concluded they are not applicable or not expected to be material to our consolidated financial statements.

NOTE 2. ACQUISITIONS

On April 5, 2019, we entered into a nonbinding Quota Purchase Agreement with a European provider of test and measurement solutions to acquire the entire quota, essentially representing the entire business. The Agreement was subject to certain financing and due diligence provisions. During the review process, business projections were adjusted downward due to market trends and other factors, and the Company withdrew from the Agreement.

Other expenses included acquisition related costs totaling $194,768, of which $11,647 was incurred in December 2018, $19,253 in the three months ended March 31, 2019 and $163,869 in the three months ended June 30, 2019. As part of the withdrawal from the Quota Purchase Agreement, the Company entered into a Settlement Agreement with the Seller whereas the Seller reimbursed BKF Capital $175,000, paid in 7 equal installments from June 2019 through December 2019. The entire $175,000 benefit was recorded in June 2019. All installment payments have been received and there are no amounts outstanding.

The Company intends to maintain a friendly relationship with the European Seller, including the exploration of possible business arrangements in the future.

NOTE 3. INVESTMENTS IN MARKETABLE SECURITIES

Investments in Marketable Securities were as follows:

(dollar amounts in thousands)	Amtech Systems Inc.	INTL FCStone Inc.	TOTAL
Carrying value at January 1, 2019	$ 136	$ 71	$ 207
Less: cumulative mark-to-market	68	35	103
Cost basis at January 1, 2019	204	106	310
Plus: purchases	455	-	455
Less: sales	(360)	(106)	(466)
Cost basis at June 30, 2019	299	-	299
Plus: cumulative mark-to-market	(43)	-	(43)
Carrying value at June 30, 2019	$ 256	$ -	$ 256

Amtech Systems Inc. (NASDAQ: ASYS)

In November 2017, the Company purchased 5,000 common shares of Amtech Systems Inc. for a cost of $62,328. In June 2018, the Company purchased an additional 5,000 common shares of Amtech Systems Inc. for a cost of $34,757. In July and August 2018, the Company purchased an additional 20,000 common shares of Amtech Systems Inc. for a cost of $107,436. In April and May 2019, the Company purchased an additional 70,000 common shares of Amtech Systems Inc. for a cost of $454,666, bringing the total investment to 100,000 shares and $659,187.

In June 2019, BKF Asset Holdings sold 55,395 shares and realized gross losses of $36,137 (versus original cost basis), and no gross gains. The shares on hand were valued at $256,328 at June 30, 2019 (46,605 shares) and $135,900 at December 31, 2018 (30,000 shares). In the three and six months ended June 30, 2019, we recognized an unrealized gain of $3,923 and $27,923, respectively.

In July and August 2019, BKF Asset Holdings sold the remaining 46,605 shares and realized gross losses of $20,160 (versus original cost basis), and no gross gains. In the year ended December 31, 2019, before the final sale, we recognized unrealized losses of $45,843.

INTL FC Stone Inc. (NASDAQ: INTL)

In August 2018, the Company purchased 1,942 common shares of INTL FC Stone Inc. for a cost of $105,876. In June 2019, BKF Asset Holdings sold all 1,942 shares and realized gross losses of $36,891 (versus original cost basis), and no gross gains. In the three and six months ended June 30, 2019, prior to the sale, we recognized an unrealized gain of $0 and $4,234, respectively. The Company held the shares of INTL FC Stone Inc. for investment purposes.

NOTE 4. INVESTMENTS IN UNCONSOLIDATED AFFILIATED COMPANIES

Equity method investments in unconsolidated affiliated companies were as follows:

(dollar amounts in thousands)	Qualstar Corporation	Interlink Electronics, Inc.	TOTAL
Balance at January 1, 2019	$ -	$ 3,356	$ 3,356
Plus: purchases	281	29	310
Less: sales	-	-	-
Proportional share of net income (loss)	-	(36)	(36)
Balance at June 30, 2019	$ 281	$ 3,349	$ 3,630

(dollar amounts in thousands)	Qualstar Corporation	Interlink Electronics, Inc.	TOTAL
Balance at January 1, 2020	$ 884	$ 3,784	$ 4,668
Plus: purchases	113	-	113
Less: sales	-	-	-
Proportional share of net income (loss)	(28)	(61)	(89)
Balance at June 30, 2020	$ 969	$ 3,723	$ 4,692

Qualstar Corporation (OTCMKTS: QBAK)

On July 3, 2013, Steven Bronson, BKF's CEO and majority shareholder, was appointed President and CEO of Qualstar Corporation ("Qualstar"). This resulted in the 18.3% of the Company's ownership in Qualstar 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 27.00% of the outstanding shares. During the year ended December 31, 2019, the Company purchased an additional 160,201 common shares of Qualstar for a cost of $879,957, bringing the total investment to 708,285 shares or 36.99% of the outstanding shares. In May 2020 the Company purchased another 51,037 common shares of Qualstar for a cost of $113,418, raising its total investment to 759,322 shares, or 39.44% of the outstanding shares.

The initial tranche of 548,084 shares had a carrying value of $0 at both June 30, 2020 and December 31, 2019. During the three and six months ended June 30, 2020, the Company would have been allocated a loss on its investment in Qualstar of ($44,416) and ($97,373), respectively. However, under the equity method of investment the loss is restricted to the carrying value of the investment, thus the Company recognized no gain or loss during the three or six month period. During the three and six months ended June 30, 2019, the Company would have been allocated a gain on its investment in Qualstar of approximately $39,203 and $43,793, respectively. Similarly, no income or loss was recognized during these periods, as income may only be recognized once all prior suspended losses are absorbed. At June 30, 2020, prior suspended losses were approximately $2.1 million.

The second tranche of 211,238 shares purchased in 2019 and 2020 has a carrying value of $968,747 at June 30, 2020 and $883,789 at December 31, 2019. 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. Since the additional Qualstar investments do not represent a funding of prior losses, the Company will separately apply the equity method of accounting to its additional investment, including recording its share of losses incurred after the additional investment. During the three and six months ended June 30, 2020 the Company recorded loss on its second tranche investment in Qualstar of ($14,147) and ($28,461), respectively.

The amounts considered do not include the quarterly results of Qualstar as of June 30, 2020 because all balances related to the Company's investment in Qualstar are recorded on a three-month (quarterly) lag. Therefore, these amounts do not include the quarterly results of Qualstar as of June 30, 2020, but they do include the quarterly results of Qualstar through March 31, 2020. This lag is consistent from period to period. The financial results for Qualstar's quarter ended June 30, 2020 were not publicly available prior to the preparation of our financial statements. If those results had been included the investment would likely not have changed materially. Summarized financial information for Qualstar is as follows:

(dollar amounts in thousands)	Quarter Ended March 31, 2020 (Latest Public Filing)	Year Ended December 31, 2019
Balance sheet:		
Current assets	$ 8,538	$ 9,080
Non-current assets	842	958
Total assets	9,380	10,038
Current liabilities	2,104	2,543
Other long-term liabilities	689	752
Total liabilities	2,793	3,295
Commitments and contingencies	-	-
Total stockholders' equity	6,587	6,743
Total liabilities and stockholders' equity	$ 9,380	$ 10,038
Results of Operations:		
Net revenues	$ 2,054	$ 13,439
Cost of goods sold	1,384	9,916
Gross profit	670	3,523
Operating expenses	834	3,593
Income (loss) from operations	(164)	(70)
Other income (expense)	8	45
Income tax (expense) benefit	-	18
Net income (loss)	$ (156)	$ (7)

The fair market value of the Company's shares in Qualstar was approximately $1.9 million at June 30, 2020 (759,322 shares) and $3.8 million at December 31, 2019 (708,285 shares).

As of June, 2020, and December 31, 2019, our cost-basis investment in Qualstar in the aggregate exceeded our proportionate share of the net assets of this equity method investee by approximately $3.3 million and $3.2 million, respectively. This difference is not amortized.

On April 20, 2020 Qualstar Corporation filed a Form 25 with the Securities and Exchange Commission voluntarily delisting its common stock from Nasdaq and, based upon ownership of its shares by fewer than 300 holders of record, deregister its common stock under the Securities Exchange Act of 1934 and suspend its public reporting obligations. The delisting became effective on April 30, 2020, at which time trading on Nasdaq ceased. The common stock of Qualstar thereafter be 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

On May 6, 2020, Qualstar filed a Form 15 with the Securities and Exchange Commission 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, will terminate permanently 90 days thereafter. Qualstar intends to continue to make its financial results publicly available through other means.

Interlink Electronics (OTCMKTS: LINK)

At June 30, 2020 and December 31, 2019, the Company held 993,658 shares of Interlink Electronics, common shares. These holdings represent approximately 15.14% of Interlink's outstanding shares. Steven N. Bronson, BKF's Chairman, CEO, and majority shareholder, is also the Chairman, CEO, and majority shareholder of Interlink. Mr. Bronson can significantly influence the operational decisions at Interlink, thus the equity method is being used to account for this investment.

The carrying value of the investment in Interlink was $3.7 million at June 30, 2020 and $3.8 million at December 31, 2019. During the three and six months ended June 30, 2020 the Company recorded loss on its investment in Interlink of ($5,753) and ($60,712), respectively. For the three and six months ended June 30, 2019 the Company recorded loss on its investment in Interlink of ($42,828) and ($36,515), respectively. These amounts do not include the quarterly results of Interlink as of June 30, 2020 because all balances related to the Company's investment in Interlink are recorded on a three-month (quarterly) lag. Therefore, these amounts do not include the quarterly results of Interlink as of June 30, 2020, but they do include the quarterly results of Interlink through March 31, 2020. This lag is consistent from period to period. The financial results for Interlink's quarter ended June 30, 2020 was not publicly available prior to the preparation of our financial statements. If those results had been included the investment would likely not have changed materially. Summarized financial information for Interlink is as follows:

(dollar amounts in thousands)		Quarter Ended March 31, 2020 (Latest Public Filing)		Year Ended December 31, 2019
Balance sheet:				
Current assets	$	7,875	$	7,831
Non-current assets		1,405		1,501
Total assets		9,280		9,332
Current liabilities		682		687
Other long-term liabilities		46		74
Total liabilities		728		761
Commitments and contingencies		-		-
Total stockholders' equity		8552		8,571
Total liabilities and stockholders' equity	$	9,280	$	9,332
Results of Operations:				
Net revenues	$	1,691	$	7,503
Cost of goods sold		732		3,995
Gross profit		959		3,310
Operating expenses		1,031		3,524
Income (loss) from operations		(72)		(214)
Other income (expense)		6		35
Income tax (expense) benefit		48		(282)
Net income (loss)	$	(18)	$	(457)

The fair market value of the Company's 993,658 shares in Interlink was approximately $5.3 million at June 30, 2020 and $4.7 million at December 31, 2019.

At June 30, 2020 and December 31, 2019, our cost-basis 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 $1.3 million, respectively. This difference is not amortized.

On January 24, 2019, Interlink announced intentions to voluntarily delist its common stock from the NASDAQ Capital Market and deregister its common stock under the Securities Exchange Act of 1934 and suspend its public reporting obligations. The Company filed Form 25 with the Securities and Exchange Commission on February 4, 2019, and the Nasdaq delisting became effective on February 15, 2019, at which time trading on NASDAQ Capital Market ceased. The common stock may thereafter be eligible for quotation on OTCPink marketplace of the OTC Markets Group under the symbol "LINK". Interlink intends to continue to make its financial results publicly available through other means, including posting them on its website.

NOTE 5. FAIR VALUE MEASUREMENTS

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

	June 30, 2020			
(dollar amounts in thousands)	Adjusted cost	Unrealized gains (losses)	Fair value	Cash & Cash Equivalents
Level 1:				
Cash	$ -	$ -	$ -	$ 2,040
Marketable securities	-	-	-	-
Equity method securities	4,642	2,534	7,176	-
Total	$ 4,642	$ 2,534	$ 7,176	$ 2,040

	December 31, 2019			
(dollar amounts in thousands)	Adjusted cost	Unrealized gains (losses)	Fair value	Cash & Cash Equivalents
Level 1:				
Cash	$ -	$ -	$ -	$ 2,282
Marketable securities	-	-	-	-
Equity method securities	4,668	3,898	8,566	-
Total	$ 4,668	$ 3,898	$ 8,566	$ 2,282

NOTE 6. RELATED PARTY TRANSACTIONS

Interlink Electronics, Inc. (OTCMKTS: LINK)

We entered into accost sharing agreement on March 1, 2016 with Interlink. Pursuant to the agreement, BKF occupied and used one furnished office, telephone and other services, located at Interlink's corporate offices (at that time located in Westlake Village, CA) for a fee of $1,000 per month. The agreement was amended effective February 1, 2017 reducing the fee to $250 per month. In addition, Interlink will occasionally pay administrative expenses on behalf of BKF, and BKF will reimburse Interlink. On March 1, 2018, BFK leased executive office space in Charleston, SC. Interlink used a portion of this office space for a proportionate fee. BKF still utilized a portion of the Interlink offices in California for the $250 per month fee. Effective March 1, 2018 we modified the existing agreement and entered into a cost-sharing agreement with Interlink that calls for a monthly net settlement of all shared costs between the use of the California and the South Carolina offices, including rent, administrative expenses and similar costs.

In February 2019, the Company chose not to renew the lease for executive office space in Charleston, SC. As a result, BKF no longer has a physical presence in South Carolina. In connection with the expiration of this lease, the Company realized a small loss of approximately $2,000, primarily representing the disposal of furniture and fixtures. The Company still paid for office space located at Interlink's corporate offices in Westlake Village, CA, for a fee of $250 per month until June 2019, when Interlink moved its corporate headquarters to Camarillo, CA in a facility shared with Qualstar. Beginning in June 2019 and going forward, BKF Capital pays Qualstar directly for the $250 per month fee.

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. At June 30, 2020 and December 31, 2019, there were no amounts owed between the companies.

(dollar amounts in thousands)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Interlink paid BKF	$ -	$ -	$ -	$ 4
BKF paid Interlink	-	(1)	-	(1)
Net settlement	$ -	$ (1)	$ -	$ 3

Qualstar Corporation. (NADSAQ: QBAK)

Qualstar will occasionally pay administrative expenses, including rent, on behalf of BKF, and BKF will reimburse Qualstar. Similarly, BFK will occasionally pay administrative expenses on behalf of Qualstar, and Qualstar will reimburse BKF. Steven N. Bronson, the Company's Chairman, CEO, and majority shareholder, is also the CEO of Qualstar.

These expenses are generally paid out of administrative convenience and no formal agreement or future commitments currently exists between the two companies. At June 30, 2020 and December 31, 2019, there were no amounts owed between the companies.

(dollar amounts in thousands)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Qualstar paid BKF	$ -	$ -	$ -	$ -
BKF paid Qualstar	(1)	(2)	(2)	(2)
Net settlement	$ (1)	$ (2)	$ (2)	$ (2)

Ridgefield Acquisition Corp. (OTCMKTS: RDGA)

Ridgefield Acquisition Corp. ("Ridgefield") previously occupied a portion of our offices on a month to month basis for a rental fee of $50 per month that was intended to cover administrative costs and provide a physical location to use on an occasional basis. Steven N. Bronson, the Company's Chairman, CEO, and majority shareholder, is also the Chairman, CEO and majority shareholder of Ridgefield. Effective June 30, 2019, Ridgefield terminated this arrangement and leased their own administrative office in Nevada.

At both June 30, 2020 and December 31, 2019, Ridgefield still owed BKF $2,800. There were no payments made in 2019 or 2020.

NOTE 7. STOCKHOLDERS' EQUITY

The Board has approved and adopted a stock repurchase program, pursuant to which the Company may purchase in open market or privately negotiated transactions up to 100,000 shares of the Company's common stock during the twelve (12) month period July 1, 2019 through June 30, 2020. In September 2019, the Company repurchased 11,741 shares of common stock for $144,680. In November and December of 2019, the Company repurchased 6,220 shares of common stock for $74,614. During the first six months of 2020 the Company purchased 50 shares of common stock for $433. All repurchased shares were immediately retired, reducing the number of issued shares to 691,157 at June 30, 2020.

On June 26, 2020, the Company announced a plan to cash-out a substantial number of common stock holders by means of a reverse stock split of our common stock at a ratio of 1-to-10,000 ("Reverse Split"), followed immediately thereafter by a forward stock split of our common stock at a ratio of 10,000-to-1 ("Forward Split"). Shares of common stock that would be converted to less than one (1) share in the Reverse Split will instead be converted in the right to receive a cash payment equal to $9.50 per share of common stock held before the Reverse Split ("Cash Out"). However, if a registered stockholder holds at least 10,000 common shares before the Reverse Split will not be cashed out and the total number of shares held by such holder will not change as a result of the Reverse Split and Forward Split transactions. The Reverse Split and Forward Split were effective on July 29, 2020.

NOTE 8. COMMITMENTS AND CONTINGENCIES

In August 2018, the United States Department of Justice (DOJ) filed two civil complaints asserting that BKF Capital is liable for remediation costs under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). The parallel lawsuits are identical except for the location of the cleanup sites, which are in separate district court jurisdictions in Florida. The sites are located on tracts of land now known as the Avon Park Air Force Range (Avon Park). Predecessors to BKF Capital owned the land until 1942 when it was transferred to the United States Government pursuant to a Judgement on Declaration of Taking.

The claim is a remediation of certain pesticides and other chemicals used in dipping vats. Cattle dipping was widely used method to eradicate tick-borne diseases from Florida's otherwise prosperous cattle industry. The Florida Legislature passed a law in 1923 requiring every cattleman in the state to comply with a full tick eradication program, which included dipping cattle every two weeks. The Company has valid factual and legal defenses to this claim and vigorously defended our position in response to the Complaints.

In October 2018, both parties in the Avon Park CERCLA litigation agreed to a change in venue whereby both complaints became subject to the jurisdiction of the Middle District of Florida, rather than in separate district courts.

In November 2018, the parties agreed to voluntary mediation. The Company is willing to resolve the case through any available means and participated in the mediation in good faith. In connection with early mediation of this case, the parties reached a comprehensive settlement agreement in principle to resolve two civil complaints. Under the settlement, BKF agreed to pay $725,000 covering both cases, and received a limited covenant not to sue on Avon Park tracts of land in the form of a comfort letter. The settlement was subject to the negotiation and approval of a Consent Decree, which was published in the Federal Register on May 24, 2019. The comment period (30 days) expired on June 23, 2019 with no comments received. The consent decree was approved and entered by the District Court (Middle District of Florida) on July 19, 2019 and cash payment of the settlement obligation occurred on July 30, 2019.

In addition to the Avon Park matter, we are from time to time subject to other litigation and legal proceedings arising in the ordinary course of business. We believe that the outcome of such other litigation and legal proceedings will not have a material adverse effect on our financial condition, results of operations and cash flows. Expenses for administrative and legal proceedings are recorded when incurred.

NOTE 9. SUBSEQUENT EVENTS

On June 26, 2020, the Company announced a plan to cash-out a substantial number of common stock holders by means of a reverse stock split of our common stock at a ratio of 1-to-10,000 (“Reverse Split”), followed immediately thereafter by a forward stock split of our common stock at a ratio of 10,000-to-1 (“Forward Split”). The Reverse/Forward Split was approved at our stockholders meeting on July 16, 2020, subsequent to these financial statements, and the Reverse/Forward Split was effected that same day.

Shares of common stock that would have converted to less than one (1) share in the Reverse Split instead were converted in the right to receive a cash payment equal to $9.50 per share of common stock held before the Reverse Split (“Cash Out”). However, if a registered stockholder held at least 10,000 common shares before the Reverse Split, their shares were not cashed out and the total number of shares held by such holder did not change as a result of the Reverse Split and Forward Split transactions.

The Company redeemed 107,881 common shares for a total of $1,024,869 on August 4, 2020. These shares were immediately retired, reducing the total common shares outstanding to 583,326.