BKF Capital Group, Inc. and Subsidiaries

Quarterly Report

For the Periods Ended September 30, 2022 and 2021

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 in 1999, BKF sold substantially all of its investment securities and distributed the cash proceeds, along with shares of its largest investment, to its stockholders. These distributions were completed in January 2000. In April 2000, BKF received a deregistration order from the Securities and Exchange Commission ("SEC"), which completed BKF's transformation from an investment company to an operating company.

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

BKF Asset Holdings, Inc. makes controlling principal investments (or effective control) in publicly and privately owned businesses. Bronson Financial LLC is an investment banking firm focusing on capital raising and mergers and acquisitions advisory services to lower- and middle-market companies, which obtained approval by Financial Industry Regulatory Authority, Inc. ("FINRA") in June 2021 to operate as a registered broker-dealer. Qualstar Corporation and its subsidiaries manufactures and markets data storage system products and compact, high efficiency power solutions.

The Company previously operated in the investment advisory and asset management business entirely through BAM, which was a registered investment advisor with the 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 in 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 FINRA). LEVCO withdrew its registration as a broker-dealer in 2006 and ceased operating as a broker-dealer. BGP previously acted as the managing general partner of an affiliated investment partnership which was dissolved in April 2022.

Our principal executive office is located at 1 Jenner, Suite 200, Irvine, CA 92618, and the telephone number is (949) 504-4424. Our website address is www.bkfcapital.com.

Strategy

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

BKF Asset Holdings, Inc. currently has investments (accounted for under the equity method) in Interlink Electronics, Inc. (NASDAQ: LINK), a global leader in human-machine interface and sensor technologies, and

MyTabolite, Inc., a developer of a next generation mobile health application that utilizes an individual's blood test in conjunction with proprietary algorithms to guide a healthier lifestyle.

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

All of our common stock is not registered in the name of beneficial owners, but rather in the name of "Cede & Co.," the name used by The Depository Trust Company. As of September 30, 2022, the Company believes it has less than ten actual shareholders of record of its common stock.

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.

Other Information

The Company's securities were previously 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.

Directors and Officers

Steven N. Bronson, Chairman, Chief Executive Officer and President. Mr. Bronson has over 35 years of business and entrepreneurial experience. His successful background in investment banking and principal investing has led to him taking executive positions in several companies. Mr. Bronson became the Chief Executive Officer and Chairman of the Board of Directors of Interlink Electronics, Inc. (NASDAQ: LINK) in 2010, and added the role of President in 2011. Interlink Electronics, Inc. is a global trusted advisor and technology partner in the advancing world of human-machine interface and sensor technologies.

In 2013, Mr. Bronson assumed the positions of President and Chief Executive Officer of Qualstar Corporation (OTCMKTS: QBAK), a high-quality tape library manufacturer, and its subsidiary N2Power, Inc., a manufacturer of high efficiency power supplies for diverse electronics industries. Since 2008, Mr. Bronson also has served as Chief Executive Officer and Chairman of the Board of Directors of Ridgefield Acquisition Corp. (OTCMKTS: RDGA). Mr. Bronson is a registered principal and chief compliance officer of Bronson Financial LLC and currently holds SIE, Series 4, Series 7, Series 24, Series 27, Series 53, Series 55, and Series 79 licenses.

Leonard A. Hagan, Director. Mr. Hagan is a founding partner at Hagan & Burns CPA's P.C. ("Hagan & Burns") where he provides financial and regulatory services to the broker-dealer community as well as tax preparation services to the firm's clients. Prior to founding Hagan & Burns in 1995, Mr. Hagan worked for six years at the accounting firm of S.D. Leidesdorf & Co. where he was a manager, which was then merged into Ernst & Whinney. Following his time at S.D. Leidesdorf & Co. and Ernst & Whinney, Mr. Hagan spent three years at Credit Suisse until he founded his own accounting firm. Mr. Hagan has over forty-five years' experience as a certified public accountant and over twenty-five years as a licensed Financial and Operations Principal ("FinOp"). Mr. Hagan is a director of Ridgefield Acquisition Corp. (OTCMKTS: RDGA), which is a publicly traded company. Mr. Hagan earned a Bachelor of Arts degree in Economics from Ithaca College and continued his education at Cornell

University where he received his MBA in accounting and finance. The Board has concluded that Mr. Hagan should serve on our Board based on his financial expertise and his experience of being a certified public accountant.

Ryan J. Hoffman, Chief Financial Officer. Mr. Hoffman has served as our Chief Financial Officer since 2020, joining BKF with more than two decades of auditing and professional services experience accrued at two top global accounting firms. He previously spent 16 years at the accounting firm RSM and was a partner at the firm for his last five years. There, he successfully led audits of global companies in industries that include technology, consumer products, and manufacturing. While there, he cultivated a specialization in software and multiple-element revenue recognition accounting and auditing. Prior to that, he worked for the Big Four accounting firm Ernst & Young. Mr. Hoffman graduated with a degree in accounting from Chapman University and is a licensed CPA (Inactive). He is also the CFO of Interlink Electronics, Inc. (NASDAQ: LINK) and Qualstar Corporation (OTCMKTS: QBAK). Mr. Hoffman is a registered principal (FinOP) and chief financial officer of Bronson Financial LLC and currently holds SIE, Series 7, Series 24, Series 27, Series 63, and Series 79 licenses.

INDEX TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

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

	September 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 3,044	$ 404
Restricted cash	100	-
Accounts receivable	1,434	-
Inventory	2,990	-
Investments – equity method	3,642	4,922
Prepaid expenses and other assets	266	12
Total current assets	11,476	5,338
Property and equipment, net	117	33
Right-of-use assets	305	51
Deferred tax assets	30	-
Other assets	43	3
Total assets	$ 11,971	$ 5,425
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 725	$ 13
Accrued payroll and related liabilities	134	-
Deferred service revenue	664	-
Lease liabilities	187	35
Accrued income taxes	162	162
Other accrued liabilities	219	17
Total current liabilities	2,091	227
Long-term liabilities		
Deferred service revenue, long-term	481	-
Lease liabilities, long-term	138	15
Other long-term liabilities	43	16
Total long-term liabilities	662	31
Total liabilities	2,753	258
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, 2022 and December 31, 2021	1	1
Additional paid-in capital	74,224	74,224
Accumulated deficit	(66,940)	(69,058)
Total BKF Capital Group, Inc. stockholders' equity	7,285	5,167
Noncontrolling interest	1,933	-
Total stockholders' equity	9,218	5,167
Total liabilities and stockholders' equity	$ 11,971	$ 5,425

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

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues				
Advisory services	$ 60	$ 60	$ 180	$ 60
Total revenues	60	60	180	60
Expenses				
Employee compensation and benefits	26	-	26	-
Legal and professional fees	16	44	106	80
Other operating expenses	24	26	55	49
Total expenses	66	70	187	129
Operating (loss)	(6)	(10)	(7)	(69)
Non-operating income (expense):				
Income (loss) on equity method investments, net	(70)	108	(134)	(142)
Gain on adjusting equity method investment to fair value	857	-	857	-
Bargain gain on business acquisition	1,402	-	1,402	
Total non-operating income (expense)	2,189	108	2,125	(142)
Income (loss) before income taxes	2,183	98	2,118	(211)
Income tax (provision) benefit	-	-	-	(1)
Net income (loss)	$ 2,183	$ 98	$ 2,118	$ (212)
Earnings (loss) per share:				
Basic and diluted	$ 3.74	$ 0.17	$ 3.63	$ (0.36)
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 condensed consolidated financial statements.

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

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

Three Months Ended September 30, 2022	Common Stock Shares	Common Stock Amount	Additional Paid-in capital	Accumulated Deficit	Total BKF Capital Group, Inc. Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
Balances at July 1, 2022	583,276	$ 1	$ 74,224	$ (69,123)	$ 5,102	$ -	$ 5,102
Net income	-	-	-	2,183	2,183	-	2,183
Noncontrolling interest from business acquisition	-	-	-	-	-	1,933	1,933
Balances at September 30, 2022	583,276	$ 1	$ 74,224	$ (66,940)	$ 7,285	$ 1,933	$ 9,218

Nine Months Ended September 30, 2022	Common Stock Shares	Common Stock Amount	Additional Paid-in capital	Accumulated Deficit	Total BKF Capital Group, Inc. Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
Balances at January 1, 2022	583,276	$ 1	$ 74,224	$ (69,058)	$ 5,167	$ -	$ 5,167
Net income	-	-	-	2,118	2,118	-	2,118
Noncontrolling interest from business acquisition	-	-	-	-	-	1,933	1,933
Balances at September 30, 2022	583,276	$ 1	$ 74,224	$ (66,940)	$ 7,285	$ 1,933	$ 9,218

Three Months Ended September 30, 2021	Common Stock Shares	Common Stock Amount	Additional Paid-in capital	Accumulated Deficit	Total BKF Capital Group, Inc. Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
Balances at July 1, 2021	583,276	$ 1	$ 74,224	$ (69,155)	$ 5,070	$ -	$ 5,070
Net income	-	-	-	98	98	-	98
Balances at September 30, 2021	583,276	$ 1	$ 74,224	$ (69,057)	$ 5,168	$ -	$ 5,168

Nine Months Ended September 30, 2021	Common Stock Shares	Common Stock Amount	Additional Paid-in capital	Accumulated Deficit	Total BKF Capital Group, Inc. Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
Balances at January 1, 2021	583,276	$ 1	$ 74,224	$ (68,845)	$ 5,380	$ -	$ 5,380
Net (loss)	-	-	-	(212)	(212)	-	(212)
Balances at September 30, 2021	583,276	$ 1	$ 74,224	$ (69,057)	$ 5,168	$ -	$ 5,168

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

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Nine Months Ended September 30, 2022	2021
Cash flows from operating activities:		
Net income (loss)	$ 2,118	$ (212)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	8	4
Adjustment to reconcile operating lease expense to cash paid	2	-
Loss on equity method investments, net	134	142
Gain on adjusting equity method investment to fair value	(857)	-
Bargain gain on business acquisition	(1,402)	-
Change in operating assets and liabilities:		
Other receivables – related party	-	3
Prepaid expenses and other assets	(4)	(14)
Accounts payable and accrued expenses	8	12
Net cash provided by (used in) operating activities	7	(65)
Cash flows from investing activities:		
Purchases of property and equipment	-	(40)
Purchases of equity method investments	-	(10)
Cash, cash equivalents and restricted cash from business acquisition	2,733	-
Net cash provided by (used in) investing activities	2,733	(50)
Net cash provided by financing activities	-	-
Net increase (decrease) in cash and cash equivalents	2,740	(115)
Cash, cash equivalents, and restricted cash at beginning of period	404	502
Cash, cash equivalents, and restricted cash at end of period	$ 3,144	$ 387
Reconciliation of cash, cash equivalents and restricted cash, end of period:		
Cash and cash equivalents, end of period	$ 3,044	$ 387
Restricted cash, end of period	100	-
Cash, cash equivalents and restricted cash, end of period	$ 3,144	$ 387
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ -	$ -
Cash paid for income taxes, net	$ -	$ -
Supplemental disclosure of non-cash investing and financing activities:		
Lease liabilities arising from obtaining right-of-use assets	$ -	$ 71
Noncontrolling interest from business acquisition	$ 1,933	$ 71

See accompanying notes that are integral part of these condensed 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 in 1999, BKF sold substantially all of its investment securities and distributed the cash proceeds, along with shares of its largest investment, to its stockholders. These distributions were completed in January 2000. In April 2000, BKF received a deregistration order from the Securities and Exchange Commission (“SEC”), which completed BKF’s transformation from an investment company to an operating company.

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

The Company’s common stock is quoted on the OTCPink marketplace of the OTC Markets Group under the symbol “BKFG”. Our principal executive office is located at 1 Jenner, Suite 200, Irvine, CA 92618 and the telephone number is (949) 504-4424. 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.

Principles of Consolidation and Basis of Presentation

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

Use of Estimates

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

Revenue Recognition

The Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, 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 606, we assess the goods or services promised within each contract and determine those that are performance obligations and assess whether each promised good or service is distinct. We then recognize revenue in the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

We derive revenues from two primary sources: products and services. Product revenue includes the shipment of product according to the agreement with our customers for data storage products and power supplies. Services include customer support (technical support), installations, consulting, and design services, as well as professional services revenue earned from contracts with clients for services, such as M&A advisory consulting services. For our sales of products, title and risk of loss generally pass to our customers upon shipment. 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 condensed 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 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.

Restricted Cash

At September 30, 2022 and December 31, 2021, $100,000 and $0 in cash was restricted for use as collateral for the Company’s credit cards.

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.

The Company had no investments in marketable securities during the periods presented in these condensed consolidated financial statements. Our marketable securities could include:

- Marketable debt instruments when the interest rate and foreign currency risks are not hedged at the inception of the investment or when our criteria for designation as trading assets are not met. We record the interest income and realized gains or losses on the sale of these instruments in interest income (expense), net.

- Marketable equity securities when there is no plan to sell or hedge the investment at the time of original classification. We acquire these equity investments to promote business and strategic objectives. We record the realized gains or losses on the sale or exchange of marketable equity securities in realized gain (loss) on marketable securities, 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. We account for non-marketable equity and other equity investments for which we do not have control over the investee as:

- Equity method investments when we have the ability to exercise significant influence, but not control, over the investee. This is generally deemed to be when we control 20%-50% of the decision-making ability over the investment entity's operations. Equity method investments may include marketable and non-marketable investments. Our proportionate share of the income or loss is recognized on a one-quarter lag and is recorded in income (loss) on equity method investments, net.

- When the equity method does not apply, non-marketable and other equity investments are recorded at fair value. Equity investments without readily determinable fair values are recorded at cost, less impairment, and plus or minus subsequent adjustments for observable price changes.

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

Other-Than-Temporary Impairment

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

- Marketable debt instruments when the fair value is below amortized cost and we intend to sell the instrument, or when it is more likely than not that we will be required to sell the instrument before recovery of its amortized cost basis, or when we do not expect to recover the entire amortized cost basis of the instrument (that is, a credit loss exists). When we do not expect to recover the entire amortized cost basis of the instrument, we separate other-than-temporary impairments into amounts representing credit losses, which are recognized in other miscellaneous income (expense), net, and amounts not related to credit losses, which are recognized in other comprehensive income (loss).

- Marketable equity securities include the consideration of general market conditions, the duration and extent to which the fair value is below cost, and our ability and intent to hold the investment for a sufficient period of time to allow for recovery of value in the foreseeable future. We also consider specific adverse conditions related to the financial health of, and the business outlook for, the investee, which may include industry and sector performance, changes in technology, operational and financing cash flow factors, and changes in the investee's credit rating. We record other-than-temporary impairments on marketable equity securities in unrealized gain (loss) on marketable securities, and on marketable equity method investments in income (loss) on equity method investments, net.

- Non-marketable equity investments based on our assessment of the severity and duration of the impairment, and qualitative and quantitative analysis of the operating performance of the investee; adverse changes in market conditions and the regulatory or economic environment; changes in operating structure or management of the investee; additional funding requirements; and the investee's ability to remain in business. We record other-than-temporary impairments on non-marketable cost method investments in other miscellaneous income (expense), and on non-marketable equity method investments in income (loss) on equity method investments, net.

Investments in Affiliated Investment Partnerships

Prior to its dissolution, BGP served as the managing general partner for an affiliated investment partnership which primarily engaged in the trading of distressed corporate debt. All activities of the affiliated investment partnership have been terminated, and the partnership has been dissolved.

Property and Equipment

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

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

Long-Lived Assets

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

Warranty Obligations

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

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

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

Leases

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

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

Income Taxes

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

Earnings Per Share

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

Fair Values of Financial Instruments

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

- Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets;
- Level 2: Other inputs observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborate inputs; and

- Level 3: Unobservable inputs for which there is little or no market data and which requires the owner of the assets or liabilities to develop its own assumptions about how market participants would price these assets or liabilities.

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

Contingent Liabilities

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

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

Recent Accounting Developments

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

Subsequent Events

The Company has evaluated subsequent events through November 11, 2022, being the date these condensed consolidated financial statements were issued.

NOTE 2. BALANCE SHEET DETAILS

The following tables provide details of selected balance sheet accounts:

Inventories	September 30, 2022	December 31, 2021
	(Dollar amounts in thousands)	
Raw materials	$ 247	$ -
Finished goods	2,743	-
Total inventory	$ 2,990	$ -

Property and equipment	September 30, 2022	December 31, 2021
	(Dollar amounts in thousands)	
Machinery and equipment	$ 19	$ -
Furniture and fixtures, and computer equipment	54	33
Leasehold improvements	59	7
	132	40
Less: accumulated depreciation and amortization	(15)	(7)
Total property and equipment	$ 117	$ 33

Depreciation and amortization expense totaled $3,000 and $3,000 for the three months ended September 30, 2022 and 2021, respectively. Depreciation and amortization expense totaled $8,000 and $4,000 for the nine months ended September 30, 2022 and 2021, respectively.

Accrued payroll and related liabilities		September 30, 2022		December 31, 2021
	(Dollar amounts in thousands)			
Accrued salaries, wages, and payroll taxes	$	30	$	-
Accrued vacation		104		-
Total accrued payroll and related liabilities	$	134	$	-

Accrued other liabilities		September 30, 2022		December 31, 2021
	(Dollar amounts in thousands)			
Accrued warranty	$	164	$	-
Accrued outside commission		35		-
Other accrued liabilities		20		17
Total accrued other liabilities	$	219	$	17

NOTE 3. INVESTMENTS IN UNCONSOLIDATED AFFILIATED COMPANIES

Equity method investments in unconsolidated affiliated companies were as follows:

		Qualstar Corporation		Interlink Electronics, Inc.		MyTabolite, Inc.		Total
	(dollar amounts in thousands)							
Balance at January 1, 2022	$	1,130	$	3,782	$	10	$	4,922
Plus: purchases		-		-		-		-
Less: sales		-		-		-		-
Proportional share of net income (loss)		16		(146)		(4)		(134)
Adjustment of equity method investment to fair value		857		-		-		857
Reclassification from equity method to consolidation		(2,003)		-		-		(2,003)
Balance at September 30, 2022	$	-	$	3,636	$	6	$	3,642

		Qualstar Corporation		Interlink Electronics, Inc.		MyTabolite, Inc.		Total
	(dollar amounts in thousands)							
Balance at January 1, 2021	$	1,309	$	3,738	$	-	$	5,047
Plus: purchases		-		-		10		10
Less: sales		-		-		-		-
Proportional share of net income (loss)		(153)		11		-		(142)
Balance at September 30, 2021	$	1,156	$	3,749	$	10	$	4,915

<u>Qualstar Corporation (OTCMKTS: QBAK)</u>

In 2013, Steven N. Bronson, BKF's Chairman of the Board, Chief Executive Officer and majority shareholder, was appointed President and Chief Executive Officer of Qualstar Corporation. This resulted in the Company's 18.3% 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 27.0% of the outstanding shares as of December 31, 2018. During the years ended December 31, 2019 and 2020, the Company purchased an additional 342,006 common shares of Qualstar for a cost of $1,347,994, bringing the total investment to 890,090 shares, or 45.7% of the outstanding shares as of December 31, 2020. There have been no changes to the Company's investment position in Qualstar since December 31, 2020. However, due to share issuances and repurchases by Qualstar since December 31, 2020, the Company's ownership percentage in Qualstar increased to 48.8% at September 26, 2022, and further increased to 50.9% on September 26, 2022 in connection with Qualstar's reverse/forward stock split on that date in which it cashed out its less-than-1,000-share stockholders. As a result of the Company's ownership percentage in Qualstar increasing to above 50% during September 2022, the Company transitioned from accounting for its investment in Qualstar under the equity method to consolidating Qualstar.

The initial tranche of 548,084 shares had a carrying value of $0 at both September 26, 2022 (prior to transitioning from equity method to consolidation) and December 31, 2021. During the quarter-to-date period ended September 26, 2022 (prior to transitioning from equity method to consolidation) and the three months ended September 30, 2021, the Company would have been allocated income (loss) on this tranche of its investment in Qualstar of $(113,164) and $158,250, respectively. During the year-to-date period ended September 26, 2022 (prior to transitioning from equity method to consolidation) and the nine months ended September 30, 2021, the Company would have been allocated income (loss) on this tranche of its investment in Qualstar of $25,018 and $(2442,595), respectively. However, under the equity method, the loss is restricted to the carrying value of the investment, and income may only be recognized once all prior suspended losses are absorbed. Accordingly, the Company recognized no income or loss during the quarter-to-date and year-to-date periods ended September 26, 2022 (prior to transitioning from equity method to consolidation) and the three months and nine months ended September 30,2021 on this tranche. At September 26, 2022 (prior to transitioning from equity method to consolidation), prior suspended losses on this tranche were approximately $2.4 million.

The second tranche of 342,006 shares purchased in 2019 and 2020 had a carrying value of $1.1 million at September 26, 2022 (prior to transitioning from equity method to consolidation) and $1.1 million at December 31, 2021. The accounting guidance provides an investor making subsequent investments after the suspension of equity method loss recognition should only recognize previously suspended losses up to the amount of the additional investment determined to represent the funding of prior losses. Because the additional Qualstar investments do not represent a funding of prior losses, the Company separately applies the equity method of accounting to its additional investment, including recording its share of income (loss) incurred after the additional investment. During the quarter-to-date period ended September 26, 2022 (prior to transitioning from equity method to consolidation) and the three months ended September 30, 2021, the Company recorded income (loss) on its second tranche investment in Qualstar of $(70,615) and $98,749, respectively. During the year-to-date period ended September 26, 2022 (prior to transitioning from equity method to consolidation) and the nine months ended September 30, 2021, the Company recorded income (loss) on its second tranche investment in Qualstar of $15,611 and $(152,628), respectively.

The equity method accounting amounts considered do not include the results of Qualstar for the quarter ended September 26, 2022 (prior to transitioning from equity method to consolidation) because the equity method accounting amounts related to the Company's investment in Qualstar are recorded on a three-month (quarterly) lag. Therefore, these amounts do not include the results of Qualstar for the quarter ended September 26, 2022 (prior to transitioning from equity method to consolidation), but they do include the results of Qualstar through June 30, 2022. This lag is consistent from period to period.

The fair value of the Company's 890,090 shares in Qualstar was approximately $2.2 million at December 31, 2021. As of December 31, 2021, the cost-basis of our investment in Qualstar in the aggregate exceeded our proportionate share of the net assets of this equity method investee by approximately $3.7 million.

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

In April 2020, Qualstar Corporation filed a Form 25 with the SEC voluntarily delisting its common stock from Nasdaq and, based upon ownership of its shares by fewer than 300 holders of record, deregistering its common stock under the Securities Exchange Act of 1934 (the "Exchange Act") and suspending its public reporting obligations. The delisting became effective on April 30, 2020, at which time trading on Nasdaq ceased. The common stock of Qualstar 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.

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

Interlink Electronics, Inc. (NASDAQ: LINK)

At September 30, 2022 and December 31, 2021, the Company held 993,658 shares of Interlink Electronics, Inc. ("Interlink") common shares. These holdings represent approximately 15.0% 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, thus the equity method is being used to account for this investment.

The carrying value of the Company's equity method investment in Interlink was $3.6 million at September 30, 2022, and $3.8 million at December 31, 2021. During the three months ended September 30, 2022 and 2021, the Company recorded income on its equity method investment in Interlink of $1,806 and $9,484, respectively. During the nine months ended September 30, 2022 and 2021, the Company recorded income (loss) on its equity method investment in Interlink of $(146,133) and $10,989, respectively. These equity method accounting amounts do not include the results of Interlink for the quarter ended September 30, 2022 because the equity method accounting amounts related to the Company's investment in Interlink are recorded on a three-month (quarterly) lag. Therefore, these amounts do not include the results of Interlink for the quarter ended September 30, 2022, but they do include the results of Interlink through June 30, 2022. This lag is consistent from period to period. The financial results for Interlink's quarter ended September 30, 2022 was not publicly available prior to the preparation of our financial statements. Summarized financial information for Interlink is as follows:

	June 30, 2022 (latest public filing)	December 31, 2021
	(Dollar amounts in thousands)	
Balance sheet:		
Current assets	$ 13,017	$ 13,067
Noncurrent assets	648	712
Total assets	$ 13,665	$ 13,779
Current liabilities	$ 968	$ 1,037
Noncurrent liabilities	87	37
Total liabilities	1,055	1,074
Total stockholders' equity	12,610	12,705
Total liabilities and stockholders' equity	$ 13,665	$ 13,779

	Six Months Ended June 30, 2022 (latest public filing)	Year Ended December 31, 2021
	(Dollar amounts in thousands)	
Results of Operations:		
Revenue, net	$ 4,031	$ 7,478
Cost of revenue	1,838	3,420
Gross profit	2,193	4,058
Operating expenses	2,326	4,137
Income (loss) from operations	(133)	(79)
Other income (expense)	497	(50)
Income (loss) before taxes	364	(129)
Income tax (expense) benefit	(110)	(605)
Net income (loss)	254	(734)
Less: preferred stock dividends	(200)	(48)
Net income (loss) applicable to common stockholders	$ 54	$ (782)

The fair value of the Company’s 993,658 shares in Interlink was approximately $8.3 million at September 30, 2022 and $9.6 million at December 31, 2021.

At September 30, 2022 and December 31, 2021, the cost-basis of our investment in Interlink in the aggregate exceeded our proportionate share of the net assets of this equity method investee by approximately $1.7 million and $1.5 million, respectively. This difference is not amortized.

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

MyTabolite, Inc.

In May 2021, the Company formed MyTabolite, Inc. ("MyTabolite"), together with another stockholder, each of which holds a 50% ownership interest in MyTabolite. The Company and the other stockholder each contributed $10,000 of initial capital at that time. During the year ended December 31, 2021, MyTabolite conducted start-up operations, and incurred a net loss of approximately $4,000. During the six-month period ended June 30, 2022, MyTabolite continued its start-up operations, and incurred a net loss of approximately $3,000. As of June 30, 2022, MyTabolite had $15,000 in assets, $2,000 in liabilities, and $13,000 in stockholders' equity. These amounts do not include the results of MyTabolite for the quarter ended September 30, 2022 because all balances related to the Company's investment in MyTabolite are recorded on a three-month (quarterly) lag. Therefore, these amounts do not include the results of MyTabolite for the quarter ended September 30, 2022, but they do include the results of MyTabolite through June 30, 2022. This lag is consistent from period to period.

NOTE 4. ACQUISITION OF QUALSTAR CORPORATION

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

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

The fair value of the Company's equity method interest in Qualstar held immediately before the business acquisition was approximately $2.0 million, which was calculated by multiplying the Company's 890,090 shares of Qualstar by the $2.25 per share price at which Qualstar cashed out its less-than-1,000-share stockholders. Adjusting our equity method investment to fair value resulted in a gain of $857,000. The fair value of the 49.1% noncontrolling interest recorded in connection with the business acquisition was approximately $1.9 million, which was calculated by multiplying the 859,255 shares held by Qualstar's noncontrolling stockholders by the $2.25 per share price at which Qualstar cashed out its less-than-1,000-share stockholders. The transaction resulted in a bargain gain because the fair value of Qualstar's net assets exceeded the fair value of its market capitalization as of the date of the transaction.

The acquisition of Qualstar did not contribute any revenues or earnings to the Company for the three-month and nine-month periods ended September 30, 2022, as the Company treated September 30, 2022 as the date of the business acquisition for simplicity, for which it used Qualstar's September 30, 2022 financial information. The following pro forma summary presents consolidated information of the Company as if the business acquisition had occurred on January 1, 2021.

	Pro forma Three Months Ended September 30, 2022	Pro forma Three Months Ended September 30, 2021	Pro forma Nine Months Ended September 30, 2022	Pro forma Nine Months Ended September 30, 2021
Pro Forma Revenues	$ 2,776	$ 2,125	$ 7,109	$ 6,751
Pro Forma Net Income (Loss)	$ 126	$ (149)	$ (376)	$ (65)

NOTE 5. FAIR VALUE MEASUREMENTS

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

As of September 30, 2022	Adjusted Cost	Unrealized Gains (Losses)	Fair Value
	(Dollar amounts in thousands)		
Level 1:			
Cash	$ 3,044	$ -	$ 3,044
Restricted cash	100	-	100
Investments – equity method			
Investments – equity method – marketable	3,636	4,681	8,317
Investments – equity method – non-marketable (*)	6	-	6
Investments – equity method – total	3,642	4,681	8,323
Total	$ 6,786	$ 4,681	$ 11,467

As of December 31, 2021	Adjusted Cost	Unrealized Gains (Losses)	Fair Value
	(Dollar amounts in thousands)		
Level 1:			
Cash	$ 404	$ -	$ 404
Investments – equity method			
Investments – equity method – marketable	4,912	6,932	11,844
Investments – equity method – non-marketable (*)	10	-	10
Investments – equity method – total	4,922	6,932	11,854
Total	$ 5,326	$ 6,932	$ 12,258

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

NOTE 6. RELATED PARTY TRANSACTIONS

Interlink Electronics, Inc. is a related party to BKF. Steven N. Bronson, our Chairman of the Board, President and Chief Executive Officer, is also the Chairman of the Board, Chief Executive Officer and majority shareholder of Interlink. Ryan J. Hoffman, our Chief Financial Officer, is also the Chief Financial Officer of Interlink.

We have a facilities agreement with Interlink to allow Interlink to use of a portion of our Camarillo, California office and warehouse facility, for which we have agreed to split substantially all rent and facilities-related costs on an apportioned basis according to the approximate relative usage levels by each entity. We also have a facilities agreement with Interlink to allow us to use of a portion of Interlink's Irvine, California and Los Angeles, California office facilities, 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. Effective July 1, 2021, Bronson Financial LLC ("BF"), our wholly owned subsidiary, entered into a consulting services agreements with Interlink in which BF provides M&A advisory consulting services to Interlink. Finally, we and Interlink also agree to reimburse, or be reimbursed by, one another for expenses paid by one company on behalf of the other.

Transactions with Interlink are as follows:

	Three Months ended September 30,			
	2022		2021	
	Due to Interlink	Due from Interlink	Due to Interlink	Due from Interlink
	(in thousands)			
Balance at July 1,	$ 23	$ 7	$ 22	$ 1
Billed (or accrued) to BKF Capital by Interlink	226	-	250	-
Paid by BKF Capital to Interlink	(211)	-	(249)	-
Billed (or accrued) to Interlink by BKF Capital	-	66	-	52
Paid by Interlink to BKF Capital	-	(65)	-	(53)
Balance at September 30,	$ 38	$ 8	$ 23	$ -

	Nine Months ended September 30,			
	2022		2021	
	Due to Interlink	Due from Interlink	Due to Interlink	Due from Interlink
	(in thousands)			
Balance at January 1,	$ 97	$ 8	$ 52	$ 34
Billed (or accrued) to BKF Capital by Interlink	673	-	738	-
Paid by BKF Capital to Interlink	(732)	-	(767)	-
Billed (or accrued) to Interlink by BKF Capital	-	171	-	106
Paid by Interlink to BKF Capital	-	(171)	-	(140)
Balance at September 30,	$ 38	$ 8	$ 23	$ -

NOTE 7. COMMITMENTS AND CONTINGENCIES

Lease Agreements

The Company uses a portion of Interlink's Irvine, California office as its corporate headquarters, pursuant to which the Company pays a facility usage fee of approximately $5,100 per month. The Company also uses a portion of Interlink's Los Angeles, California office, pursuant to which the Company pays a facility usage fee of approximately $1,100 per month. As described in Note 6, Interlink is a related party.

The Company leases a 9,910 square-foot facility in Camarillo, California. The term of the lease is 5 years and two months, expiring July 31, 2024. The rent on this facility is currently $10,929 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 7,287 square foot facility in Shenzhen, China. In May 2022, the Company renewed this lease for the period June 1, 2022 through May 31, 2024 for approximately $3,500 per month.

In March 2022 the Company entered into a one-year non-cancellable sub-lease agreement for office space in Los Angeles, California. The lease term began March 7, 2022 and ends March 31, 2023. The lease agreement requires rental payments of approximately $2,300 per month.

In May 2021 the Company entered into a two-year non-cancellable lease agreement for a 1,845 square-foot office in Irvine, California. The lease term began June 1, 2021 and ends May 31, 2023. The lease agreement requires monthly rental payments of $3,044 for the first year and $3,173 for the second year, plus common area maintenance costs as determined by the landlord. Effective January 1, 2022, the Company subleased this office to a third party for approximately the same amount of rental payments in the master lease.

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

Right-of-use assets for operating leases are periodically reduced by impairment losses. We use the long-lived assets impairment guidance in ASC Subtopic 360-10, Property, Plant, and Equipment – Overall, to determine whether a ROU asset is impaired, and if so, the amount of the impairment loss to recognize. As of September 30, 2022, 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, 2022, the Company had current and long-term operating lease liabilities of $187,000 and $138,000, respectively, and right-of-use assets of $305,000. Future imputed interest as of September 30, 2022 totaled approximately $12,000. The weighted average remaining lease term of the Company's leases as of September 30, 2022 is 1.7 years.

Future minimum lease payments under these leases are as follows, in thousands:

	Minimum Lease Payments
2022 (remainder of the year)	$ 53
2023	188
2024	96
Total undiscounted future non-cancelable minimum lease payments	337
Less: Imputed interest	(12)
Present value of lease liabilities	$ 325

Legal and Other Contingencies

The Company is subject to a variety of claims and legal proceedings that arise from time to time in the ordinary course of our business. Although management currently believes that resolving claims against us, individually or in the aggregate, will not have a material adverse impact on our consolidated financial statements, these matters are subject to inherent uncertainties and management’s view of these matters may change in the future. An estimated loss from a loss contingency such as a legal proceeding or claim is accrued by a charge to income if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. When legal costs that the entity expects to incur in defending itself in connection with a loss contingency accrual are expected to be material, the loss should factor in all costs and, if the legal costs are reasonably estimable, they should be accrued in accordance with ASC 450, regardless of whether a liability can be estimated for the contingency itself. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred. Changes in these factors could materially impact our consolidated financial statements. No loss contingency was recorded as of September 30, 2022.