INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

ANTON & CHIA

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
BKF Capital Group, Inc.

We have audited the accompanying balance sheet of BKF Capital Group, Inc. (the "Company") as of December 31, 2015, and the related statements of operations, changes in stockholders' equity (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company was not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015, and the results of its operations, changes in stockholders' equity (deficit) and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements of BKF Capital Group, Inc. as of December 31, 2014, were audited by other auditors whose report dated May 10, 2015, did not contain an adverse opinion or a disclaimer of opinion, nor was either qualified or modified as to uncertainty, audit scope, or accounting principles.

/s/ Anton & Chia, LLP

Newport Beach, California
May 10, 2016

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of BKF Capital Group, Inc.

We have audited the accompanying consolidated balance sheet of BKF Capital Group Inc. (Company) as of December 31, 2014 and the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for the year then ended. BKF Capital Group Inc.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BKF Capital Group Inc. as of December 31, 2014, and the results of its consolidated operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Excelsis Accounting Group

Excelsis Accounting Group
Reno, Nevada
April 29, 2015

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollar amounts in thousands)

	December 31 2015	December 31 2014
Assets		
Cash and cash equivalents	$ 2,258	$ 3,052
Investment in Qualstar and Interlink	2,913	2,848
Prepaid expenses and other assets	5	15
Total assets	$ 5,176	$ 5,915
Liabilities and stockholders' equity		
Accrued expenses	$ 130	$ 52
Total liabilities	130	52
Commitments and Contingencies		
Stockholders' equity		
Common stock, $1 par value, authorized — 15,000,000 shares, 7,167,379 and 7,471,593 issued and outstanding as of December 31, 2015 and December 31, 2014, respectively	7,167	7,472
Additional paid-in capital	68,366	68,270
Accumulated deficit	(70,487)	(69,879)
Total stockholders' equity	5,046	5,863
Total liabilities and stockholders' equity	$ 5,176	$ 5,915

See accompanying notes

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Dollar amounts in thousands, except per share data)

	Year Ended December 31, 2015	Year Ended December 31, 2014
Income:		
Non-operating income:		
Interest income	$ 3	$ 6
Other income	-	4
Gain on sale of securities	-	35
Total non-operating income	3	45
Total income	3	45
Expenses:		
Employee compensation and benefits	95	114
Occupancy	15	26
Other operating expenses	99	160
Total expenses	209	300
Other income (expense)		
Loss on equity investment	(402)	(734)
Other income	-	-
Total other income (expense)	$ (402)	$ (734)
Net Income/(Loss)	(608)	(989)
Income/(Loss) per share:		
Basic and diluted	$ (.08)	$ (.13)
Weighted average shares outstanding basic and diluted	7,443,346	7,457,141

See accompanying notes

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar amounts in thousands)

	Year Ended December 31, 2015	Year Ended December 31, 2014
Operating activities:		
Net income(loss)	$ (608)	$ (989)
Adjustments to reconcile net loss to net cash used in operations:		
Loss on investment in Qualstar and Interlink	402	734
Gain on sale of securities	-	(35)
Decrease in prepaid expenses and other assets	10	20
Increase (Decrease) in accrued expenses	(26)	25
Net cash used in operating activities	(222)	(245)
Investing activities		
Proceeds from sale of securities	-	44
Purchase of investment securities	(572)	(2,645)
Net cash used in investing activities	(572)	(2,601)
Net decrease in cash and cash equivalents	(794)	(2,846)
Cash and cash equivalents at the beginning of the year	3,052	5,898
Cash and cash equivalents at the end of the year	$ 2,258	$ 3,052
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ —	$ —
Cash paid for taxes	$ —	$ —

See accompanying notes

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2015 and 2014
(Amounts in thousands)

	Common Stock		Paid-In	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance at December 31, 2013	7,472	$ 7,472	$ 68,270	$ (68,890)	$ 6,852
Net loss				(989)	(989)
Balance at December 31, 2014	7,472	$ 7,472	$ 68,270	$ (69,879)	$ 5,863
Repurchase of Stock	(305)	(305)	96		(209)
Net loss	—	—	—	(608)	(608)
Balance at December 31, 2015	7,167	$ 7,167	$ 68,366	$ (70,487)	$ 5,046

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

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. ("BKF Holdings") all of which are collectively referred to herein as the "Company" or "BKF." The Company trades on the over the counter market under the symbol ("BKFG"). Currently, the Company plans to engage in the asset management business through its subsidiary BKF Advisors, Inc., which is a registered investment advisor in the States of Florida and California. BKF is also seeking to consummate an acquisition, merger or business combination with an operating entity to enhance BKF's revenues and increase shareholder value.

The consolidated financial statements of BKF, include BIG and BIG's two wholly owned subsidiaries BKF Advisors, Inc. ("BKF Advisors") and BKF Asset Management, Inc., ("BAM") and BAM's two wholly-owned subsidiaries, BKF GP, Inc. ("BKF GP") and LEVCO Securities, Inc. ("LEVCO Securities"). On November 27, 2012 LEVCO Securities was dissolved. All intercompany accounts have been eliminated.

BAM was an investment advisor which was registered under the Investment Advisers Act of 1940, as amended; it withdrew its registration on December 19, 2006. BAM had no operations during 2015 and 2014.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash, and Cash Equivalents

The Company treats all investments with maturities at acquisition of three months or less as cash equivalents. Investments in money market funds are valued at net asset value. The Company maintains substantially all of its cash and cash equivalents invested in interest bearing instruments at two nationally recognized financial institutions, which at times may exceed federally insured limits. As a result the Company is exposed to credit risk related to the money market funds and the market rate inherent in those funds.

Investments in Affiliated Investment Partnerships

BKF GP served as the managing general partner for several affiliated investment partnerships ("AIP"), which primarily engaged in the trading of publicly traded equity securities, and in the case of one partnership, distressed corporate debt. Currently all AIP activities have been terminated and BKF GP is in the process of dissolving those partnerships.

Income Taxes

The Company accounts for income taxes in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, Income Taxes.

Interest costs and penalties related to income taxes are classified as interest expense and general and administrative costs, respectively, in the Company's consolidated financial statements.

The Company and its subsidiaries file consolidated Federal and combined state and local tax returns. The Company is currently subject to a three year statue of limitations by major tax jurisdictions. Tax years 2011 and forward remain open to examination.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amount of existing assets and liabilities and their respective tax basis. Future tax benefits are recognized only to the extent that realization of such benefits is more likely than not to occur. The Company has recorded a valuation reserve of approximately $6.3 million and $6 million against its net deferred tax asset as of December 31, 2015 and December 31, 2014, respectively. The Company believes that it is not likely that this deferred tax benefit will be utilized within the statutory period allowed.

Earnings Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is computed by dividing net income (loss) by the total of the weighted average number of shares of common stock outstanding and common stock equivalents. Diluted earnings (loss) per share is computed using the treasury stock method.

There were no common stock equivalents for the years ended December 31, 2015 and 2014.

Fair Values of Financial Instruments
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The Company adopted FASB ASC 820-10-50, *"Fair Value Measurements"*. This guidance defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. The three levels are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to valuation methodology are unobservable and significant to the fair measurement.

The carrying amounts reported in the balance sheets for cash and cash equivalents, and current liabilities each qualify as financial instruments and are a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest.

Recent Accounting Developments

In August 2014, the FASB issued ASU No. 2014-15 ("ASU 2014-15"), Presentation of Financial Statements-Going Concern (Subtopic 205-40) - Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU 2014-15 requires a Company's management to evaluate, at each reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued and provide related disclosures. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The Company is currently evaluating the impact of the adoption of ASU 2014-15 on its consolidated financial statements.

2. Concentrations

The Company had amounts in excess of $250,000 in a single bank during the year. Amounts over $250,000 are not insured by the Federal Deposit Insurance Corporation. These balances fluctuate during the year and can exceed this $250,000 limit. Management regularly monitors the financial institution, together with its cash balances, and tries to keep this potential risk to a minimum.

3. Related Party Transactions

BKF occupies space pursuant to a license agreement, dated May 1, 2014 between BKF and Qualstar Corporation. BKF pays a license fee to Qualstar of $14,400 per annum, or $1,200 per month, for use of the space. Steven N. Bronson, BKF's Chairman, CEO and majority shareholder, is also the CEO and President of Qualstar. The Company licensed a portion of its office to three companies affiliated with Steven N. Bronson. Specifically, Bronson & Co. LLC paid a license fee of $500 per month and 4net Software, Inc. and Ridgefield Acquisition Corp. each paid a license fee of $100 per month.

Prior to May 1, 2014, the Company has licensed a portion of its former office in Florida to three companies affiliated with Steven N. Bronson who is BKF's Chairman and President. Specifically, BKF licensed office space and use of facilities to Catalyst Financial, LLC n/k/a Bronson & Co. LLC, 4net Software, Inc. and Ridgefield Acquisition Corp. (collectively the "Licensees"). Specifically, Catalyst Financial paid a license fee of $2,000 per month and 4net Software, Inc. and Ridgefield Acquisition Corp. paid a license fee of $100 per month.

4. Investments

Qualstar Corporation:

On July 3, 2013, Steven Bronson, BKF's Chairman, was appointed the interim Chief Executive Officer and President 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 available for sale, on the basis that BKF can assert significant influence over the operations of Qualstar.

The investment in Qualstar is accounted for using the equity method as prescribed by Accounting Standard Codification Section 323, under which the Company's carrying amount of its investment in common stock of Qualstar is the initial cost adjusted for the Company's share of Qualstar's earnings and losses, and further adjusted for any distributions or dividends. At December 31, 2015 and 2014 the Company held 3,288,509 and 3,02,568 common shares of Qualstar, representing approximately 26.84% and 24.65% of the outstanding shares, respectively. The investment in Qualstar was approximately $255,000 and $649,000 at December 31, 2015 and December 31, 2014, repectively. The market value of the Company's shares in Qualstar was approximately $2.5 million and $4 million at December 31, 2015.

During the years ended December 31, 2015 and December 31, 2014, the Company recorded a loss on its investment in Qualstar of approximately $640,000 and $791,000, respectively. These losses do not include the quarterly results of Qualstar as of December 31, 2015. Therefore, all balances related to the Company's investment in Qualstar are recorded on a three month (quarterly) lag. This lag is consistent from period to period. The financial results for Qualstar's quarters ended December 31, 2015 and December 31, 2014 were available prior to the preparation of our financial statements. If those results had been included the loss on equity investment would have been approximately $ 53,000 greater than what is reflected in our financial statements for December 31, 2015 and $3,000 greater than what is reflected in our financial statements for December 31, 2014.

As of December 31, 2015, our investment in Qualstar in the aggregate exceeded our proportionate share of the net assets of this equity method investee by approximately $3.2 million. This difference is not amortized.

A summary of financial information for Qualstar is as follows (in thousands):

Year Ended June 30,	**2015**	**2014**
Net revenues	$ 12,902	$ 10,941
Cost of goods sold	8,530	8,350
Gross profit	4,372	2,591
Total operating expenses	5,661	8,239
Loss from operations	(1,289)	(5,648)
Other income	19	24
Loss before income taxes	(1,308)	(5,624)
Provision (benefit) for income taxes	-	-
Net loss	$ (1,308)	$ (5,624)

Year Ended June 30,	**2015**	**2014**
Current assets	$ 10,105	$ 12,055
Noncurrent assets	579	730
Total assets	$ 10,684	$ 12,785
Current liabilities	$ 2,532	$ 3,402
Other long-term liabilities	242	260
Total liabilities	$ 2,774	$ 3,662
Total shareholders' equity	$ 7,910	$ 9,123
Company's equity investment	$ 3,184	$ 2,551

Interlink Electronics

At December 2015, the Company holds 700,311 shares of Interlink Electronics which represents approximately 11.95% of Internlink's outstanding shares. Since, Steven Bronson, BKF's Chairman is also the Chief Executive Officer of Interlink Electronics and can significantly influence the operational decisions at Interlink, the equity method is being used as opposed to available for sale to account for this investment.

The investment in Interlink Electronics is accounted for using the equity method as prescribed by Accounting Standard Codification Section 323, under which the Company's carrying amount of its investment in common stock of Interlink is the initial cost adjusted for the Company's share of Qualstar's earnings and losses, and further adjusted for any distributions or dividends. At December 31, 2015 the Company held 700,311 common shares of Interlink, representing approximately 11.95% of the outstanding shares. The investment in Interlink was approximately $2,658,000 at December 31, 2015. The market value of the Company's shares in Interlink was approximately $5 million at December 31, 2015 and $5.5 million December 31, 2014.

During the years ended December 31, 2015 and 2014, the Company recorded a gain on its investment in Interlink of approximately $238,000 and $57,000, respectively. These gains do not include the quarterly results of Interlink as of December 31, 2015 and 2014. Therefore, all balances related to the Company's investment in Interlink are recorded on a three month (quarterly) lag. This lag is consistent from period to period. The financial results for Interlink's quarters ended December 31, 2015 and 2014 were available prior to the preparation of our financial statements. If those results had been included the gain on equity investment would have been approximately $31,000 and $89,000 greater than what is reflected in our financial statements for December 31, 2015 and December 31, 2014, respectively. As of December 31, 2015 and December 31, 2014, 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 $1.6 million, respectively. This difference is not amortized.

Years Ended December 31,		2015		2014
aNet revenues	$	10,514	$	10,278
Cost of goods sold		4,869		5,200
Gross profit		5,645		5,078
Total operating expenses		3,963		3,530
Income from operations		1,682		1,548
Other income		4		(14)
Income before income taxes		1,686		1,534
Provision (benefit) for income taxes		45		21
Net Income	$	1,731	$	1,555

Year Ended December 31,		2015	2014
Current assets	$	7,347	5,566
Noncurrent assets		215	216
Total assets	$	7,562	5,782
Current liabilities	$	859	826
Other long-term liabilities		40	92
Total liabilities	$	899	918
Total shareholders’ equity	$	6,663	4864
Company's equity investment	$	1,566	1585

5. Income Taxes

As of December 31, 2015 the Company has a federal net operating loss (“NOL”) carryforward of approximately $12.6 million, the utilization of which is limited under IRS Code Section 382 due to changes in the ownership of the Company's stock. The Company also had a state net operating loss carryforward of approximately $5.6 million. The NOL carryforwards generated in the years 2005-2008 expire in 2025 thru 2028, and can be used at a rate of $344,000 per year based on Section 382 limitations. The NOL carryforwards generated in the years 2009 through 2015 expire in 2030 through 2034, and are not currently subject to Section 382 limitations.

Since it is not likely that deferred tax assets will be realized, no current tax benefit was recognized. Net deferred assets have been fully reserved.

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities, shown net in the deferred tax asset on the Consolidated Statements of Financial Condition, consisted of the following (dollar amounts in thousands):

	Year Ended December 31, 2015	Year Ended December 31, 2014
Deferred tax assets:		
Equity Method Investment	$ 1,795	$ 1,609
Net operating loss carryforward	4,736	4,650
Gross deferred tax asset	$ 6,531	$ 6,259
Deferred tax liabilities:		
Deferred state income taxes	$ (194)	$ (185)
Gross deferred tax liabilities	$ (194)	$ (185)
Net deferred tax asset	$ 6,337	$ 6,074
Valuation reserve	(6,337)	(6,074)
	$ —	$ —

A reconciliation of income tax (benefit) with expected federal income tax expense (benefit) computed at the applicable federal tax rate of 35% is as follows (dollar amounts in thousands):

	Year Ended December 31, 2015	Year Ended December 31, 2014
Expected income tax (benefit)	$ (213)	$ (382)
Increase/Decrease in income tax resulting from:		
Other	(2)	41
Change in valuation reserve	215	341
Income tax expense	$ —	$ —

6. Commitments and Contingencies

The Company could be subject to a variety of claims, suits and proceedings that arise from time to time, including actions with respect to contracts, regulatory compliance and public disclosure. These actions may be commenced by a number of different constituents, including vendors, former employees, regulatory agencies, and stockholders. The following is a discussion of the significant matters involving the Company.

The Company is a defendant in a lawsuit for claims for alleged services in the amount of approximately $171,000. The complaint was filed in the New York State Supreme Court and alleges a claim for breach of contract against BAM for alleged goods and services delivered to BAM. The Company is vigorously defending this action. The Company has no specific reserve for this action.

7. Subsequent Events

Events subsequent to December 31, 2015 have been evaluated through May 10, 2016, the date these financial statements were ready to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. We were not aware any significant subsequent event that is required to be disclosed.