ELXSI Corporation

Consolidated Financial Statements

December 31, 2015 and 2014

Independent Auditor's Report

To the Board of Directors and Stockholders
ELXSI Corporation

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of ELXSI Corporation and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income and comprehensive income, changes in stockholders' equity and cash flows for the years then ended and the related notes to the consolidated financial statements, (collectively, financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ELXSI Corporation and its subsidiaries as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Orlando, Florida
April 1, 2016

ELXSI CORPORATION
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, Except Share and Per Share Data)

A S S E T S

	December 31, 2015	December 31, 2014
Current assets:		
Cash and cash equivalents	$ 16,642	$ 7,123
Accounts receivable, less allowance for doubtful accounts of $334 and $319 in 2015 and 2014, respectively	9,299	10,095
Inventories, net	22,257	18,971
Prepaid expenses and other current assets	503	512
Total current assets	48,701	36,701
Property, buildings and equipment, net	7,132	7,302
Deferred income taxes (Note 4)	16,790	--
Other	84	192
Total assets	$ 72,707	$ 44,195

Continued

ELXSI CORPORATION
CONSOLIDATED BALANCE SHEETS (Continued)
(Amounts in Thousands, Except Share and Per Share Data)

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2015	December 31, 2014
Current liabilities:		
Accounts payable	$ 3,393	$ 2,479
Accrued expenses	5,742	4,700
Capital lease obligations - current	48	46
Total current liabilities	9,183	7,225
Capital lease obligations - noncurrent	147	196
Deferred financing obligations	587	645
Phantom stock payable (Note 8)	2,854	2,854
Total liabilities	12,771	10,920
Commitments and contingencies (Notes 6 and 10)		
Stockholders' equity:		
Preferred Stock, par value $0.002 per share		
Authorized--5,000,000 shares		
604,656 designated Series A Non-voting Convertible Preferred Stock		
Issued and outstanding -- none	--	--
600,000 designated Series B Junior Participating Preferred Stock		
Issued and outstanding -- none	--	--
Common Stock, par value $0.001 per share		
Authorized--60,000,000 shares		
Issued and outstanding—3,406,957 at December 31, 2015 and 3,375,129 at December 31, 2014	3	3
Additional paid-in-capital	209,235	208,184
Accumulated deficit	(148,652)	(174,766)
Accumulated other comprehensive loss	(650)	(146)
Total stockholders' equity	59,936	33,275
Total liabilities and stockholders' equity	$ 72,707	$ 44,195

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

ELXSI CORPORATION
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Amounts in Thousands, Except Per Share Data)

	Years Ended December 31, 2015	2014
Net sales	$ 83,370	$ 76,474
Costs and expenses:		
Cost of sales	53,247	51,377
Selling, general and administrative	18,162	15,930
Depreciation	1,198	1,157
	72,607	68,464
Gain (loss) for restaurant closures and lease termination costs and sales of property and buildings	10	(130)
Operating income	10,773	7,880
Other income (expense):		
Interest expense	(324)	(384)
Other (expense) income	(156)	4
	(480)	(380)
Income before benefit (provision) for income taxes	10,293	7,500
Benefit (provision) for income taxes (Note 4)	15,821	(375)
Net income	26,114	7,125
Other comprehensive loss:		
Foreign currency translation adjustment, net	(504)	(113)
Comprehensive income	$ 25,610	$ 7,012
Earnings per common share:		
Basic	$ 7.71	$ 2.08
Diluted	$ 7.39	$ 2.08
Weighted average number of common and common equivalent shares outstanding		
Basic	3,389	3,430
Diluted	3,532	3,430

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

ELXSI CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Amounts in Thousands, Except Share Amounts)

	Common Stock		Additional Paid-In-Capital	Accum-ulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Dollars				
Balances at December 31, 2013	3,485,117	$ 3	$ 207,682	$ (181,891)	$ (33)	$ 25,761
Other comprehensive loss	--	--	--	--	(113)	(113)
Purchase and retirement of common stock	(109,988)	--	(1,099)	--	--	(1,099)
Stock compensation expense	--	--	1,601	--	--	1,601
Net income	--	--	--	7,125	--	7,125
Balances at December 31, 2014	3,375,129	$ 3	$ 208,184	$ (174,766)	$ (146)	$ 33,275
Other comprehensive loss	--	--	--	--	(504)	(504)
Purchase and retirement of common stock	(48,172)	--	(784)	--	--	(784)
Issuance of common stock under common stock grant	80,000	--	234	--	--	234
Stock compensation expense	--	--	1,601	--	--	1,601
Net income	--	--	--	26,114	--	26,114
Balances at December 31, 2015	3,406,957	$ 3	$ 209,235	$ (148,652)	$ (650)	$ 59,936

The accompanying notes are an integral part of these consolidated financial statements

ELXSI CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31, 2015	2014
Cash flows from operating activities:		
Net income	$ 26,114	$ 7,125
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,198	1,157
Amortization of software development costs	192	407
Amortization of deferred debt costs	25	25
Provision for obsolete and slow moving inventories	340	480
(Gain) loss on restaurant closures and lease termination costs and sales of property and buildings	(10)	130
Stock compensation expense	1,601	1,601
Tax benefit for stock grant	234	--
Deferred income taxes	(16,790)	--
(Increase) decrease in assets:		
Accounts receivable	796	(1,420)
Inventories	(3,626)	(1,512)
Prepaid expenses and other current assets	9	67
Other	--	(19)
(Decrease) increase in liabilities:		
Accounts payable	914	(1,219)
Accrued expenses	1,042	634
Net cash provided by operating activities	12,039	7,456
Cash flows from investing activities:		
Purchase of property, buildings and equipment	(1,054)	(1,398)
Other assets – software development costs	(109)	(242)
Proceeds from sale of property, buildings and equipment	36	34
Net cash used in investing activities	(1,127)	(1,606)
Cash flows from financing activities:		
Purchase and retirement of common stock	(784)	(1,099)
Principal payments on deferred financing obligations	(58)	(78)
Principal payments on capital lease obligations	(47)	(47)
Payments of deferred fees	--	(62)
Net cash used in financing activities	(889)	(1,286)

Continued

ELXSI CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Amounts in Thousands)

	Years Ended December 31, 2015	2014
Effect of exchange rate changes on cash and cash equivalents	(504)	(113)
Increase in cash and cash equivalents	9,519	4,451
Cash and cash equivalents, beginning of year	7,123	2,672
Cash and cash equivalents, end of year	$ 16,642	$ 7,123
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	$ 299	$ 362
Income taxes	$ 1,087	$ 357

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

ELXSI CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 1. The Company, Nature of Business and Principles of Consolidation

General. ELXSI Corporation (together with its subsidiaries, the “Company”) currently operates through its two wholly-owned subsidiaries, ELXSI, a California corporation (“ELXSI”), and Bickford’s Family Restaurants, Inc., a Delaware corporation (“BFRI”). Operations consist of the following business segments: an equipment manufacturer headquartered in Orlando, Florida and a restaurant chain in New England.

Equipment Manufacturer. Cues of Orlando, Florida operates as a division of ELXSI. Cues is engaged in the manufacturing and servicing of robotic video inspection and repair equipment and software for wastewater and drainage systems primarily for municipalities, service contractors and industrial users throughout the United States of America and internationally. Cues sells and services its products in Canada through ELXSI’s wholly-owned subsidiary Cues Canada, which is located in Ontario, Canada. Cues and Cues Canada are collectively referred to herein as “Cues” or “Cues Division”.

Restaurant Operations. As of December 31, 2015, the Company, through BFRI, has five operating restaurants (hereinafter referred to as the “Restaurants” or “Restaurant Operations”) located in Massachusetts and New Hampshire. In addition to the five operating Restaurants, the Company leases four other restaurant properties that are no longer being operated by the Company and are subleased or assigned to third parties.

Note 2. Summary of Significant Accounting Policies

The accompanying consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The accompanying consolidated financial statements include the accounts of ELXSI Corporation and its subsidiaries, all of which are wholly-owned. Material intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Year. Both the Company’s corporate functions and Cues Division have fiscal years consisting of four calendar quarters ending on December 31. The Restaurant Operations’ fiscal year consists of four 13-week quarters (one 52-week period) ending on the last Monday in December; this requires that every six or seven years the Restaurant Operation adds an extra week at the end of the fourth quarter and fiscal year. The Restaurant Operations had 52 week years in fiscal years 2015 and 2014, resulting in years ending on December 28, 2015 and December 29, 2014, respectively.

Revenue Recognition. Revenues for the Cues Division’s (1) equipment sales are recognized when products are shipped or delivered (based on respective shipping terms) and the risk of loss transfers to an unrelated third party; and (2) sales of services are recognized when services are provided to customers, the price to the third party is fixed or determinable and collectability is reasonably assured.

The Cues Division also derives revenue from the licensing of software and related maintenance fees, and fees for professional services related to software implementation, customization and training. Software licensing revenues consist of fees earned from the granting of perpetual licenses to use the software products. The Company recognizes revenue from the sale of software licenses when all of the following conditions are met: a signed contract exists; the software has been shipped or electronically delivered; the license fee is fixed or determinable; and the Company believes that the collection of the fees is reasonably assured. License revenue is recorded upon delivery with an appropriate deferral for annual support plans, if purchased by the customer at published rates. Annual support plans provide customers with technical product support and product upgrades and are renewable each year. Annual support plans are generally billed in advance on an annual basis. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met. The total fee from the arrangement is allocated based on vendor specific objective evidence (VSOE) of fair value of each of the undelivered elements. VSOE of fair value of annual support plans is established on the stated renewal rates. Services provided to customers under maintenance agreements include technical product support and minor version upgrades. VSOE of fair value for the professional service element is based on the standard hourly rates the Company charges for services when such services are sold separately.

Revenues for the Restaurant Operations are recognized when services are provided to customers and is presented net of sales-related taxes.

Cash and Cash Equivalents. The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments. The carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximates fair value due to the short maturity of these instruments.

Accounts Receivable and Allowance for Doubtful Accounts. Accounts receivable relate to the Cues Division and are uncollateralized customer obligations due under normal trade terms requiring payment within thirty days from the invoice date, and are recorded at net realizable value. Unpaid accounts receivable with invoice dates over thirty days old do not accrue interest.

The Company evaluates the collectability of accounts receivable based on numerous factors including past transaction history with customers and their creditworthiness. The Company estimates an allowance for doubtful accounts as a percentage of net sales based on historical bad debt experience. This estimate is adjusted when the Company becomes aware of a specific customer's inability to meet its financial obligations, or periodically as a result of changes in the overall aging of accounts receivable. As of December 31, 2015 and 2014, the allowance for doubtful accounts reflects management's best estimate of future uncollectable amounts.

Inventories. Inventories are stated at the lower of cost or market determined by the first-in, first-out method. The Company evaluates its inventory balances at the end of each quarter to ensure that they are carried at the lower of cost or market. This evaluation includes the analysis of regular cycle counts, a review for obsolete inventory and an analysis of potential slow-moving and excess inventory items. As of December 31, 2015 and 2014, the reserve for obsolete and slow-moving inventory was $4,441,000 and $4,094,000, respectively. To the extent future events impact, either favorably or unfavorably, the salability of the Company's products or its relationship with certain key vendors, the Company's inventory reserves could differ significantly, resulting in either higher or lower future inventory provisions.

Software Development Costs. Certain software development costs are capitalized and amortized over their estimated economic life, principally 24 months commencing with each product's availability for general release. Costs are expensed as incurred until technological feasibility has been established. Technological feasibility is established upon completion of a working model, and thereafter, all software production costs are capitalized and subsequently reported at the lower of unamortized cost or net realizable value. Software development costs primarily consist of labor. Management assesses the recoverability of these assets by comparing the carrying value to the estimate of the assets fair value. Any impairment of the assets is recorded as an expense in the period the impairment occurs.

Property, Buildings and Equipment. Property, buildings and equipment, including buildings under capital leases, are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method of accounting over the estimated useful lives of individual assets or classes of assets. Buildings held pursuant to capital leases and improvements to leased properties or fixtures are amortized over the shorter of the remaining term of the applicable lease or the estimated useful life.

Estimated useful lives are:

Buildings	30	years
Building improvements	10-20	years or remaining lease term
Equipment, furniture and fixtures	3-7	years

Normal repairs and maintenance are expensed as incurred. Expenditures that extend useful lives of assets are capitalized. The property, buildings and equipment accounts are relieved of the cost of the items being replaced and the accumulated depreciation of disposed assets is removed, with any resulting gain or loss on disposal being recorded in the accompanying consolidated statements of income and comprehensive income.

Impairment of Long-Lived Assets. Long-lived assets are evaluated for impairment whenever events or changes in circumstances have indicated that an asset may not be recoverable and are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest charges) is less than the carrying value of the assets, the assets will be written down to the estimated fair value and such loss is recognized in income from continuing operations in the period in which the determination is made. Management determined that no impairment of long-lived assets existed as of December 31, 2015 and 2014.

Use of Estimates. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk. Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and accounts receivable. The Company maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. The allowance for non-collection of accounts receivable is based upon the expected collection rate across all accounts receivable.

The Company does not rely on any one vendor or supplier for its raw materials, and management believes that alternative suppliers are available that could provide for the Company's needs on comparable terms.

Foreign Currency Translation. The assets and liabilities of Cues Canada's operations are translated into U.S. dollars at year-end exchange rates, and revenue and expense items are translated at average exchange rates for the year. Resulting translation adjustments are accumulated as a separate component of stockholders' equity.

Income Taxes. The Company accounts for income taxes utilizing the asset and liability method. Under this approach, the Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of existing assets and liabilities. The provision for income taxes includes the amount of income taxes for the year that would be paid by the Company, as determined by applying the provisions of the current tax law to taxable income for the year, and the net change during the year in the Company's deferred tax assets and liabilities. In determining the amount of any valuation allowance required to offset deferred tax assets, an assessment is made that includes anticipating future income and determining the likelihood of realizing deferred tax assets (see Note 4 below).

The utilization of the Company's net operating loss and tax credit carryforwards may be impaired or reduced under certain circumstances. Events which may affect the Company's ability to utilize these carryforwards include, but are not limited to, future profitability, cumulative stock ownership changes of 50% or more over a three-year period, as defined by Section 382 of the Internal Revenue Code, as amended (the "IRC"), and the timing of the utilization of the tax benefit carryforwards. Such changes in ownership would significantly restrict the Company's ability to utilize loss and credit carryforwards in accordance with Sections 382 and 383 of the IRC.

The Company has evaluated whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the Company's consolidated financial statements in accordance with the accounting standard on accounting for uncertainty in income taxes. Under this guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management has assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying consolidated financial statements. The Company currently files U.S. federal, various states (29 in total) and Canadian income tax returns. The Company is no longer subject to income tax examinations by the U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2011.

It is the Company's policy to classify interest and penalties on income tax liabilities if any, as interest expense and administrative expense, respectively.

Warranty. The Company's warranty reserve is established based on its best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. A warranty is offered to customers of Cues and covers parts and labor for one year from the date of sale. While the Company believes that the warranty reserve is adequate, such amounts estimated to be due and payable could differ materially from what will actually transpire in the future. Warranty activity for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Beginning accrued warranty expense	$ 722,000	$ 682,000
Less: Reductions for warranty payments	(864,000)	(695,000)
Plus: Additions to warranty accrual	1,799,000	735,000
Ending accrued warranty expense	$ 1,657,000	$ 722,000

Advertising. Advertising consists primarily of print advertisements and trade shows for Cues and print advertisements for the Restaurants. All costs are expensed as incurred and totaled $572,000 and $429,000 in 2015 and 2014, respectively. Advertising expenses are included as a component of selling, general and administrative expense in the accompanying consolidated statements of income and comprehensive income.

Shipping and Handling Costs. Net sales include the revenue related to shipping and handling charges billed to customers. The related costs associated with shipping and handling are included as a component of cost of sales in the accompanying consolidated statements of income and comprehensive income.

Comprehensive Income. Comprehensive income is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It consists of net income or loss and other gains and losses affecting stockholders' equity that, under U.S. GAAP, are excluded from net income, such as foreign currency translation gains and losses. Currency translation is the only item of other comprehensive income impacting the Company's accumulated other comprehensive loss.

Share-Based Payments. All share-based payments to employees are required to be recognized based on their grant date fair values using quoted pricing on an exchange, or an option-pricing model, such as the Black-Scholes model. The Company estimates forfeitures when recognizing certain compensation expense and this estimate of forfeitures is adjusted over the requisite service period based on the extent to which actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures are recognized through a cumulative catch-up adjustment, which is recognized in the period of change, and also impacts the amount of unamortized compensation expense to be recognized in future periods (see Note 8).

Earnings Per Share. The Company presents basic earnings per common share, which is net income divided by weighted average shares outstanding during the period and diluted earnings per share, which considers the impact of common stock equivalents. The Company's common stock equivalents consist of a common stock grant. As of December 31, 2015, the Company had 95,000 common stock equivalents outstanding under the common stock grant. There were no common stock equivalents outstanding as of December 31, 2014.

Recent Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14 *Revenue from Contracts with Customers – Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods of nonpublic entities beginning after December 15, 2018. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company has not yet selected a transition method and is currently evaluating the effect that the standard will have on the consolidated financial statements.

In February 2016, the FASB issued its new lease accounting guidance in ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. The Company has not evaluated the impact this ASU will have on the Company's consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. The amendments in the ASU require entities that measure inventory using the first-in, first-out or average cost methods to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. ASU No. 2015-11 is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016 on a prospective basis. Early adoption of ASU No. 2015-11 is permitted. The Company is currently evaluating the effects adoption of this guidance will have on its consolidated financial statements.

Recently Adopted Accounting Principles: In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. This ASU simplifies the presentation of deferred income taxes by eliminating the requirement for entities to separate deferred tax liabilities and assets into current and noncurrent amounts in classified balance sheets. Instead, it requires deferred tax assets and liabilities be classified as noncurrent in the balance sheet. ASU No. 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2017. Early adoption is permitted, and this ASU may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company elected to early adopt this standard on a retrospective basis, presenting all deferred income tax assets and liabilities as noncurrent. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Subsequent Events. The Company has evaluated subsequent events through April 1, 2016, the date on which the accompanying consolidated financial statements were available to be issued.

Note 3. Composition of Certain Financial Statement Components

	December 31,	
	2015	2014
Assets:		
Inventories:		
Raw materials and finished goods	$ 16,971,000	$ 15,418,000
Work in process	9,727,000	7,647,000
	26,698,000	23,065,000
Less: reserve for slow moving and obsolete inventory	(4,441,000)	(4,094,000)
	$ 22,257,000	$ 18,971,000
Property, buildings and equipment:		
Land	$ 1,854,000	$ 1,854,000
Building and improvements	7,219,000	7,059,000
Buildings held pursuant to capital leases	1,234,000	1,234,000
Equipment, furniture and fixtures	9,811,000	9,275,000
	20,118,000	19,422,000
Less: accumulated depreciation	(12,986,000)	(12,120,000)
	$ 7,132,000	$ 7,302,000

	December 31, 2015	December 31, 2014
Software development costs included in other assets:		
Capitalized software costs, beginning of year	$ 110,000	$ 275,000
Plus: Amounts capitalized during the year	109,000	242,000
Less: Amortization expense	(192,000)	(407,000)
Capitalized software costs, end of year	$ 27,000	$ 110,000

Amortization of capitalized software costs is included as a component of cost of sales in the accompanying consolidated statements of income and comprehensive income.

	December 31, 2015	December 31, 2014
Liabilities:		
Accrued expenses:		
Salaries, benefits and vacation	$ 2,219,000	$ 2,133,000
Deferred revenue	1,183,000	1,030,000
Warranty	1,657,000	722,000
Other accruals	683,000	815,000
	$ 5,742,000	$ 4,700,000

Note 4. Income Taxes

Income (loss) before benefit (provision) for income taxes for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Domestic	$ 10,691,000	$ 7,795000
Foreign	(398,000)	(295,000)
Total	$ 10,293,000	$ 7,500,000

The components of benefit (provision) for income taxes for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Current:		
Federal	$ 66,000	$ 127,000
State and local	(801,000)	(502,000)
	(735,000)	(375,000)
Deferred:		
Federal	13,849,000	--
State and local	2,707,000	--
	16,556,000	--
Total	$ 15,821,000	(375,000)

Deferred income taxes are provided for temporary differences between income tax and financial statement recognition of revenues and expenses. Significant components of the deferred tax assets and liabilities were comprised of the following as of December 31, 2015 and 2014:

	2015	2014
Fixed asset and other	$ (1,191,000)	$ (3,758,000)
Gross deferred tax liabilities	(1,191,000)	(3,758,000)
Accrued expenses and other	5,918,000	4,507,000
Loss carryforwards	7,689,000	11,535,000
Credit carryforwards	4,374,000	4,680,000
Gross deferred tax assets	17,981,000	20,722,000
Deferred tax asset valuation allowance	--	(16,964,000)
Net deferred taxes	$ 16,790,000	$ --

As of December 31, 2015 and 2014, the Company had net operating loss carryforwards for federal income tax purposes of $23,000,000 and $34,000,000, respectively. As of December 31, 2015, the Company had tax credit carryforwards of $4,400,000. Included in the tax credit carryforwards are alternative minimum tax credit carryforwards of $1,400,000, which have an unlimited carryforward period. These net operating loss and tax credit carryforwards expire as follows:

	Net Operating Loss Carryforwards	Tax Credit Carryforwards
2016	$ --	$ --
2017	--	--
2018	--	--
2019	--	--
2020	--	--
2021 through 2030	23,000,000	4,400,000
	$ 23,000,000	$ 4,400,000

The Company continually reviews the adequacy of its carryforward valuation allowances and recognizes deferred tax asset benefits only as reassessment indicates that it is more likely than not that the benefits will be realized.

During 2015, the Company's gross deferred tax assets decreased by $2,741,000, and the gross deferred liabilities decreased by $2,567,000. As of December 31, 2014, the Company had a valuation allowance to offset its net deferred tax assets due to the fact that management had determined it's is more-likely-than-not that some or all of the deferred tax assets may not be realized. During the year ended December 31, 2015, based on the weighting of positive and negative evidence, the Company consider it more-likely-than-not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets. As such, no valuation allowance was recorded for the year ended December 31, 2015.

During 2014, the Company's gross deferred tax asset decreased by $2,587,000, the gross deferred liabilities increased by $410,000 and the Company decreased the associated valuation allowance by

$2,997,000 as a result of the uncertainty of future income during the remaining life of the net operating loss carryforwards and tax credits. In addition, the remaining deferred charge from establishing the taxable basis in the Restaurant's assets transferred during 2000 of $3,348,000 was offset by a valuation allowance.

A reconciliation of the statutory federal tax rate and the Company's effective income tax rate (benefit) for the years ended December 31, 2015 and 2014 is as follows:

	2015	2014
Federal income tax rate	34.0%	34.0%
State income taxes, net of federal benefit	4.0	4.1
Permanent differences	(1.1)	1.0
Expired FICA Credit	2.2	2.4
Other	(1.8)	1.9
Changes in valuation allowance for deferred tax assets	(191.0)	(38.4)
Effective income tax rate (benefit)	(153.7)%	5.0%

During the years ended December 31, 2015 and 2014, there was no activity related to prior or current years' tax positions, settlements or reductions resulting from expirations of unrecognized tax benefits or obligations. To the Company's knowledge, there are no unrecognized tax benefits that, if recognized, would affect the effective tax rate. No interest or penalties have been accrued in the accompanying consolidated financial statements related to unrecognized tax benefits.

Note 5. Related Party Transactions

Transactions with Management. In order to generate funds necessary to reduce lender imposed debt reductions, assist in curing covenant defaults and delay threatened foreclosure action along with onerous bank fees, the Company sold certain Bickford's properties to related parties after exhaustive attempts in the open market proved unsuccessful.

In April 2004, BFRI sold its Burlington, Massachusetts property (the "Burlington Property") to the father of Alexander M. Milley ("Mr. Milley"), the Company's Chairman for $1,000,000. The sale price was determined using an independent appraisal based upon an amount that was greater than the real estate alone, but less than the maximum value of the real estate potential, and was approved by the Board of Directors. Upon consummation of the sale, the Burlington Property was leased back to BFRI for a term of fifteen years, with three five-year renewal options (the "Burlington Lease"). In January 2015, Mr. Milley's father (now deceased) assigned the Burlington Lease to Mr. Milley and his wife. The Burlington Lease provides that the base annual rent for the Burlington Property is $110,000, which is included in the future minimum lease commitments in Note 10. Until the expiration of the term of the Burlington Lease, BFRI may repurchase the Burlington Property at the greater of (a) the fair market value of the property, or (b) $1,100,000.

In October 2004, BFRI sold its Leominster Massachusetts property (the "Leominster Property") to a trust (the "Leominster Trust"). The trustee of the Leominster Trust is Linda Milley, the wife of Mr.

Milley, and the beneficiaries of the Leominster Trust are the sons of Mr. Milley and Linda Milley. In December 2014, the Leominster Trust sold the Leominster Property to a third party.

See Note 7 for a discussion of the accounting treatment of these sales in the accompanying consolidated financial statements.

Note 6. Long-Term Debt

The Company has an outstanding $6,000,000 revolving credit facility ("Credit Facility") with Wells Fargo Bank N.A. The Credit Facility replaced a previously existing $8,000,000 credit facility under similar terms effective on February 28, 2014.

The Credit Facility is collateralized by accounts receivable, inventories, fixed assets and other assets of the Company and its subsidiaries. Under the terms of the Credit Facility (1) it expires on June 30, 2016; (2) it bears interest at LIBOR market index rate plus 2.25% (2.67% as of December 31, 2015); (3) there is a commitment fee of 0.25% on the unused portion; (4) there are quarterly financial covenants including, minimum net worth, maximum funded debt to EBITDA ratio and minimum quarterly fixed charge coverage ratio; and (5) the Company is permitted to purchase Company common stock up to a limit of $1,500,000 per year.

As of December 31, 2015 and 2014, no amounts were outstanding under the Credit Facility.

Note 7. Deferred Financing Obligations

During 2004, BFRI sold its Burlington Property and Leominster Property to related parties (see Note 5). As a result of the repurchase options contained in the leases, the Company recorded the proceeds from the sales of these properties in accordance with finance lease accounting provisions. The proceeds were recorded as a direct financing obligation and the assets were included in the accompanying consolidated balance sheets. Additionally, no gain or loss was initially recognized on the sale of these properties. Rent payments by the Company reduced the deferred financing obligations and resulted in interest expense.

During 2015, the Company's rental payments in connection with the Burlington Property reduced the deferred financing obligations $58,000 and resulted in interest expense of $63,000. The unrecognized loss on the Burlington Property included under deferred financing obligations was $7,000 as of December 31, 2015.

During 2014, the Company's rental payments in connection with the Burlington Property and the Leominster Property reduced the deferred financing obligations $78,000 and resulted in interest expense of $116,000. In December 2014, the Leominster Trust sold the Leominster Property to a third party, which resulted in a recognized non-cash loss of $130,000 as a result of recognizing the deferred loss and writing off building improvements and fixtures. The unrecognized gain on the remaining Burlington Property included under deferred financing obligations was $45,000 as of December 31, 2014.

Note 8. Stockholders' Equity

Common Stock Grant. Effective January 1, 2014, Board of Directors of the Company approved a plan to grant Alexander M. Milley the right to receive up to 400,000 shares of Common Stock over the next five years, provided the Company earns certain operating income levels, as defined. Annually up to 75,000 shares can be earned if annual operating income exceeds $4 million, or up to 125,000 shares earned if annual operating income exceeds $5 million, or up to 175,000 shares earned if annual operating income exceeds $6 million. Regardless of the number of share earned, the maximum number of shares to be distributed is 80,000 per year between 2015 and 2017 with any remaining portion of the maximum 400,000 shares earned to be issued in 2018. The Company will record an expense each year equal to the grant date fair value. During both 2015 and 2014, the Company recorded compensation expense of $1,601,000 for 175,000 earned shares during each of those years. Under the plan, the maximum remaining expense to record after 2015 is $458,000 for the balance of 50,000 shares assuming they are earned based on future operating income. During 2015, 80,000 of the 175,000 shares of common stock earned during 2014 were issued under this plan. The issue date fair value of the common stock differed from the grant date fair value, resulting in an additional deduction for the income taxes of the Company amounting to $234,000, which is recognized as additional paid in capital in the consolidated financial statements.

Phantom Stock Option Plan. The ELXSI phantom stock option plan was implemented in 1992 as a long-term incentive plan for key executives of the Restaurants (the "Group").

On July 2, 2001, the Group exercised in full their rights to receive payment under this plan. In March 2003, the Company reached agreements with the Group under which they were to receive principal payments totaling $2,854,000. However, principal payments are subject to the approval of the Board of Directors of the Company and are also restricted under the Credit Facility (see Note 6). Unpaid principal bears interest at a fixed rate of 7% per annum.

During 2015 and 2014, the Company recorded no compensation expense related to the phantom stock option plan. As of December 31, 2015 and 2014, a liability totaling $2,854,000 is included in the accompanying consolidated balance sheets. During 2015 and 2014, the Company recorded and paid interest expense related to the phantom stock option plan of $200,000 in each year.

Stock Repurchase Program. In 2012, the Company implemented a buyback program for up to $1,500,000 of the Company's Common Stock. The program was subsequently increased and currently allows for the cumulative purchase of up to $5,000,000 of Company Stock. During 2015 and 2014, the Company repurchased 48,172 and 109,988 shares, respectively, for $784,000 and $1,099,000, respectively. As of December 31, 2015, the Company had repurchased a total of 317,001 shares for $3,424,000.

Stock Purchase Rights. On April 15, 2008, the Board of Directors of the Company declared a dividend of one preferred share purchase right (a "Right") for each share of the Company's Common Stock outstanding on April 25, 2008. Each Right entitles the registered holder of a share of Common Stock to purchase from the Company one one-hundredth (1/100th) of a share of Series B Junior Participating Preferred Stock, par value $0.002 per share (the "Preferred Shares"), at a fixed price of $10.00 per one one-hundredth of a Preferred Share (the "Purchase Price"), subject to adjustment.

The Rights are governed by the terms of a Rights Agreement dated as of April 23, 2008, as amended (the "Rights Agreement"), by and between the Company and Continental Stock Transfer & Trust Company (the "Rights Agent"). The Rights attached to all outstanding shares of the Company's Common Stock and will attach to all new shares of Common Stock issued.

Initially, until the earlier to occur of: (a) 10 days following a public announcement that a person or group of affiliated or associated persons, has become an Acquiring Person (as such term is defined in the Rights Agreement); or (b) 10 business days (or such later date as the Board of Directors may determine) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer which would result in the beneficial ownership by an Acquiring Person of 15% or more of the outstanding Common Stock (the earlier of such dates being called the "Distribution Date"), the Rights will be evidenced, with respect to any of the Common Stock certificates outstanding as of the Record Date or thereafter issued prior to a Distribution Notice Date (as such term is defined in the Rights Agreement), by the Common Stock certificate and will be transferable with and only with the Common Stock. In general, an "Acquiring Person" is a person, the affiliates or associates of such person, or a group, which has acquired beneficial ownership of 15% or more of the outstanding Common Shares, excluding certain share amounts owned by the Milley Group and the Kellogg Group (as such groups are defined in the Rights Agreement). As soon as practicable following the Distribution Notice Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Common Stock as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Notice Date, and thereafter are only exercisable by the holders of the Common Stock as of the Distribution Date. The Rights will expire on April 25, 2018 (the "Final Expiration Date"), unless the Final Expiration Date is extended or unless the Rights are earlier redeemed or exchanged by the Company. Until a Right is exercised, the holder thereof, in connection with such holder's status as a holder of a Right, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends. Rights held by a person or group that constitutes an Acquiring Person will be void and not be exercisable on any Distribution Date.

Preferred Shares purchasable upon exercise of the Rights will not be redeemable. Each Preferred Share will be entitled to a minimum preferential quarterly dividend payment of $1.00 per share, when, as and if declared by the Board of Directors, but will be entitled to an aggregate dividend of 100 times any dividend declared per share of Common Stock. In the event of liquidation, the holders of the Preferred Shares will be entitled to a minimum preferential liquidation payment of $100 per share, plus their pro rata share of any additional liquidation proceeds, and in any event will be entitled to an aggregate liquidation payment of 100 times the liquidation payment made to the holders of the shares of Common Stock. Each Preferred Share will have 100 votes, voting together with the shares of Common Stock. Finally, in the event of any merger, consolidation or other transaction in which Common Stock is exchanged, each Preferred Share will be entitled to receive 100 times the amount received per share of Common Stock. These rights are protected by customary anti-dilution provisions. Because of the nature of the Preferred Shares' dividend, liquidation and voting rights, the value of the one one-hundredth interest in a Preferred Share purchasable upon exercise of each Right should approximate the value of one share of Common Stock. The Preferred Shares would rank junior to any other future series of the Company's preferred stock.

In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, each holder of a Right, other than Rights beneficially owned by the Acquiring Person or any affiliate or associate thereof (which will thereafter be void), for a period of 60 days after the Distribution Notice Date, will have the right to receive upon exercise that number of shares of Common Stock having a market value of two times the exercise price of the Right.

In the event that the Company is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold to an Acquiring Person, its affiliates or associates or certain other persons in which such persons have an interest, proper provision will be made so that each such holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the exercise price of the Right.

At any time prior to the earlier of: (1) a Distribution Notice Date; or (2) the Final Expiration Date, the Board may redeem all, but not less than all, of the Rights at a price of $0.01 per Right (the "Redemption Price"). Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

At any time after a person or group becomes an Acquiring Person and prior to the acquisition by such person or group of 50% or more of the outstanding shares of Common Stock, the Board of Directors may exchange the Rights (other than Rights owned by such person or group which will have become void), in whole or in part, at an exchange ratio of one share of Common Stock per Right, or, under circumstances set forth in the Rights Agreement, cash, property or other securities of the Company per Right with value equal to a share of Common Stock.

Preferred Shares. In connection with the Rights and the Rights Agreement, the Company designated 600,000 shares of its authorized and unissued Preferred Stock as Series B Junior Participating Preferred Stock, par value $0.002 per share to be used for settlement of the Rights. Each share of Series B Junior Participating Preferred Stock, if issued, would carry a minimum preferential liquidation payment of $100 per share and be entitled to minimum quarterly dividend payment of $1 per share. Additional rights and obligations of the Series B Junior Participating Preferred Stock are described in this Note 8 above. As of December 31, 2015 and 2014, no Series B Junior Participating Preferred Stock has been issued.

Bylaw Transfer Restrictions. Article XV of the Company's Bylaws, as amended, imposed certain restrictions (the "Transfer Restrictions") on the transferability of shares of Company common stock, as well as certain other stock and warrants, options and other rights to purchase stock of the Company (hereinafter, "Other Equity Securities"). The Transfer Restrictions are designed to address the possibility that certain transfers of Company common stock and Other Equity Securities could result in the imposition of limitations on the ability of the Company to utilize the net operating loss ("NOL") and other credit or loss carryforwards available to them for federal income tax purposes (see Note 4).

The Transfer Restrictions do not apply to issuances of shares of common stock by the Company or to the Company's grant of rights to acquire stock from the Company (i.e. options and warrants). As a result, the Transfer Restrictions do not prevent the acquisition of shares upon exercise of presently outstanding employee stock grants of the Company or to shares purchased directly from the Company.

The Transfer Restrictions generally restrict until December 31, 2020, or attempted transfer of Company common stock or any other securities of the Company that would be treated as "stock" of the Company under the applicable tax regulations (hereinafter, "Company Stock") to a person or group of persons who already own, or who would own as a result of such transfer, 5% or more of the Company Stock. The Transfer Restrictions also restrict transfer of Company Stock that would result in the identification of a new "5-percent shareholder" of the Company. For these purposes, numerous rules of attribution, aggregation and calculation prescribed under the IRC (and related regulations), will be applied in determining whether the 5% threshold has been met and whether a group exists.

The Transfer Restrictions generally apply only with respect to the number of shares of Company Stock (or options with respect to Company Stock) purportedly transferred in excess of the threshold established in the Transfer Restrictions. These restrictions do not prevent a valid transfer if either the transferor or the transferee obtains the approval of the Board of Directors of the Company.

The Transfer Restrictions provide that the Company will not permit any employee or agent of the Company to record any transfer of company stock transferred in excess of the threshold established in the Transfer Restrictions. The foregoing may result in the delay or refusal of certain requested transfers of Company Stock.

The Bylaws, as amended, provide that any transfer attempted in violation of the Transfer Restrictions will be void, even if such transfer has been recorded by the Company's Transfer Agent and new certificates issued.

The Board of Directors of the Company has the discretion to approve a transfer of Company Stock that would otherwise violate the Transfer Restrictions, which could limit the use of the NOL's and other tax attributes of the Company and its subsidiaries.

Note 9. Retirement Plan

In 1986, Cues established a contributory trustee administered defined contribution plan covering all of its employees who have completed 90 days of eligible service. Participants can make deferred cash contributions, not to exceed 16% of their annual compensation, which are supplemented by employer matching contributions in the amount of 50% of the participant's contribution up to a maximum employer contribution of 3.5%. Participants partially vest in the employer's contributions after the second year of service and are fully vested after the fourth year of service.
During 2015 and 2014, the Company elected to make safe harbor matching contributions whereby, the Company made matching contribution equal to 100% of the first 1% and 50% of the next 5% of the participant's contribution up to a maximum employer contribution of 3.5%. The participants will be fully vested in the employer's safe harbor contributions after the second year of service. The safe harbor matching contribution elections are expected to be made on an annual basis.

As of December 31, 2015 and 2014, the Company had accrued $250,000 each year, as a profit sharing contribution to be allocated to all eligible employees as defined in the plan. The 2015 profit sharing contribution is expected to be paid in April 2016. The 2014 profit sharing contribution was paid in April 2015.

Profit sharing expense for 2015 and 2014 was $716,000 and $654,000, respectively, which is in selling, general and administrative expenses in the accompanying consolidated statements of income and comprehensive income.

Note 10. Commitments and Contingencies

Leases. The Restaurant Operation conducts a portion of its operations utilizing leased facilities. As of December 31, 2015, the Company leased land and/or buildings at four of its five operating Restaurants under lease agreements with terms expiring at various dates (including extension options) through 2036. In addition, the Company leases four other properties that were closed and no longer being operated by the Company and are subleased or assigned to third parties. The majority of the leases require that the Company pay all taxes, maintenance, insurance, and other occupancy expenses related to the leased premises. The rental payments for the Restaurant locations are based on a minimum annual rental. Generally, the leases provide for renewal options, and in most cases management expects that in the normal course of business lease agreements will be renewed or replaced by other leases.

The Company leases a restaurant located in Acton, Massachusetts and certain computer equipment under a capital lease, which is included in property, buildings and equipment in the accompanying consolidated balance sheets. The cost and accumulated depreciation was $1,377,000 and $1,246,000, respectively, as of December 31, 2015 and $1,372,000 and $1,216,000, respectively, as of December 31, 2014.

Additionally, the Company has several non-cancelable operating leases, primarily for certain office and transportation equipment that expire over the next five years and generally provide for purchases or renewal options.

The following is a schedule of future minimum lease commitments for each of the years in the five-year period ending December 31, and thereafter:

	Capital Leases	Operating Leases
2016	$ 62,000	$ 832,000
2017	56,000	779,000
2018	56,000	695,000
2019	56,000	599,000
2020	--	321,000
Thereafter	--	537,000
Total minimum lease payments	230,000	$ 3,763,000
Less - Amounts representing interest at 6.7% to 7.1%	(35,000)	
Present value of net minimum capital lease payments	195,000	
Less current portion	(48,000)	
Capital lease obligation – noncurrent	$ 147,000	

The following is a schedule of future sublease income for each of the years in the five-year period ending December 31, and thereafter:

	Sublease Income
2016	$ 204,000
2017	204,000
2018	204,000
2019	204,000
2020	151,000
Thereafter	454,000
Total sublease income	$ 1,421,000

Rent expense charged to operations amounted to $930,000 and $947,000 during 2015 and 2014, respectively. Sublease income amounted to $265,000 and $325,000 during 2015 and 2014, respectively. Rent expense and sublease income is included in cost of sales in the accompanying consolidated statements of income and comprehensive income.

Litigation. The Company is involved in various claims and lawsuits incidental to its business. In the opinion of management, the resolution of any currently pending matters will not have a material impact on the Company's consolidated financial position, results of operations or cash flows. Accordingly, the Company has not made any accrual provisions for litigation in the accompanying consolidated balance sheets.

Note 11. Segment Reporting

The Company has two reportable segments. Restaurant operations and equipment manufacturing ("Equipment") (see Note 1). The Company is primarily organized into two strategic business units, which have separate management teams and infrastructures and that offer different products and services. Each business requires different employee skills, technology and marketing strategies. As of December 31, 2015 and 2014, the restaurant operations segment includes Restaurants located in Massachusetts and New Hampshire operating under the Bickford's brand name. The equipment manufacturing segment produces sewer inspection equipment for sale to municipalities, contractors, and foreign governments.

Accounting policies of the segments are the same as those described in Note 2. The Company evaluates the performance of each segment based upon profit or loss from operations before income taxes, non-recurring gains and losses and foreign exchange gains and losses.

Summarized financial information by business segment for the years ended December 31, 2015 and 2014 is summarized in the following table. The other lines include corporate related items, results of insignificant operations.

	2015	2014
Net Sales to External Customers:		
Equipment	$ 75,770,000	$ 68,696,000
Restaurants	7,600,000	7,778,000
	$ 83,370,000	$ 76,474,000
Segment Assets:		
Equipment	$ 39,883,000	$ 36,313,000
Restaurants	1,837,000	1,823,000
Other	30,987,000	6,059,000
	$ 72,707,000	$ 44,195,000
Capital Expenditures for Segment Assets:		
Equipment	$ 1,029,000	$ 1,273,000
Restaurants	25,000	125,000
	$ 1,054,000	$ 1,398,000
Depreciation:		
Equipment	$ 1,050,000	$ 1,005,000
Restaurants	139,000	143,000
Other	9,000	9,000
	$ 1,198,000	$ 1,157,000
Interest Expense:		
Restaurants	$ 79,000	$ 135,000
Other	245,000	249,000
	$ 324,000	$ 384,000

There were no inter-segment sales or transfers during 2015 and 2014. Foreign assets represented less than 10% of the Company's totals. During 2015 and 2014 foreign sales represented 5.2% and 6.6%, respectively of total sales. No material amounts of the Company's sales depended upon a single customer.

Note 12. Subsequent Events

In March 2016, BFRI sold its rights associated with the lease of the Salem location and consequently ceased operations in that location. Included in the sale were all associated assets. As a result of the transaction, the Company recorded the proceeds from the sale of this property in the amount of $450,000 and recognized a gain on this sale of approximately $250,000.