

BKF CAPITAL GROUP INC
Form 10-Q
November 14, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2013.

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT.

For the transition period from _____ to _____

Commission file number: 1-10024

BKF Capital Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-0767530
(I.R.S. Employer Identification No.)

225 N.E. Mizner Boulevard, Suite 400 Boca Raton, Florida 33432
(Address of Principal Executive Office) (Zip Code)

(561) 362-4199
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of November 12, 2013, 7,471,593 shares of the registrant's common stock, \$1.00 par value, were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BKF CAPITAL GROUP, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollar amounts in thousands)

	September 30, 2013 (unaudited)	December 31, 2012 (restated)
Assets		
Cash and cash equivalents	\$ 6,370	\$ 6,597
Investment in Qualstar	1,054	2,525
Prepaid expenses and other assets	27	26
Total assets	\$ 7,451	\$ 9,148
Liabilities and Stockholders' Equity		
Accrued expenses	\$ 22	\$ 35
Total liabilities	22	35
Commitments and contingencies		
Stockholders' equity		
Common stock, \$1 par value, authorized 15,000,000 shares, 7,471,593 issued and outstanding as of September 30, 2013 and 7,446,593 issued and outstanding as of December 31, 2012	7,472	7,447
Additional paid-in capital	68,274	68,281
Accumulated deficit	(68,317)	(66,615)
Total stockholders' equity	7,429	9,113
Total liabilities and stockholders' equity	\$ 7,451	\$ 9,148

See accompanying notes

BKF CAPITAL GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Dollar amounts in thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012 (restated)	2013	2012 (restated)
Non Operating Income				
Interest income	\$ 3	\$ 4	\$ 10	\$ 14
Other income	7	7	20	30
Total revenues	10	11	30	44
Expenses:				
Employee compensation and benefits	48	68	146	212
Occupancy and equipment rental	23	16	56	48
Other operating expenses	143	39	454	462
Total expenses	214	123	656	722
Other income (expense)				
Loss on equity investment	(629)	(482)	(1,471)	(708)
Other income	395		395	
Total other income (expense)	(234)	(482)	(1,076)	(708)
Net income/(loss)	\$ (438)	\$ -594	\$ -1,702	\$ -1,386
Net income/(loss) per share:				
Basic and Diluted	\$ (.06)	\$ -0.08	\$ -0.23	\$ (0.19)
Weighted average common shares outstanding	7,463,441	7,446,593	7,452,271	7,446,593

See accompanying notes

BKF CAPITAL GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar amounts in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2013	2012 (restated)
Cash flows from operating activities		
Net loss	\$ (1,702)	\$ (1,386)
Changes in operating assets and liabilities:		
Stock compensation expenses	19	
Decrease in investment in Qualstar	1,471	708
(Increase)/Decrease in prepaid expenses and other assets	(1)	42
(Decrease)/Increase in accrued expenses	(14)	29
Net cash used in operating activities	(227)	(607)
Cash flows from investing activities		
Purchase of investment securities		(929)
Net cash used in investing activities		(929)
Net decrease in cash and cash equivalents	(227)	(1,536)
Cash and cash equivalents at the beginning of the period	6,597	8,292
Cash and cash equivalents at the end of the period	\$ 6,370	\$ 6,756
Supplemental disclosure of cash flow information		
Cash paid for interest	\$	\$
Cash paid for income taxes	\$	\$

See accompanying notes

BKF CAPITAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements included herein were prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, disclosures made are adequate to make the information not misleading. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes included in the Company's Form 10-K for the year ended December 31, 2012.

In the opinion of management, the interim data includes all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results for the interim period. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the fiscal year.

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 2012 and 2011.

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.

BKF CAPITAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Recent Accounting Developments

There are no new accounting standards that are expected to have a significant impact on the Company.

Cash and Cash Equivalents

Investments in money market funds are valued at net asset value. The Company maintains substantially all of its cash and cash equivalents 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 the money market funds.

Other Comprehensive Income

The Company presents other comprehensive income in accordance with ASC Topic 220, Comprehensive Income. This section requires that an enterprise (a) classify items of other comprehensive income by their nature in a financial statement and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid in capital in the equity section of a statement of position.

Fair Values of Financial Instruments

Financial instruments, including cash and cash equivalents, prepaid expenses and accounts payable are carried in the consolidated financial statements at amounts that approximate fair value at September 30, 2013 and December 31, 2012. Fair values are based on market prices and assumptions concerning the amount and timing of estimated future cash flows.

Restatements

The consolidated statement of financial position for the year ended December 31, 2012 and the quarterly information for the period ended September 30, 2012 have been retroactively restated to reflect the change in accounting method from fair value using the available-for-sale method to the equity method, to account for the Company's investment in Qualstar Corporation. See Note 2.

BKF CAPITAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

2. Investment in Qualstar

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 retroactive application of the equity method resulted in a decrease to retained earnings at December 31, 2012 of approximately \$1,222,000. The retroactive application of the equity method resulted in a decrease to retained earnings at December 31, 2012 of approximately \$1,222,000, loss on equity investment for the three months and nine months ended September 30, 2012 in the amount of approximately \$482,000 and \$708,000, respectively. In addition, the basic and diluted earning per share were restated for the three months and nine months ended September 30, 2012 to \$(0.08) and \$(0.19), respectively.

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 September 30, 2013 the Company held 2,239,419 common shares of Qualstar, representing approximately 18.3% of the outstanding shares. The investment in Qualstar was approximately \$1,054,000 at September 30, 2013. The market value of the Company's shares in Qualstar was approximately \$3.1 million at September 30, 2013.

During the three months and nine months ended September 30, 2013, the Company recorded a loss on its investment in Qualstar of approximately \$629,000 and \$1,471,000, respectively. These losses do not include the quarterly results of Qualstar as of September 30, 2013, as Qualstar's financial statements were not available at the time we prepared our financial statements. Therefore, all balances related the Company's investment in Qualstar are recorded on a three month (quarterly) lag. This lag is consistent from period to period.

3. Concentrations

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 increased the insurance coverage offered by the Federal Deposit Insurance Corporation (FDIC) from \$100,000 to \$250,000 per depositor. This limit is anticipated to return to \$100,000 after December 31, 2013. Additionally, under the FDIC's Temporary Liquidity Guarantee Program, amounts held in non-interest bearing transaction accounts at participating institutions are fully guaranteed by the FDIC through December 31, 2013. 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.

BKF CAPITAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

4. 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 more 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.

5. Restricted Stock Grant.

On August 1, 2012, the Company rehired Maria Fregosi to serve as the Company's Chief Operating Officer. In addition to an annual salary of \$60,000 per annum, the Company also issued Ms. Fregosi 100,000 restricted shares of the Company's common Stock vesting as follows: (i) 25,000 on July 31, 2013, (ii) 25,000 on July 31, 2014, (iii) 25,000 on July 31, 2015, and (iv) 25,000 on July 31, 2016. The Company recorded stock compensation of \$6,375 and \$19,125 for the three and nine months ended September 30, 2013, respectively, related to this grant.

6. Control

As of September 30, 2013 Mr. Bronson beneficially owns 4,111,785 shares of the Company's common stock. Mr. Bronson's beneficial ownership represents approximately 55% of the Company's issued and outstanding shares of common stock. Accordingly, Mr. Bronson has effective control of the Company. In the election of directors, stockholders are not entitled to cumulate their votes for nominees. Thus, as a practical matter, Mr. Bronson may be able to elect all of the Company's directors and otherwise direct the affairs of the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains certain statements that are not historical facts, including, most importantly, information concerning possible or assumed future results of operations of BKF Capital Group, Inc. (the "Company") and statements preceded by, followed by or that include the words "may," "believes," "expects," "anticipates," or the negation thereof, or similar expressions, which constitute "forward-looking statements" within the meaning of the Section 27A of the Securities Act of 1933 and Section 21E (the "Reform Act") of the Securities Exchange Act of 1934 (the "Exchange Act"). For those statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Reform Act. These forward-looking statements are based on the Company's current expectations and are susceptible to a number of risks, uncertainties and other factors, including the risks specifically enumerated in Company's Annual Report on Form 10-K for the year ended December 31, 2012, and the Company's actual results, performance and achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. The Company will not undertake and specifically declines any obligation to publicly release the result of any revisions, which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. In addition, it is the Company's policy generally not to make any specific projections as to future earnings, and the Company does not endorse any projections regarding future performance that may be made by third parties.

The following discussion and analysis provides information which the Company's management believes to be relevant to an assessment and understanding of the Company's results of operations and financial condition. This discussion should be read together with the Company's financial statements and the notes to financial statements, which are included in this report, as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Background

BKF was incorporated in Delaware in 1954. The Company's securities trade on the over the counter market under the symbol "BKFG." 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 consolidated financial statements of BKF, 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. There were no affiliated partnerships in BKF's September 30, 2013 consolidated financial statements.

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

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

Plan of Operations

On August 2, 2012, the Company issued a press release disclosing that the Company plans to create an asset management platform with investment vehicles that focus on areas of portfolio management that typically receive less attention from investors but also present unique investment opportunities. The Company is also engaged in seeking to arrange an acquisition, with an operating business with revenues, at least three years of operating history and unique value opportunities. The Press Release is attached as an exhibit to the Company's Current Report on Form 8-K, dated August 3, 2012.

In September 2012, the Company changed the name of its subsidiary BKF Management Co., Inc. to BKF Investment Group, Inc. and formed a wholly owned subsidiary, BKF Advisors, Inc. ("BKF Advisors"). BKF Advisors has registered as an investment advisor with the State of Florida and the State of California. The Company expects that BKF Advisors will act as the investment advisor to the BKF Small Cap Growth and Income Fund, L.P., a newly formed Delaware limited partnership that plans to engage as an investment fund (the "Partnership"). BAM is the general partner of the Partnership.

The Company expects to seed the Partnership which expects to focus on small-cap and micro-cap companies with a value based approach to investing. Thereafter, the Company intends to grow its asset management business by acquiring or seeding other alternative investment funds with unique investment strategies and/or emerging portfolio managers. The Company's goal is to grow revenues and income over time and achieve valuation multiples in line with other publicly-traded comparable companies. The Company expects to create value for its shareholders by rebuilding its asset management operations, and expects to earn fee income for assets under management, performance fees upon successfully liquidating investments and from its proprietary capital investments in the investment funds for which BKF acts as the general partner. Moreover, the Company has substantial net operating loss carry-forwards that it may be able to use to offset future profits and thereby minimize tax liabilities.

The Company is also seeking to arrange for a merger, acquisition, business combination or other arrangement by and between the Company and a viable operating entity. The Company shall endeavor to utilize some or all of the Company's net operating loss carryforwards in connection with a business combination transaction; however, there can be no assurance that the Company will be able to utilize any of its net operating loss carryforwards. The Company has not identified a viable operating entity for a merger, acquisition, business combination or other arrangement, and there can be no assurance that the Company will ever successfully arrange for a merger, acquisition, business combination or other arrangement by and between the Company and a viable operating entity.

The Company anticipates that the selection of a business opportunity will be a complex process and will involve a number of risks, because potentially available business opportunities may occur in many different industries and may be in various stages of development. Due in part to depressed economic conditions in a number of geographic areas and shortages of available capital, management believes that there are numerous firms seeking either the additional capital which the Company has or the benefits of a publicly traded corporation, or both. The perceived benefits of a publicly traded corporation may include facilitating or improving the terms upon which additional equity financing may be sought, providing liquidity for principal shareholders, creating a means for providing incentive stock options or similar benefits to key employees, providing liquidity for all shareholders and other factors.

In some cases, management of the Company will have the authority to effect acquisitions without submitting the proposal to the shareholders for their consideration. In some instances, however, the proposed participation in a business opportunity may be submitted to the shareholders for their consideration, either voluntarily by the Board of Directors to seek the shareholders' advice and consent, or because of a requirement of State law to do so.

In seeking to arrange a merger, acquisition, business combination or other arrangement by and between the Company and a viable operating entity, the Company's objective will be to obtain long-term capital appreciation for the Company's shareholders. There can be no assurance that the Company will be able to complete any merger, acquisition, business combination or other arrangement by and between the Company and a viable operating entity.

The Company may need additional funds in order to effectuate a merger, acquisition or other arrangement by and between the Company and a viable operating entity, although there is no assurance that the Company will be able to obtain such additional funds, if needed. Even if the Company is able to obtain additional funds there is no assurance that the Company will be able to effectuate a merger, acquisition or other arrangement by and between the Company and a viable operating entity.

Qualstar Investment

On December 17, 2010, the Company purchased 1,500,000 shares of Qualstar Corporation ("Qualstar") common stock in a privately negotiated transaction at the price of \$1.55 per share or the total aggregate amount of \$2,325,000 (the "2010 Purchase"). Qualstar is a diversified electronics manufacturer specializing in data storage, power supplies and computer pointing devices. Qualstar's products are known throughout the world for high quality and Simply Reliable designs that provide years of trouble-free service. The securities of Qualstar are traded on NASDAQ under the symbol "QBAK." The registrant purchased the Qualstar shares from Richard A. Nelson and Kathleen R. Nelson as Co-Trustees of the Nelson Family Trust U/A DTD 01/19/2000. Richard A. Nelson is an officer and director of Qualstar. Following the 2010 Purchase, BKF owned approximately 12.2% of issued and outstanding shares of Qualstar. The Company previously disclosed its acquisition of shares of Qualstar in Current Report on Form 8-K filed on December 23, 2010. Following the December 17, 2010 transaction BKF increased its Qualstar holdings through open market transactions.

On February 15, 2012 BKF sent a letter to the Qualstar board of directors, which was attached as an exhibit to the Company's Schedule 13D filing on February 21, 2012. In the February 15, 2012 letter, BKF suggested steps that the Qualstar board can and should take to maximize shareholder value. The Qualstar board did not discuss the February 15, 2012 letter with BKF and it failed to take any of the requested actions. In or about May 2012, BKF launched a proxy contest to remove and replace the board of directors of Qualstar. See BKF's Definitive Proxy Statement on Schedule 14A, filed on June 6, 2012, which is incorporated herein by reference. The special meeting of the shareholders of Qualstar occurred on June 20, 2012. While BKF's proposals did receive approval of the majority of the votes cast at the meeting, they did not receive approval from a majority of the outstanding shares, which was required to remove the incumbent Qualstar board.

On January 17, 2013, BKF sent a letter (the "Notice") to the Qualstar Board, notifying Qualstar Board that in accordance with Section 6 of Article II of Qualstar's Bylaws, as amended and restated as of March 24, 2011, BKF Capital intends to nominate six (6) directors to serve on Qualstar's Board of Directors at the 2013 Annual Meeting of Shareholders. Specifically, in the Notice, BKF nominated the following persons for election to Qualstar's Board of Directors at the 2013 Annual Meeting of Shareholders: Steven N. Bronson, Edward J. Fred, Sean M. Leder, David J. Wolenski, Alan B. Howe and Maria Fregosi.

On January 30, 2013, BKF announced a partial tender offer to purchase up to 3,000,000 shares of Qualstar's common stock at a purchase price of \$1.65 per share (the "PTO"), which was a 19% increase above the share price of Qualstar's common stock on the day before the offering was announced. The PTO provided that BKF would purchase a minimum of 1,000,000 shares in the PTO. In connection with the PTO, BKF filed a Scheduled TO on January 30, 2013, which is incorporated herein by reference. On February 5, 2013, the board of directors of Qualstar adopted a poison pill in the form of a rights plan that would be triggered in the event that BKF purchased any additional shares. After analyzing the poison pill adopted by the Qualstar board of directors and the likelihood that a court would strike down the poison pill, on February 11, 2013, BKF announced that it would withdraw and terminate the PTO. In connection with the termination of the PTO, BKF filed a Schedule 14A on February 11, 2013, which is incorporated herein by reference.

On June 6, 2013, BKF filed its definitive proxy statement for Qualstar's 2013 Annual Meeting of Shareholders (the "Qualstar Meeting") to be held on June 28, 2013. In its proxy statement BKF nominated five (5) persons to be elected to the board of directors of Qualstar. Specifically, BKF nominated Steven N. Bronson, Sean M. Leder, David J. Wolenski, Alan B. Howe and Dale E. Wallis. At the Qualstar Meeting, the shareholders of Qualstar voted to elect BKF Capital's nominees to the board of directors of Qualstar. Specifically, the Qualstar shareholders elected the following persons to serve on the Qualstar board of directors: Steven N. Bronson, Sean M. Leder, David J. Wolenski, Alan B. Howe and Dale E. Wallis. On July 3, 2013, Steven N. Bronson, our Chairman, CEO and President, was appointed to serve as Qualstar's Chairman and interim CEO and President. In August 2013, Qualstar reimbursed BKF for the costs and expenses incurred in connection with the 2012 proxy contest and the 2013 proxy contest in the aggregate amount of \$395,000.

At September 30, 2013 the Company held 2,239,419 common shares of Qualstar representing approximately 18.3% of the issued and outstanding shares of Qualstar. The Company holds the shares of Qualstar for investment purposes and is currently considering its options. The Company is in the process of transferring its holdings of Qualstar shares into its wholly owned subsidiary BKF Asset Holdings, Inc.

RESULTS OF OPERATIONS

The following discussion and analysis of the results of operations is based on the Consolidated Statements of Financial Condition and Consolidated Statements of Operations for BKF Capital Group, Inc. and Subsidiaries.

Income

Total income for the three months ended September 30, 2013 was \$ 10,000 compared to \$11,000 in the same period in 2012, a decrease of \$ 1,000. The decrease is primarily due to interest income.

Total income for the nine months ended September 30, 2013 was \$ 30,000 compared to \$44,000 in the same period in 2012, a decrease of \$ 14,000. The decrease is primarily due to other income.

Expenses

Total expenses for the three months ended September 30, 2013 were approximately \$214,000, reflecting an increase of 74% from \$123,000 in expenses in the same period in 2012. These expenses are primarily attributable to professional fees related to the proxy contest for Qualstar.

Total expenses for the nine months ended September 30, 2013 were approximately \$656,000, reflecting a decrease of 9% from \$722,000 in expenses in the same period in 2012. These expenses are primarily attributable to professional fees related to the partial tender offer and proxy contest for Qualstar.

Other Income and Loss

Total Other Income and loss for the three months ended September 30, 2013 amounted to a loss of approximately \$234,000 compared to a loss \$482,000 in September 30, 2012. The decrease was primarily attributable to a one time reimbursement from Qualstar in the aggregate amount of \$395,000 for the professional fees and expenses incurred by BKF in connection with the proxy contests concerning Qualstar.

Total Other Income and loss for the nine months ended September 30, 2013 amounted to a loss of approximately \$1,076,000 compared to a loss \$708,000 in September 30, 2012. The increase is primarily attributable to the loss in investment in Qualstar.

Net Income/Net Loss

Net Loss for the three months ended September 30, 2013 was \$438,000, as compared to a net loss of \$594,000 in the same period in 2012.

Net loss for the nine months ended September 30, 2013 was \$1,702,000, as compared to a net loss of \$1,386,000 in the same period in 2012.

LIQUIDITY AND CAPITAL RESOURCES

BKF's current assets as of September 30, 2013 consist primarily of cash and investments.

While BKF has historically met its cash and liquidity needs through cash generated by operating activities, cash flow from current activities may not be sufficient to fund operations in the future. BKF will use a portion of its existing working capital for such purposes.

At September 30, 2013, BKF had cash and cash equivalents of \$6.4 million, compared to \$6.6 million of cash and cash equivalents at December 31, 2012.

OFF BALANCE SHEET RISK

There has been no material change with respect to the off balance sheet risk incurred by the Company since September 30, 2013.

Item 4. Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our principal executive officer to allow timely decisions regarding required disclosure.

Evaluation of disclosure and controls and procedures.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of our Principal Executive Officer, of the effectiveness of the design and operation of the Company's Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on the evaluation, the Company's Principal Executive Officer has concluded that the Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that the Company's disclosure controls and procedures are operating in an effective manner to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in internal controls over financial reporting.

There have been no changes in Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during Company's most recent quarter that has materially affected, or is reasonably likely to materially affect, Company's internal control over financial reporting.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there is only reasonable assurance that the Company's controls will succeed in achieving the stated goals under all potential future conditions.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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, New York County and is entitled: Thomson Financial, LLC v. BKF Asset Management, Inc. and assigned Index No. 601390/09. In the action Thomson Financial 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 not recorded a liability reserve because the Company does not believe it will be held liable in the action.

The Company's management is unaware of any other material existing or pending legal proceedings or claims against the Company.

Item 6. Exhibits.

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a. Exhibits

The following exhibits are hereby filed as part of this Quarterly Report on Form 10-Q or incorporated herein by reference.

Exhibit Number	Description of Document
31*	Section 302 Certification of Chief Executive Officer
32*	Section 906 Certification of Chief Executive Officer
101.INS*#	XBRL Instance Document
101.SCH*#	XBRL Taxonomy Extension Schema
101.CAL*#	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*#	XBRL Taxonomy Extension Definition Linkbase
101.LAB*#	XBRL Taxonomy Extension Label Linkbase
101.PRE*#	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.

Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 14, 2013

BKF CAPITAL GROUP, INC.

By: /s/ Steven N. Bronson
Steven N. Bronson,
Chief Executive Officer,
as Registrant's duly authorized officer

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