BKF CAPITAL GROUP INC
Form 10-Q
August 14, 2009

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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009.

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	36-0767530
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 North Federal Highway, Suite 201 Boca Raton, Florida 33432
(Address of Principal Executive Office) (Zip Code)

(561) 362-5385
(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.

[X] 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).

[X] Yes [ ] No

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	[ ]	Accelerated filer	[ ]
Non-accelerated filer	[ ]	Smaller reporting company	[X]

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

[X] Yes [ ] No

As of August 13, 2009, 7,973,216 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. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollar amounts in thousands)

	June 30, 2009 (unaudited)	De
Assets		
Cash and cash equivalents	$ 14,531	$
U.S. Treasury bills	--	
Royalty and other receivables	199	
Prepaid expenses and other assets	229	
Total assets	$ 14,959	$
Liabilities and stockholders' equity		
Accrued expenses	26	
Lease liability	138	
Accrued lease liability expense	3,356	
Total liabilities	$ 3,520	$
Commitments and contingencies		
Stockholders' equity		
Common stock, $1 par value, authorized -- 15,000,000 shares, issued and outstanding -- 7,973,216 shares	7,973	
Additional paid-in capital	68,269	
Accumulated deficit	(64,803)	
Total stockholders' equity	11,439	
Total liabilities and stockholders' equity	$ 14,959	$

See accompanying notes

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

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

	Three Months Ended June 30,		Six Months E June 30	
	2009	2008	2009	
Operating income:				
Royalties	$ 161	$ 294	$ 336	$

Non Operating Income				
Interest income	18	221	36	
Other income	2	--	56	
Total revenues	181	515	428	
Expenses:				
Employee compensation and benefits	50	176	91	
Occupancy and equipment rental	11	238	75	
Other operating expenses	78	(149)	203	
Interest expense	73	73	146	
Restructuring costs	--	21	--	
Total expenses	212	359	515	
Net profit/(loss)	(31)	156	(87)	
Net profit/(loss) per share:				
Basic and Diluted	$ (0.01)	$ 0.02	$ (0.01)	
Weighted average common shares outstanding	7,973,216	7,973,216	7,973,216	

See accompanying notes

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

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

	Six Months E June 30
	2009
Cash flows from operating activities	
Net loss	$ (87)
Loss on disposal of fixed assets	--
(Decrease) Increase in Accrued Restructuring Costs	--
Changes in operating assets and liabilities:	
(Increase)Decrease in U.S. treasury bills	13,320
Decrease in investment advisory trailer fees and other receivable	584
(Increase)Decrease in prepaid expenses and other assets	(23)
(Decrease) in accrued expenses	(231)
(Decrease) in accrued lease liability expense	(721)
Increase in other liabilities	138
(Decrease) in accrued lease amendment expense	--
(Net cash (used in) operating activities	12,980
Net decrease in cash and cash equivalents	12,980
Cash and cash equivalents at the beginning of the period	1,551

Cash and cash equivalents at the end of the period	$ 14,531
Cash paid for income taxes	$ --

See accompanying notes

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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, 2008.

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

BKF Capital Group, Inc. (the "Company") operates through a wholly-owned subsidiary, BKF Management Co., Inc. and its subsidiaries, all of which are referred to as "BKF." The Company trades on the over the counter market under the symbol ("BKFG"). Currently, the Company is 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 its wholly-owned subsidiaries BKF Asset Management, Inc., ("BAM"), BAM's two wholly-owned subsidiaries, BKF GP Inc. ("BKF GP") and LEVCO Securities, Inc. ("LEVCO Securities"). All inter-company accounts have been eliminated. All adjustments necessary for a fair statement of results for the interim period have been made and all such adjustments were of a normal recurring nature.

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 the three months ended June 30, 2009 and the year ended December 31, 2008.

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.

Revenue Recognition

Under an agreement with a former partner, BKF is entitled to 15% of the annual revenues collected from carry-over clients by this former partner which are generated based on the utilization of the same investment strategy used previously with respect to such clients at BKF (the "Royalties"). This agreement is in effect through September 30, 2010. Royalties are paid to BKF on a quarterly basis following the former partner's actual collection of revenue. The Company believes that these Royalties are fully collectible and therefore has not recorded any reserves against the related receivable.

Cash, Cash Equivalents and U.S. Treasury Bills

The Company treats all United States Treasury Bills with maturities at acquisition of three months or less as cash equivalents. Investments in U.S. Treasury Bills with maturities at acquisition that are greater than three months are considered held-to-maturity securities and are stated at amortized cost which approximates fair value. As of June 30, 2009, the Company no longer held any U.S. Treasury Bills. 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.

Investments in Affiliated Investment Partnerships

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

Income Taxes

The Company accounts for income taxes under the liability method prescribed by Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." The Company has also adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109, Accounting for Income Taxes (FIN48).

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

The Company and its subsidiaries file consolidated Federal and combined state and local tax returns. The Company is currently subject to a three year statute of limitations by major tax jurisdictions. The Company has settled examination issues with New York State and New York City related to income allocation for the years 1999-2004. New York State has recently commenced an audit of the years 2005-2007.

Income Taxes (Continued)

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amount of existing assets and liabilities and their respective tax basis. Future tax benefits are recognized only to the extent that realization of such benefits is more likely than not to occur.

Included in other receivables as of December 31, 2008, were tax receivable amounts of approximately $297,000, which represented cash refunds due with respect to the federal carry back claims for 2004 and 2003 taxes paid. This amount, plus additional interest, was received in the first quarter of 2009.

Certain Reclassifications

Certain amounts previously reported may have been reclassified to conform to the current year financial statement presentation. Such reclassifications did not affect net income or stockholders' equity.

Earnings Per Share

The Company accounts for Earnings Per Share under SFAS No. 128, "Earnings Per Share." Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is computed by dividing net income (loss) by the total of the weighted average number of shares of common stock outstanding and common stock equivalents. Diluted earnings (loss) per share is computed using the treasury stock method.

In calculating diluted (loss) per share for the three months ended June 30, 2009 and 2008, zero and 450,000 common stock equivalents were excluded due to their anti-dilutive effect on the calculation.

Fair Values of Financial Instruments

Financial instruments, including cash and cash equivalents, accounts receivable and accounts payable are carried in the consolidated financial statements at amounts that approximate fair value at June 30, 2009 and December 31, 2008.

Fair values are based on market prices and assumptions concerning the amount And timing of estimated future cash flows. The U.S. Treasury Bills have been valued using level 1 inputs under SFAS No. 157, "Fair Value Measurements". In April 2007, SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," was issued. This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. We did not elect to use the fair value option.

Recent Accounting Developments

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations ("SFAS 141(R)"). SFAS 141(R) expands the definition of transactions and events that qualify as business combinations; requires that the acquired assets and liabilities, including contingencies, be recorded at the fair value determined on the acquisition date and changes thereafter reflected in revenue, not goodwill; changes the recognition timing for restructuring costs; and requires acquisition costs to be expensed as incurred. Adoption of SFAS 141(R) is required for combinations after December 15, 2008. Early adoption and retroactive application of SFAS 141(R) to fiscal years preceding the effective date are not permitted. The adoption of SFAS 141(R) did not have any effect on the Company's financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interest in Consolidated Financial Statements ("SFAS 160"). SFAS 160 re-characterizes minority interests in consolidated subsidiaries as non-controlling interests and requires the classification of minority interests as a component of equity. Under SFAS 160, a change in control will be measured at fair value, with any gain or loss recognized in earnings. The effective date for SFAS 160 is for annual periods beginning on or after December 15, 2008. Early adoption and retroactive application of SFAS 160 is for annual periods beginning on or after December 15, 2008. Early adoption and retroactive application of SFAS 160 to fiscal years preceding the effective date are not permitted. The adoption of SFAS 160 did not have any effect on the Company's financial statements.

2. 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, 2009. 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, 2009. The Company had amounts in excess of $250,000 in a single bank during the year. Amounts over $250,000 are not insured by the Federal Deposit Insurance Corporation. These balances fluctuate during the year and can exceed this $250,000 limit. Management regularly monitors the financial institution, together with its cash balances, and tries to keep this potential risk to a minimum.

3. Related Party Transactions

Royalties

Royalties are the Company's portion of fee sharing arrangements from departed portfolio managers. The Company had royalty revenue of $161,000 and $294,000 for the three months ended June 30, 2009 and 2008, respectively and $336,000 and $792,000 for the six months ended June 30, 2009 and 2008, respectively,

4. Accrued Lease Liability Expense

In September 2001, BKF entered into a 10 year lease agreement with Levin Management Co. Inc. under which they agreed to lease several floors of a building located at One Rockefeller Plaza in New York City. Subsequent to that agreement, the Company determined that they did not need all of the space and surrendered some of the space back to the landlord and sublet other portions.

During 2003, BKF surrendered approximately 20,000 square feet of office space back to the landlord and agreed to pay the landlord monthly payments through September 2011 (the end date of the original lease). The present value of the remaining payments was recorded as a lease liability.

During 2006, BKF vacated additional office space under the lease and subleased this space to another company. The sublease was executed at a rate which was below the rate of the existing primary lease obligation. As a result, the Company recorded additional lease reserves to account for the lease obligation, less sublease payments expected.

The lease liability will be reduced as monthly rent payments are made to the landlord, net of any sublease income received.

As of June 30, 2009 and 2008, the lease liability was $3.4 million and $4.1 million, respectively, based on a present value presumption.

5. Commitments and Contingencies

The Company is a defendant in a lawsuit seeking damages in the amount of approximately $600,000. The complaint was filed in the Supreme Court of New York and alleges unjust enrichment. The Company is vigorously defending the lawsuit. The Company has no specific reserve for this action.

The Company is a defendant in a lawsuit seeking damages in the amount of approximately $171,000. The complaint was filed in the Supreme Court of New York and alleges breach of contract. The Company is vigorously defending the lawsuit. The Company has no specific reserve for this action.

6. Subsequent Events

During the period July 2, 2009 through July 13, 2009, the registrant acquired a total of 500,000 shares of FCStone Group, Inc. ("FCStone") common stock in open market transactions at an average price of approximately $3.97 per share or an aggregate amount of approximately $1,985,000.

Previously the Board of Directors of the Company approved a share repurchase plan, authorizing the Company to repurchase in the aggregate up to 1 million shares of its outstanding common stock, $1 par value, over the twelve month period July 7, 2009 through July 6, 2010. As of August 13, 2009, the Company had made no repurchases.

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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, 2008, 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, 2008.

BKF was incorporated in Delaware in 1954. The Company's securities trade on the over the counter market under the symbol "BKFG." During the third quarter of 2006, the Company ceased all operations, except for maintaining its status as an Exchange Act reporting company and winding down certain investment partnerships for which BKF acts as general partner. Currently, the Company is seeking to consummate an acquisition, merger or other business combination with an operating entity to enhance BKF's revenues and increase shareholder value.

The Company operates through its wholly-owned subsidiary, BKF Management Co., Inc. ("BMC") and its subsidiaries, all of which are collectively referred to herein as the "Company" or "BKF." The consolidated financial statements of BKF include its wholly-owned subsidiary BMC, BMC's wholly owned subsidiary BKF Asset Management, Inc., ("BAM") and BAM's two wholly-owned subsidiaries, LEVCO Securities, Inc. ("LEVCO Securities") and BKF GP Inc. ("BKF GP"). There were no affiliated partnerships in BKF's December 31, 2008 or December 31, 2007 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 are in the process of being finally liquidated and dissolved.

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, sizable net operating tax losses to potentially carry forward, its status as a publicly traded Exchange Act reporting company and a small revenue stream consisting of royalty payments from a departed portfolio manager. BKF's current revenue stream will not be sufficient to cover BKF's ongoing expenses.

On July 22, 2008, the Company paid a $1 per share distribution of capital to shareholders of record as of July 8, 2008. The distribution of capital was approved by the prior Board of Directors on June 24, 2008.

On August 27, 2008, the Company entered into an agreement with Catalyst Fund, L.P. a hedge fund which owned approximately 47.5% of the Company's outstanding common stock, Steven N. Bronson, who was the fund manager for the Catalyst Fund, L.P., and each of the Company's current directors and officers to effect a change of control of the Company (the "Change of Control Agreement"). A copy of the Change of Control Agreement was attached as an Exhibit to a Current Report on Form 8-K filed by the Company on September 2, 2008. Pursuant to the Change of Control Agreement all existing officers and directors resigned and new directors and management was appointed. Specifically, effective September 19, 2008, Harvey Bazaar, Marvin Olshan, Ronald LaBow and J. Clark Gray each resigned as directors and/or officers of the Company, pursuant to the Change of Control Agreement. Simultaneously therewith, the following persons were appointed to the Board of Directors of the Company: Steven N. Bronson, John Brunjes and Leonard Hagan and Steven N. Bronson was appointed President of the Company. In connection with the change of control the Company filed and mailed out to all shareholders of record an Information Statement Pursuant to Section 14(f) of the Securities Exchange Act of 1934 and Rule 14f-1 thereunder, which is incorporated herein by reference.

Prior to September 19, 2008, the Company was engaged in evaluating strategic alternatives, including merging with, acquiring or commencing a business potentially being funded by a capital raising event; or liquidating the Company and distributing a portion of the Company's remaining cash to stockholders.

The Company's current plan of operation is 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.

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 June 30, 2009 was $181,000, reflecting a decrease of 65% from $515,000 in the same period in 2008. This decrease is primarily attributable to a decrease in interest income, due to a decrease in the amount of outstanding Treasury Bills owned by the Company as well as lower interest rates, as compared to the prior period.

Total income for the six months ended June 30, 2009 was $428,000, reflecting a decrease of 67% from 1,284,000 in the same period in 2008. This decrease is primarily attributable to a decrease in interest income, due to a decrease in the amount of outstanding Treasury Bills owned by the Company as well as lower interest rates, as compared to the prior period.

Expenses

Total expenses for the three months ended June 30, 2009 were approximately $212,000, reflecting a decrease of 41% from $359,000 in expenses in the same period in 2008. The decrease is primarily attributable to a decrease in other operating expenses, based on the efforts of management to reduce expenses and conserve the assets of the Company.

Total expenses for the six months ended June 30, 2009 were approximately $515,000, reflecting a decrease of 67% from $1.584 million in expenses in the same period in 2008. The decrease is primarily attributable to a decrease in other operating expenses, based on the efforts of management to reduce expenses and conserve the assets of the Company.

Operating Loss

Operating loss for the three months ended June 30, 2009 was $31,000, as compared to an operating profit of $156,000 in the same period in 2008. Operating loss for the six months ended June 30, 2009 was $87,000, as compared to an operating loss of $300,000 in the same period in 2008. Despite a 65% reduction of revenue (royalty and interest income) during the three months ended June 30, 2009, management was able to reduce operating expenses by 41% and continue to preserve the Company's assets.

LIQUIDITY AND CAPITAL RESOURCES

BKF's current assets as of June 30, 2009 consist primarily of cash, receivables and security deposits.

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

At June 30, 2009, BKF had cash and cash equivalents of $14.5 million, compared to $14.9 million of cash, cash equivalents and U.S Treasury bills at December 31, 2008.

OFF BALANCE SHEET RISK

There has been no material change with respect to the off balance sheet risk incurred by the Company since June 30, 2009.

Item 4T. Controls and Procedures

Disclosure Controls and Procedures: An evaluation was performed under the supervision and with the participation of the Company's principal executive officer, who also serves as the Company's principal financial 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 that evaluation, the Company's principal executive officer, concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting: There have been no changes in the 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 the Company's most recent quarter that has materially affected, or is reasonably likely to materially affect, the 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 $600,000. The complaint was filed in the New York State Supreme Court, New York County and is entitled: Merrill, Lynch, Pierce, Fenner & Smith, Inc. v. BKF Asset Management, Inc. and assigned Index No. 602069/07. In the action Merrill Lynch alleges a claim for unjust enrichment against BAM based on a soft dollar arrangement. 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 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 Financail 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 5. Other Information

On June 30, 2009 the Board of Directors of the Company approved a share repurchase plan, authorizing the Company to repurchase in the aggregate up to 1 million shares of its outstanding common stock, $1 par value, over the twelve month period July 7, 2009 through July 6, 2010. As of August 13, 2009, the Company had made no repurchases of its common stock.

Subsequent Event

During the period July 2, 2009 through July 13, 2009, the registrant acquired a total of 500,000 shares of FCStone Group, Inc. ("FCStone") common stock in open market transactions at an average price of approximately $3.97 per share or an aggregate amount of approximately $1,985,000.

FCStone is a financial services firm that provides risk management consulting and transaction execution services to commercial commodity intermediaries, end-users and producers. FCStone is headquartered in Kansas City, Missouri and its common stock trades on the NASDAQ Market under the symbol "FCSX." On July 2, 2009, FCStone and International Assets Holding Corporation ("IAAC") announced that they had signed a definitive agreement to merge in a share swap that creates a combined company with a market capitalization of approximately $260 million. Pursuant to the merger agreement FCStone shareholders will receive 0.2950 shares of IAAC common stock for each share of FCStone common stock held, thus valuing FCStone shares at approximately $4.64 as of July 2, 2009. IAAC is a financial services firm focused on select international securities, foreign exchange and commodities markets. IAAC commits its capital and expertise to market-making and trading of international financial instruments, currencies and commodities. IAAC's activities are currently divided into five functional areas -- international equities market-making, international debt capital markets, foreign exchange trading, commodities trading and asset management. IAAC is headquartered in New York, New York and its securities trade on the NASDAQ Market under the symbol "IAAC."

Item 6. Exhibits

31 Section 302 Certification of Principal Executive Officer

32 Section 906 Certification of Principal Executive Officer

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: August 13, 2009

BKF CAPITAL GROUP, INC.

By: /s/ Steven N. Bronson

Steven N. Bronson, President
(Principle Executive Officer),
as Registrant's duly authorized
officer

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