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required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2004 was \$177,639,472 (based on the closing sale price of \$29.05 on June 30, 2004 as reported by the New York Stock Exchange-Composite Transactions). For this computation, the registrant has excluded the market value of all shares of its Common Stock reported as beneficially owned by executive officers and directors of the registrant; such exclusion shall not be deemed to constitute an admission that any such person is an "affiliate" of the registrant.

At March 1, 2005, 7,442,759 shares of BKF Capital Group, Inc. common stock, par value \$1.00 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Items 10, 11, 12, 13 and 14 of Part III of this Form 10-K incorporate by reference portions of an amendment to this Form 10-K or portions of the definitive Proxy Statement (the "Proxy Statement") of the registrant for its 2005 Annual Meeting of Stockholders to be held on May 18, 2005, which in either case will be filed with the Securities and Exchange Commission within 120 days after the end of its fiscal year ended December 31, 2004.

PART I

ITEM 1. BUSINESS

INTRODUCTION

BKF Capital Group, Inc. ("BKF") operates entirely through John A. Levin & Co., Inc. ("John A. Levin & Co."), an SEC-registered investment adviser, and its related entities. John A. Levin & Co. owns 100% of LEVCO Securities, Inc. ("LEVCO Securities"), a registered broker-dealer, and Levco GP, Inc. ("Levco GP"), which is the general partner of several investment partnerships managed by Levco, which are referred to as the "Levco Partnerships." Levin Management Co., Inc. ("Levin Management"), which is 100% owned by BKF and in turn owns 100% of John A. Levin & Co., provides administrative and management services to John A. Levin & Co. and its related companies. Levin Management and all its subsidiaries are referred to collectively herein as "Levco."

BKF was incorporated in Delaware in 1954. Its executive offices are located at One Rockefeller Plaza, New York, New York 10020. Its telephone number is (212) 332-8400, and its website address is www.bkfcapital.com. BKF makes available its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to such reports, free of charge, on its website as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange

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Commission.

Flow Chart

SERVICES

Levco is an investment adviser registered under the Investment Advisers Act of 1940, as amended, that specializes in managing equity portfolios for institutional and individual investors primarily in the United States. Levco offers long-only equity strategies and a range of alternative investment products and other more specialized investment programs. As of December 31, 2004, assets under management were approximately \$13.6 billion.

Through Levco GP, Levco acts as the managing general partner of several private investment partnerships, and through John A. Levin & Co. serves directly as an adviser to private investment vehicles organized outside the United States. For managing these vehicles, John A. Levin & Co. and Levco GP are entitled to receive both a fixed management fee based on a percentage of the assets managed and a share of the net profits of the investment vehicles.

LEVCO Securities clears through Bear Stearns Securities Corp. ("Bear Stearns") on a fully disclosed basis. Generally, LEVCO Securities' clients are advisory clients of John A. Levin & Co., and the trades executed through it are generally placed by John A. Levin & Co. in its capacity as investment adviser.

Levco Europe, LLP is a UK entity formed in 2004 that will provide investment management services from London in connection with the event driven strategies. This entity is currently in the process of registering with the United Kingdom Financial Services Authority. Levco Europe Holdings, Ltd., a wholly-owned subsidiary of Levin Management Co., Inc., manages Levco Europe, LLP.

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The following chart summarizes the assets under management of Levco as of December 31, 2004.

(PIE CHART)

Institutional and Individual Separate Accounts. As of December 31, 2004, directly managed institutional accounts represented approximately 22% of Levco's total assets under management, with a total market value of approximately \$3.0 billion. As of such date, Levco served as investment adviser to in excess of 95 separate institutional accounts. The average institutional account value at December 31, 2004 was approximately \$30 million.

Levco also directly manages accounts for individuals, which comprised approximately 13% of Levco's total assets under management as of December 31, 2004, with a total market value of approximately \$1.7 billion. As of December 31, 2004, Levco's individual client base represented approximately 390 accounts, the average value of which was approximately \$4 million.

Sub-Advisory Relationships. Levco has established a number of relationships in which it acts as a sub-adviser to a financial intermediary. These financial intermediaries include defined contribution plan platform providers, sponsors of registered investment fund complexes and sponsors of other commingled vehicles. As of December 31, 2004, assets managed pursuant to such sub-advisory relationships totaled approximately \$2.6 billion, representing approximately 19% of Levco's total assets under management. The single largest sub-advisory relationship totaled approximately \$1.2 billion, representing approximately 9% of Levco's total assets under management. Registered investment

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funds to which Levco acted as an adviser or sub-adviser as of December 31, 2004 accounted for approximately \$1.2 billion, or approximately 9%, of assets under management. Also included in this category of sub-advisory relationships is Levco Series Trust, a proprietary mutual fund available to insurance company separate accounts and qualified benefit plans that was formed in 1997 and that as of December 31, 2004 had approximately \$33 million in assets under management.

Wrap Fee Accounts. Levco participates in a number of wrap fee programs sponsored by financial institutions. In such programs, clients pay the sponsoring broker an asset-based fee that covers brokerage commissions, advisory services, custodial fees and other reporting and administrative services. Investors are able to select Levco from among a limited number of managers participating in the program, and Levco receives a portion of the wrap fee paid by the clients who select Levco to manage their accounts through the program. With approximately \$2.3 billion of managed assets as of December 31, 2004, wrap fee accounts represented approximately 17% of Levco's total assets under management. Of this total, approximately \$1.9 billion, or approximately 14% of Levco's total assets under management, were with a single sponsor. As of December 31, 2004, Levco had approximately 9,400 wrap fee accounts, the average value of which was approximately \$230,000.

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Event-Driven Accounts. As of December 31, 2004, event-driven accounts, with a total market value of approximately \$2.6 billion, represented approximately 19% of Levco's total assets under management. These accounts invest in event-driven situations, including (i) merger arbitrage and event arbitrage transactions, (ii) corporate restructuring and other event-driven situations, (iii) convertible securities on an outright and hedged basis, (iv) subordinated debt, debt claims, bank debt and other loans that are potentially volatile, including securities in undervalued, vulnerable, distressed and bankrupt entities, and (v) other securities or instruments in which the strategy may realize value based on fundamental factors.

Long-Short Equity Accounts. In May 2002, Levco launched a fundamental, trading-oriented long-short equity strategy which, as of December 31, 2004, had approximately \$792 million in assets under management. These accounts, which include proprietary private investment vehicles and separately managed accounts, represent approximately 6% of Levco's total assets under management.

Short-Biased Accounts. As of December 31, 2004, short-biased accounts, with a total market value of approximately \$422 million, represented approximately 3% of Levco's total assets under management. These accounts comprise a number of proprietary unregistered investment funds and other accounts that employ a short-biased alternative investment strategy.

Other Private Investment Funds. As of December 31, 2004, proprietary unregistered investment funds following a variety of alternative investment strategies, with a total market value of approximately \$185 million (excluding the event driven, short-biased and certain long-short vehicles), represented approximately 1% of Levco's total assets under management.

The table below shows the assets under management of Levco at the dates indicated:

ASSETS UNDER MANAGEMENT

AT DECEMBER 31,

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	2004	2003	2002	2001	2000
(IN MILLIONS)					
LONG-ONLY ACCOUNTS:					
Institutional Accounts.....	\$ 2,964	\$ 2,953	\$ 2,562	\$ 3,772	\$ 3,262
Sub-advisory Accounts.....	2,641	2,306	1,861	2,169	1,802
Non-institutional Accounts.....	1,713	1,640	1,489	2,000	2,196
Wrap Fee Accounts.....	2,319	2,502	2,982	4,448	2,975
Total Long-Only.....	9,637	9,401	8,894	12,389	10,235
ALTERNATIVE STRATEGIES:					
Event Driven Accounts.....	2,568	2,418	1,849	1,533	1,071
Long-Short Accounts.....	792	434	18	--	--
Short-Biased Accounts.....	422	340	452	310	179
Other Private Investment Funds.....	185	67	72	34	23
Total Alternative Strategies.....	3,967	3,259	2,391	1,877	1,273
TOTAL.....	\$13,604	\$12,660	\$11,285	\$14,266	\$11,508

The growth in assets under management between 2000 and 2001 was generated by maintaining a relatively stable client base, attracting new clients, entering the wrap fee business, and developing the event-driven product, as well as through market appreciation of assets under management. The decline experienced in 2002 resulted from a decline in the market value of the long-only portfolios as well as net outflows with regard to such portfolios. The growth experienced in 2003 and 2004 reflected market appreciation of assets under management and net inflows into alternative investment strategies, which was partially offset by net outflows from the long-only strategies.

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DISTRIBUTION

As of December 31, 2004, Levco employed 26 marketing and client service professionals. This group includes field forces focused on attracting assets through wrap fee programs and institutional accounts, internal marketing personnel, a client servicing team, a portfolio specialist, a private client group and additional marketing support and information resource staff. These groups are responsible for communications with clients, consultants and financial intermediaries, as well as for the production of marketing materials. Senior investment professionals assist in the marketing effort by taking part in client presentations or meetings.

Levco also has solicitation arrangements with third parties whereby such third parties, in accordance with applicable laws and regulations, solicit clients for Levco investment products (primarily alternative investment strategies) and are compensated by Levco for such services.

With respect to the long-only strategies, distribution efforts are focused mainly in the United States. With respect to the event-driven strategies and alternative investment strategies generally, extensive marketing efforts are directed towards U.S. and non-U.S. clients.

PORTFOLIO PERFORMANCE INFORMATION

Success in the investment management industry depends in large part on

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performance. Shown below is historical information relating to the performance of accounts managed by Levco in its large cap value style as compared to the S&P 500 Index and the Russell 1000 Value Index. The S&P 500 Index is a broad-based, unmanaged market-weighted index of 500 U.S. companies. The Russell 1000 Value Index measures the performance of those companies in the Russell 1000 Index (which include the 1,000 largest U.S. companies based on market capitalization) with lower price/book ratios and lower forecasted growth rates.

COMPARISON OF ANNUAL RETURNS (AS OF DECEMBER 31, 2004)*

	1-YR	3-YR	5-YR	7-YR	10-YR	INCEPTION (SINCE 1986)
	-----	-----	-----	-----	-----	-----
Levco Composite (net).....	14.50	2.62	3.80	7.49	12.70	13.57
S&P 500 Index.....	10.88	3.59	(2.30)	4.77	12.07	12.32
Russell 1000 Value Index.....	16.49	8.57	5.27	6.99	13.82	13.03

* Periods greater than 1 Yr are annualized

PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE PERFORMANCE.

NOTES TO COMPARISON OF ANNUAL RETURNS

Composite: All accounts managed pursuant to a Large Cap Value strategy on a fully discretionary basis, including taxable and tax-exempt accounts, are included in the composite after the account has been managed for one full calendar quarter, with the following exceptions:

- Immediate family and related accounts.
- Accounts with assets under \$1,000,000.
- One account for which only the equity portion of the portfolio is managed.
- Certain investment funds and managed accounts with different investment strategies.
- Accounts managed under a broker-sponsored wrap-fee program.

(A complete list and description of the firm's composites is available upon request.)

Calculation of Performance: The Company computes its Rate of Return on a "time weighted" basis for each eligible account. The composite performance is time weighted and is equal to the change in the value of the portfolio, including capital appreciation, depreciation and income, as a percentage of the beginning market value of the portfolio adjusted for contributions and withdrawals. Beginning in 1999, the rates of return are compiled monthly and linked to obtain a quarterly return. Prior to 1999, the rates of return were compiled quarterly. Gross of fees investment results are net of broker commissions and expenses related to trading, and net results are further reduced

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by the investment management fees. For the periods from 1986 through 1990, the net results reflect the deduction of a 1% investment management fee payable quarterly at the rate of .25% of ending market value. This is the maximum investment management fee charged by the firm. These results do not reflect actual fees charged. For the period from January 1, 1991 through December 31, 2004, the net results shown reflect the deduction of the dollar-weighted fee rate paid by all accounts in the composite. The dollar-weighted fee rate has been calculated by dividing the quarterly investment management fees paid by the accounts in the composite by the total composite asset value. This dollar-weighted fee rate also includes the performance fees paid by certain accounts. Inclusion of the performance-based fees does not materially affect the dollar-weighted fee rate. For accounts up to \$100 million, the firm's asset-based fee schedule is: 1% of asset value of accounts of less than \$5 million; .75% of asset value for accounts \$5 million to \$15 million; for accounts greater than \$15 million, the fee is .75% on the first \$15 million and .50% on the balance up to \$100 million. For accounts in excess of \$100 million, the firm's asset-based fee schedule is: .425% on the first \$100 million, .25% on the next \$200 million, and .20% thereafter. The minimum blended fee rate is .25%. The firm does offer performance-based fees. The investment management fees are described in Part II of the Company's Form ADV.

CONTRACTUAL ARRANGEMENTS

Levco enters into investment advisory and management agreements with, or for the benefit of, each of its clients. Levco bases its management fees, other than incentive allocations from the Levco Partnerships, performance-based fees and certain fixed dollar amount arrangements (generally with family members of employees), on a percentage of assets under management and scales these fees according to the size of each account. Generally, either party may terminate these agreements at any time upon written notice. In cases in which Levco serves as an adviser or sub-adviser for a mutual fund client, the mutual fund client or the investment adviser generally may terminate the relevant advisory or sub-advisory agreement on relatively short notice.

In connection with Levco's activities as a broker-dealer, Levco maintains a contractual relationship with Bear Stearns for clearance services. The agreement is a standard clearing agreement that either party may terminate upon 30 days' prior written notice (or immediately for cause). The agreement assigns account supervisory responsibility to Levco and grants Bear Stearns the authority to execute and report securities transactions for Levco's clients.

EMPLOYEES

As of December 31, 2004, BKF and its subsidiaries employed 151 people, including 51 investment professionals, of whom 21 were primarily portfolio managers, 23 were primarily securities analysts and 7 were traders.

BUSINESS STRATEGY

The achievement of strong performance returns is the foundation on which Levco's business strategy is based. Levco seeks to capitalize on the strength of its long-term performance record and its experienced investment and professional staff to increase its assets under management. Its business strategy contains the following key elements:

Attracting and Retaining Experienced Professionals. As an investment management firm focused on active portfolio management, fundamental research and superior client service, Levco's goal is to attract and retain the talent necessary to implement its investment strategies and service its clients. Each of the other

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elements of its business strategy is highly dependent on the attraction and retention of qualified personnel. Management believes that allowing employees to develop important economic stakes in the success of the particular products to which they contribute and of BKF as a whole will be a key factor in the achievement of its business objectives.

Development of Complementary Long-Only Strategies. In addition to its large cap value strategy, Levco has developed equity income, all cap and concentrated strategies. In 2004, Levco began developing a small cap product. Management believes the continued development of long-only strategies, including through the addition of skilled investment personnel through recruitment and lift-outs of portfolio management teams, will make Levco more attractive to existing and potential clients by enabling it to offer a wider range of products.

Development of Alternative Investment Strategies. The development of alternative investment strategies has added depth and breadth to Levco's research efforts and allowed for a broader range of investment offerings. The event driven strategies have significantly increased their assets under management over the past five years and, since it receives incentive fees, BKF has seen its revenues from these strategies increase dramatically. A fundamental, trading-oriented long-short strategy has also grown rapidly since its inception in May 2002. During the bear market in 2001 and 2002, Levco's short-biased alternative investment strategy also enjoyed significant growth in assets and revenues. Alternative investment strategies, however, do face capacity constraints. Levco is seeking to increase its ability to manage assets in alternative investment strategies through the addition of skilled investment personnel, increased marketing of existing alternative investment strategies that have significant unused capacity, and the development of new alternative investment products. In 2001, Levco hired personnel to manage portfolios focused on distressed debt, and in July 2001 two private investment vehicles were launched to pursue this strategy (whose assets are included within our event-driven product). In 2002, Levco hired personnel to manage a long-short trading oriented alternative investment strategy, and two private investment vehicles were launched to pursue this strategy. In 2003, Levco hired a portfolio manager who is managing a vehicle that is pursuing a fundamentally based, long-short strategy focused on the small/mid cap equity sector. In 2004, Levco launched a long-short equity strategy under the management of an investment professional who had formerly been affiliated with the short-biased investment team.

Strengthen Presence in Target Markets. Levco intends to devote sufficient resources to maintain its existing relationships with target client segments, including institutions, sub-advisers, financial intermediaries, funds of funds and private clients. The required efforts include maintaining a field force and strong client servicing efforts with respect to each of these target segments.

Development of Operational Infrastructure. Levco has developed an operational infrastructure featuring dedicated portfolio administration, technology and legal/compliance teams. Management believes that the maintenance of a strong infrastructure that creates operational efficiencies is an essential aspect of its plan to grow and develop multiple long-only and alternative investment strategies.

COMPETITION

Levco competes with investment management firms, mutual fund complexes, insurance companies, banks, brokerage firms and other financial institutions that offer products that are similar to, or are alternatives to, those offered by Levco. Many of the investment management firms with which Levco competes are

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subsidiaries of larger financial institutions or are significantly larger in terms of assets under management or revenues. Levco has historically competed on the basis of its long-term investment record and the quality of its personnel, investment process and level of client service. In order to stay competitive, Levco will need to increase its assets under management and revenues so that it can attract and retain quality personnel and devote the required resources to its distribution efforts.

REGULATION

Virtually all aspects of Levco's business are subject to various federal and state laws and regulations. Levco is registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended. The Investment Advisers Act imposes numerous obligations on registered investment advisers,

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including fiduciary, recordkeeping, operational and disclosure obligations. Levco is also registered with the Commodity Futures Trading Commission as a commodity trading advisor and a commodity pool operator, and Levco GP is registered with that agency as a commodity pool operator. Levco and Levco GP are members of the National Futures Association. LEVCO Securities is registered as a broker-dealer under the Securities Exchange Act of 1934, is a member of the National Association of Securities Dealers, Inc. and is a member of the Municipal Securities Rulemaking Board. In addition, Levco is subject to the Employee Retirement Income Security Act of 1974 and its regulations insofar as it is a "fiduciary" with respect to certain clients. As a public company, BKF is subject to provisions of the Securities Exchange Act of 1934, as amended, and the rules applicable to companies listed on the New York Stock Exchange.

The regulations to which Levco is subject are primarily designed to protect investment advisory clients, and the rules to which BKF is subject are primarily designed to protect stockholders, and the agencies implementing such regulations have broad administrative powers, including the power to limit, restrict or even prohibit entities from carrying on their business in the event of a failure to comply. Possible sanctions for significant failures include the suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of investment adviser, broker-dealer or other registrations, suspension or revocation of listing privileges, censures and fines.

RISK FACTORS

In addition to the risks referred to elsewhere in this Annual Report on Form 10-K, the following risks, among others, sometimes have affected, and in the future could affect, BKF's business, financial condition or results of operations. The risks described below are not the only ones facing BKF. Additional risks not presently known to BKF or that BKF currently deems insignificant may also impact its business.

LEVCO IS DEPENDENT ON KEY PERSONNEL

Levco is largely dependent on the efforts of its senior investment professionals managing the long-only strategies and the event-driven, short-biased and long-short equity strategies. Levco is also dependent on the efforts of Mr. John A. Levin, the chairman and chief executive officer of BKF. The loss of the services of key investment personnel, including Mr. Levin, could have a material adverse effect on Levco because it could jeopardize its relationships with clients and result in the loss of those accounts. In the case of alternative investment strategies, the loss of the senior investment

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professionals managing the strategy could result in the discontinuance of the strategy by Levco.

In 2004, the event-driven strategies, which have been led for an extended period of time by two Senior Portfolio Managers, represented approximately 37% of the asset-based investment advisory fees, approximately 70% of the incentive fees and approximately 48% of BKF's total fees (see Item 6 -- Selected Financial Data). As is noted in "Item 7 -- Management's Discussion and Analysis of Financial Condition and Results of Operations," Mr. Frank Rango, one of the two Senior Portfolio Managers of the event-driven group, has announced his intention to relinquish such position as of the conclusion of 2005. Mr. Henry Levin will continue as the sole Senior Portfolio Manager for the group period.

As a result of this dependence on key personnel, and the ability of investment personnel or groups of investment personnel to start their own independent businesses, management may be constrained in its ability to negotiate compensation with senior personnel. Levco's key investment personnel, including Mr. Levin, are not subject to employment contracts.

Levco's future success depends on its ability to retain and attract qualified personnel to conduct its investment management business. To the extent that Levco further diversifies its products and strategies, BKF anticipates that it will be necessary for Levco to add portfolio managers and investment analysts. The implementation of BKF's business strategy requires the addition of a senior executive officer. No assurance can be given that Levco will succeed in its efforts to recruit and retain the required personnel. Because of its relatively smaller size, Levco may have relatively fewer resources with which to recruit and retain personnel. The loss of key personnel or the inability to recruit and retain qualified portfolio managers, business and marketing personnel could have a material adverse effect on Levco's business.

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In December 1998, BKF adopted an incentive compensation plan (most recently amended in 2001) to give Levco the ability to attract and retain talented professionals with equity-based and cash compensation. Determinations with regard to the implementation of this plan are made by the Compensation Committee of the board of directors of BKF on a regular basis. Because BKF is a relatively small public company, the value of the equity awards that may be offered to professionals may be limited relative to what competitors may offer. If the price of BKF stock decreases, no assurance can be given that the equity-based compensation will serve its purpose to attract and retain talented professionals.

LEVCO IS DEPENDENT ON A LIMITED NUMBER OF INVESTMENT STRATEGIES

Levco currently derives most of its revenues from three investment offerings -- a large cap value strategy, an event-driven alternative investment strategy, and an actively traded long-short US equity strategy. While these strategies may often perform differently in a given investment environment, adverse developments with regard to any of these strategies could have a material adverse effect on Levco's business.

A DECLINE IN THE PERFORMANCE OF THE SECURITIES MARKETS COULD HAVE AN ADVERSE EFFECT ON LEVCO'S REVENUES

Levco's operations are affected by many economic factors, including the performance of the securities markets. Declines in the securities markets, in general, and the equity markets, in particular, would likely reduce Levco's assets under management and consequently reduce its revenues. In addition, any continuing decline in the equity markets, failure of these markets to sustain

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their prior rates of growth, or continued volatility in these markets could result in investors' withdrawing from the equity markets or decreasing their rate of investment, either of which would likely adversely affect Levco. Levco's rates of growth in assets under management and revenues have varied from year to year, and there can be no assurance that the growth rates sustained in the past will continue. Levco is generally a "value" manager, and a general decline in the performance of "value" securities could have an adverse effect on Levco's revenues.

POOR INVESTMENT PERFORMANCE COULD ADVERSELY AFFECT LEVCO'S FINANCIAL CONDITION

Success in the investment management industry depends largely on investment performance. Good performance generally stimulates sales of services and investment products and tends to keep withdrawals and redemptions low. This generates higher management fees, which are based on the amount of assets under management and sometimes on investment performance. If Levco experiences poor performance, this will likely result in decreased sales, decreased assets under management and the loss of accounts, with corresponding decreases in revenue.

Levco also offers event-driven and other alternative investment strategies. The failure to implement these strategies effectively could likewise impact Levco's revenues.

ADVERSE DEVELOPMENTS WITH REGARD TO SIGNIFICANT CUSTOMERS OR RELATIONSHIPS COULD ADVERSELY AFFECT LEVCO'S REVENUES

As of December 31, 2004, Levco had approximately 240 customers (counting as single customers each wrap fee program and related family and institutional accounts and excluding proprietary pooled investment vehicles and other accounts following alternative investment strategies), of which the ten largest customers generated approximately \$19.4 million of revenues for Levco in 2004 (including incentive fees), or approximately 16.3% of BKF's total fees (see Item 6 -- Selected Financial Data).

The five largest customers for long-only equity products accounted for approximately 38.9% of all asset-based investment advisory fees earned in 2004 with respect to such products. The loss of any of these customers could have an adverse effect on BKF's revenues.

In the institutional marketplace, consultants play a key role in selecting investment managers for their clients. In the event that a consultant advising current clients of Levco takes a negative view of Levco, Levco could lose a number of accounts related to that consultant.

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A DECREASE IN LEVCO'S MANAGEMENT FEES, THE CANCELLATION OF INVESTMENT MANAGEMENT AGREEMENTS OR POOR INVESTMENT PERFORMANCE BY THE LEVCO PRIVATE INVESTMENT FUNDS COULD ADVERSELY AFFECT LEVCO'S RESULTS

Management Fees. Some segments of the investment management industry have experienced a trend toward lower management fees. Levco must maintain a level of investment returns and service that is acceptable to clients given the fees they pay. No assurance can be given that Levco will be able to maintain its current fee structure or client base. Reduction of the fees for new or existing clients could have an adverse impact on Levco's profits.

Cancellation of Investment Management Agreements. It is expected that Levco will derive almost all of its revenue from investment management agreements. For registered investment companies, a majority of the disinterested members of each fund's board must approve these agreements at least annually and

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the agreements are terminable without penalty on 60 days' notice. The agreements with Levco's separately-managed account clients generally are terminable by the client without penalty and with little or no notice. Any failure to renew, or termination of, a significant number of these agreements could have an adverse effect on Levco.

Poor Investment Performance of the Private Investment Funds. BKF derives revenue from incentive fees and general partner incentive allocations earned with respect to its proprietary unregistered investment funds. Stronger positive performance by these funds generates higher incentive fees and incentive allocations because those fees and allocations are based on the performance of the assets under management. On the other hand, relatively poor performance will result in lower or no incentive fees or allocations, and will tend to lead to decreased assets under management and the loss of accounts, with corresponding decreases in revenue. In addition, the private investment funds generally operate under "high water mark" provisions, which reduce the incentive fees and general partner incentive allocations earned in periods of positive performance to the extent that prior losses experienced by the fund have not yet been recouped.

LEVCO IS A RELATIVELY SMALL PUBLIC COMPANY IN A HIGHLY COMPETITIVE BUSINESS

Levco competes with a large number of domestic and foreign investment management firms, commercial banks, insurance companies, broker-dealers and other firms offering comparable investment services. Many of the financial services companies with which Levco competes have greater resources and assets under management than Levco does and offer a broader array of investment products and services. Management believes that the most important factors affecting Levco's ability to attract and retain clients are the abilities, performance records and reputations of its portfolio managers, the ability to hire and retain key investment personnel, the attractiveness of investment strategies to potential investors and competitive fees and investor service. Levco's ability to increase and retain client assets could be adversely affected if client accounts underperform client expectations or if key investment personnel leave Levco. Levco's ability to compete with other investment management firms also depends, in part, on the relative attractiveness of its investment philosophies and methods under prevailing market conditions. The absence of significant barriers to entry by new investment management firms in the institutional managed accounts business increases competitive pressure. Since Levco is a relatively smaller asset management company, changes in customers, personnel and products and other business developments may have a greater impact on Levco than they would have on larger, more diversified asset management companies.

LEVCO IS DEPENDENT ON INFORMATION SYSTEMS AND ADMINISTRATIVE, BACK-OFFICE AND TRADE EXECUTION FUNCTIONS

Levco is highly dependent on information systems and technology and depends, to a great extent, on third parties who are responsible for managing, maintaining and updating these systems. No assurance can be given that Levco's current systems will continue to be able to accommodate its growth or that the costs of its outsourcing arrangements will not increase. The failure to accommodate growth or an increase in costs could have an adverse effect on Levco.

Success in the investment management industry also depends on the ability of an investment manager, and third parties with whom the investment manager contracts, to successfully perform administrative, back-

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office and trade execution functions. A failure by Levco or a third party contracted by Levco to perform such functions could adversely impact Levco's revenues.

CONFLICTS OF INTEREST MAY ARISE AND ADVERSELY AFFECT LEVCO

From time to time, Levco's officers, directors and employees may own securities which one or more of its clients also own. Although Levco maintains internal policies regarding individual investments by its officers, directors and employees which require them to report securities transactions and restrict certain transactions so as to minimize possible conflicts of interest, possible conflicts of interest may arise that could have adverse effects on Levco. Similarly, conflicting investment positions may develop among various investment strategies managed by Levco. Although Levco has internal policies in place to address such situations, such conflicts could have adverse effects on Levco.

GOVERNMENT REGULATIONS MAY ADVERSELY AFFECT LEVCO AND BKF

Virtually all aspects of Levco's business are subject to various federal and state laws and regulations. Levco is registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended. The Investment Advisers Act imposes numerous obligations on registered investment advisers, including fiduciary, recordkeeping, operational and disclosure obligations. John A. Levin & Co. is also registered with the Commodity Futures Trading Commission as a commodity trading advisor and a commodity pool operator, and Levco GP is registered with that agency as a commodity pool operator. John A. Levin & Co. and Levco GP are members of the National Futures Association. LEVCO Securities is registered as a broker-dealer under the Securities Exchange Act of 1934, is a member of the National Association of Securities Dealers, Inc. and is a member of the Municipal Securities Rulemaking Board. In addition, Levco is subject to the Employee Retirement Income Security Act of 1974 and its regulations insofar as it is a "fiduciary" with respect to certain clients. Furthermore, BKF, as a publicly traded company listed on the New York Stock Exchange, is subject to the federal securities laws, including the Securities Exchange Act of 1934, as amended, and the requirements of the exchange.

These laws and regulations generally grant supervisory agencies and bodies broad administrative powers, including the power to limit or restrict Levco or BKF from conducting its business if it fails to comply with these laws and regulations. If Levco or BKF fails to comply with these laws and regulations, these agencies may impose sanctions, including the suspension of individual employees, limitations on business activities for specified periods of time, revocation of registration, and other censures and fines. Even if in compliance with all laws and regulations, changes in these laws or regulations could adversely affect BKF's profitability and operations and its ability to conduct certain businesses in which it is currently engaged.

TERRORIST ATTACKS COULD ADVERSELY AFFECT BKF

Terrorist attacks, including biological or chemical weapons attacks, and the response to such terrorist attacks, could have a significant impact on New York City, the local economy, the United States economy, the global economy, and global financial markets. It is possible that the above factors could have a material adverse effect on our business, especially given the fact that all operations are conducted from a single location in New York City and BKF has incurred lease obligations with regard to this location through September 2011.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements made in this Annual Report on Form 10-K, including statements under "Item 1. Business" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," that are not

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historical facts, including, most importantly, those statements preceded by, followed by, or that include the words "may," "believes," "expects," "anticipates," or the negation thereof, or similar expressions constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. For those statements, BKF claims the protection of the safe harbor for forward-looking statements contained in the Reform Act. These forward-looking statements are based on BKF's current

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expectations and are susceptible to a number of risks, uncertainties and other factors, and BKF's actual results, performance and achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include the following: retention and ability of qualified personnel; the performance of the securities markets and of value stocks in particular; the investment performance of client accounts; the retention of significant client and/or distribution relationships; competition; the existence or absence of adverse publicity; changes in business strategy; quality of management; availability, terms and deployment of capital; business abilities and judgment of personnel; labor and employee benefit costs; changes in, or failure to comply with, government regulations; the costs and other effects of legal and administrative proceedings; and other risks and uncertainties referred to in this document and in BKF's other current and periodic filings with the Securities and Exchange Commission, all of which are difficult or impossible to predict accurately and many of which are beyond BKF's control. BKF 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 BKF's policy generally not to make any specific projections as to future earnings, and BKF does not endorse any projections regarding future performance that may be made by third parties.

ITEM 2. PROPERTIES

BKF's executive offices are located at One Rockefeller Plaza, New York, New York. BKF's offices currently encompass approximately 56,000 square feet and are governed by a lease which expires September 30, 2011 (except for approximately 7,000 square feet for which the lease will expire on November 30, 2008). The majority of BKF's operations are conducted at this location. BKF believes that these facilities are adequate for its current and anticipated levels of operation. BKF also maintains a business continuity facility located at Five River Bend, Stamford, Connecticut. This facility encompasses approximately 5,000 square feet and is governed by a lease which expires September 30, 2011.

In February 2005, Levco Europe, LLP entered into a lease for approximately 1,600 square feet at 29-30 St. James Street, London, United Kingdom. This lease will expire in December 2012 and may be terminated by Levco Europe, LLP on 6 months written notice as of December 25, 2007. Levco Europe, LLP will operate from this location and provide investment services to clients following event-driven strategies.

ITEM 3. LEGAL PROCEEDINGS

Neither BKF, Levco nor their affiliates are currently involved in any material legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the fourth quarter of the fiscal year ended December 31, 2004.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDERS MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

BKF's common stock trades on the New York Stock Exchange (the "NYSE") under the symbol "BKF". At the close of business on March 1, 2005, there were 721 holders of record of BKF's common stock.

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The following table sets forth for the periods indicated (i) the high and low reported sale prices per share for the common stock as reported on the NYSE and (ii) cash dividends per share of common stock declared during the period:

2004 ----	STOCK PRICE RANGES		DIVIDEND DECLARED -----
	HIGH -----	LOW -----	
First quarter.....	\$27.00	\$24.72	\$ 0.10
Second quarter.....	\$29.90	\$26.40	
Third quarter.....	\$29.40	\$26.01	\$0.225 (a)
Fourth quarter.....	\$38.00	\$29.80	

2003			
First quarter.....	\$18.45	\$16.24	
Second quarter.....	\$22.28	\$15.65	
Third quarter.....	\$24.50	\$20.15	
Fourth quarter.....	\$25.15	\$21.75	

(a) reflects dividends of \$0.10 declared on July 9, 2004 and \$0.125 declared on September 23, 2004.

BKF declared and paid \$2,799,000 in cash dividends in 2004. BKF did not declare or pay any dividends in 2003. A dividend of \$0.125 was declared on January 18, 2005. The declaration and payment of dividends by BKF is in the discretion of the board of directors. BKF is a holding company, and its ability to pay dividends is subject to the ability of its subsidiaries to provide cash to BKF. BKF expects to continue its policy of paying regular cash dividends, though there can be no assurance as to future dividends because they are dependent on the results of operations, financial condition, capital requirements and other circumstances.

The following table provides information about purchases by BKF during the periods indicated of equity securities that are registered by BKF pursuant to Section 12 of the Exchange Act.

The purchases described below relate to the withholding of shares from employees in order to satisfy statutory withholding requirements in connection with the delivery of common stock underlying Restricted Stock Units.

ISSUER PURCHASES OF EQUITY SECURITIES

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PERIOD	(a) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED	(b) AVERAGE PRICE PAID PER SHARE	(c) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	(d) MAXIMUM NUMBER (O APPROXIMATE DOLLAR V OF SHARES (OR UNITS) MAY YET BE PURCHAS UNDER THE PLANS O PROGRAM
10/1/04 - 10/31/04	50,721	\$31.80	Not Applicable..	Not Applicable
11/1/04 - 11/30/04	39,439	\$35.12	Not Applicable..	Not Applicable
12/1/04 - 12/31/04	73,107	\$37.82	Not Applicable..	Not Applicable

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ITEM 6. SELECTED FINANCIAL DATA

The selected financial data has been derived in part from BKF's audited 2004, 2003, 2002, 2001 and 2000 unaudited consolidated pro forma statements of operations and should be read in conjunction with such statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Annual Report on Form 10-K. All amounts are in millions, excluding share and per share data.

	YEAR ENDED DECEMBER 31,				
	2004 (AUDITED)	2003 (AUDITED)	2002 (AUDITED)	2001 (UNAUDITED)	PRO FORMA 2000 (A) (UNAUDITED)
REVENUES:					
Investments Management Fees (IMF):					
Advisory.....	\$ 25.4	\$ 24.8	\$ 29.0	\$ 33.0	\$ 29.0
Wrap Accounts.....	9.3	10.2	16.4	16.6	10.0
Event-Driven.....	28.9	18.7	12.7	8.6	4.0
Long-Short.....	9.3	2.4	--	--	--
Short-Biased.....	4.6	4.0	3.4	2.0	1.0
Other Alternative Investments....	0.8	0.2	0.3	0.3	0.0
Total IMF Fees.....	78.3	60.3	61.8	60.5	45.0
Incentive Fees and Allocations:					
Event-Driven.....	28.6	32.2	17.4	22.2	24.0
Long-Short.....	8.8	5.2	0.1	--	--
Short-Biased.....	--	(2.3)	6.8	2.1	1.0
Other.....	2.2	0.6	0.1	3.3	2.0
Other Alternative Investments....	1.3	0.6	0.2	0.8	0.0
Total Incentive Fees.....	40.9	36.3	24.6	28.4	29.0
Total Fees.....	119.2	96.6	86.4	88.9	74.0
Commission Income and Other.....	1.5	2.0	2.9	2.5	1.0
Total Revenues.....	120.7	98.6	89.3	91.4	76.0
EXPENSES:					
Employee Compensation and Benefits.....	93.8	77.8	61.8	60.1	57.0

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Non-Compensation Expenses.....	19.7	25.7	20.6	15.4	11.1
Total Expenses.....	113.5	103.5	82.4	75.5	69.1

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	YEAR ENDED DECEMBER 31,				
	2004	2003	2002	2001	PRO FORM 2000 (A)
	(AUDITED)	(AUDITED)	(AUDITED)	(UNAUDITED)	(UNAUDITED)
INCOME (LOSS) BEFORE INTEREST, TAXES AND AMORTIZATION.....	7.2	(4.9)	6.9	15.9	7.1
Net investment income.....	1.6	1.5	1.0	2.9	1.1
Net investment income -- consolidated affiliated partnerships ("CAP").....	1.2	2.6	(2.9)	--	--
Minority interest from CAP.....	(0.7)	(1.7)	3.3	--	--
Amortization of intangibles.....	(7.0)	(7.0)	(7.0)	(9.5)	(7.1)
Income (loss) before taxes.....	2.3	(9.5)	1.3	9.3	1.1
Income tax expense (benefit).....	4.1	(1.1)	3.7	7.8	(0.1)
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE....	(1.8)	(8.4)	(2.4)	1.5	2.1
Cumulative effect of accounting change.....	--	--	--	--	(53.1)
NET INCOME (LOSS).....	\$ (1.8)	\$ (8.4)	\$ (2.4)	\$ 1.5	\$ (51.1)
PER SHARE DATA:					
Basic:					
Income (loss) before cumulative effect of accounting change....	\$ (0.25)	\$ (1.26)	\$ (0.37)	\$ 0.23	\$ 0.31
Cumulative effect of accounting change.....	--	--	--	--	(8.21)
Net income (loss).....	\$ (0.25)	\$ (1.26)	\$ (0.37)	\$ 0.23	\$ (7.81)
Diluted:					
Income (loss) before cumulative effect of accounting change....	\$ (0.25)	\$ (1.26)	\$ (0.37)	\$ 0.20	\$ 0.31
Cumulative effect of accounting change.....	--	--	--	--	(8.11)
Net income (loss).....	\$ (0.25)	\$ (1.26)	\$ (0.37)	\$ 0.20	\$ (7.81)
Basic weighted average shares outstanding(1).....	6,949,031	6,673,371	6,624,313	6,546,077	6,504,891
Diluted weighted average shares outstanding(1).....	6,949,031	6,673,371	6,624,313	7,364,333	6,549,881

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 (1)- Gives effect for reverse stock split of 1 for 6 effectuated January 7, 2000. Assumes same amount of shares were outstanding throughout period.

(a) The amounts reflect Pro forma income of the Company assuming that the Company had de-registered as an investment company and distributed all of it's assets as of December 31, 1995 and recasts the acquisition of Levco using purchase accounting with the cumulative effect of accounting change recorded in 2000.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

BKF operates entirely through Levco, an investment adviser registered with the Securities and Exchange Commission. Levco specializes in managing equity portfolios for institutional and individual investors. Levco offers long-only equity strategies and a range of alternative investment products and other more specialized investment programs. Most clients are based in the United States, though a significant portion of investors in the alternative investment products are located outside the United States.

Levco acts as the managing general partner of a number of investment partnerships and also acts as an adviser to private investment vehicles organized outside the United States.

With respect to accounts managed pursuant to its long-only equity strategies, Levco generally receives advisory fees based on a percentage of the market value of assets under management, including market appreciation or depreciation and client contributions and withdrawals. In some cases, Levco receives performance-based fees from accounts pursuing long-only equity strategies. With respect to private investment vehicles and separate accounts managed pursuant to similar strategies, Levco is generally entitled to receive both a fixed management fee based on a percentage of the assets under management and a share of net profits.

At December 31, 2004, assets under management at Levco were \$13.6 billion, compared to \$12.7 billion a year earlier. Following is a comparison of Levco's assets under management as defined by product and client type:

	AT DECEMBER 31,		
	2004	2003	2002
	(IN MILLIONS)		
LONG-ONLY ACCOUNTS:			
Institutional Accounts.....	\$ 2,964	\$ 2,953	\$ 2,562
Sub-advisory Accounts.....	2,641	2,306	1,861
Non-institutional Accounts.....	1,713	1,640	1,489
Wrap Fee Accounts.....	2,319	2,502	2,982
	-----	-----	-----
Total Long-Only.....	9,637	9,401	8,894

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ALTERNATIVE STRATEGIES:

Event Driven Accounts.....	2,568	2,418	1,849
Long-short Accounts.....	792	434	18
Short-Biased Accounts.....	422	340	452
Other Private Investment Funds.....	185	67	72
	-----	-----	-----
Total Alternative Strategies.....	3,967	3,259	2,391
	-----	-----	-----
TOTAL.....	\$13,604	\$12,660	\$11,285
	=====	=====	=====

Levco also has a wholly-owned broker-dealer subsidiary that clears through Bear Stearns on a fully disclosed basis. Generally, the customers of the broker-dealer subsidiary are advisory clients of Levco, and the trades executed through the broker-dealer are generally placed by Levco in its capacity as investment adviser.

The following discussion and analysis of the results of operations is based on the Consolidated Statements of Financial Condition at December 31, 2004 and 2003, and the Consolidated Statements of Operations for the years ended December 31, 2004, 2003 and 2002 of BKF Capital Group, Inc. and Subsidiaries (which are included elsewhere herein) and should be read in conjunction with such financial statements. It should be noted that certain affiliated investment partnerships in which BKF may be deemed to have a controlling interest have been consolidated. The number and identity of the partnerships being consolidated may change over time as the percentage interest held by BKF and its affiliates in affiliated investment partnerships changes. These partnerships and the related minority interests have been reflected in the consolidated financial

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statements for the annual periods ended December 31, 2004, 2003 and 2002. The consolidation of the partnerships does not impact BKF's equity or net income.

Certain statements under this caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. See "Special Note Regarding Forward Looking Statements."

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2004 AS COMPARED TO YEAR ENDED DECEMBER 31, 2003.

Revenues

Total revenues for 2004 were \$123.49 million, reflecting an increase of 20.2% from \$102.74 million in revenues in 2003. This increase was primarily attributable to (i) a 29.8% increase in asset-based management fees from \$60.32 million in 2003 to \$78.32 million in 2004 and (ii) a 12.8% increase in incentive fees and allocations from \$36.29 million to \$40.93 million. The increase in asset-based management fees was generated by the growth in average assets under management of the event-driven and long-short equity strategies. These strategies experienced both positive performance and net inflows in 2003 and 2004. In 2004, incentive fees and allocations generated by the largest long-short alternative strategy and certain long-only accounts increased, while incentive fees and allocations from accounts following event-driven strategies decreased. In addition, the increase from 2003 to 2004 was partly driven by the reversal in 2003 of an accrual made with respect to an investment vehicle following a short-biased investment strategy that had a June 30, 2003 fiscal year end.

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Frank Rango, one of the two Senior Portfolio Managers for the event-driven strategies, has announced his intention to step down from such position at the conclusion of 2005. Henry Levin will continue as the sole Senior Portfolio Manager for the group. Henry Levin will continue to be supported by four other Portfolio Managers for the event-driven strategies and two Portfolio Managers focused on investments in distressed debt. The change in responsibilities for Mr. Rango may impact the ability of Levco to retain and attract clients with respect to its event-driven strategies and may impact the revenues generated by the event-driven accounts. The event-driven accounts generated 48% of the Company's total fees in 2004.

Net commission income generated by the broker-dealer business fell 28.8% to \$1.44 million in 2004 from \$2.02 million in 2003, primarily as the result of a decrease in trading volume and an increase in the charges payable to the clearing broker following the retention of Bear Stearns for such services in May 2004. The retention of Bear Stearns was precipitated by the sale by UBS of its affiliated clearing subsidiary, Correspondent Services Corporation.

Net realized and unrealized gain on investments and interest and dividend income from consolidated affiliated partnerships decreased 55.2% to \$1.18 million in 2004 from \$2.63 million in 2003. The gains/losses on investments and dividend and interest income from consolidated investment partnerships include minority interests, i.e., the portion of the gains or losses generated by the partnerships allocable to all partners other than Levco GP, Inc., which are separately identified on the consolidated statements of operations.

Expenses

Total expenses for 2004 were \$120.43 million, reflecting an increase of 9.0% from \$110.48 million in 2003. Excluding amortization of finite life intangibles and the 2003 loss on the lease amendment, total expenses were \$113.42 million, reflecting an increase of 15.3% from \$98.35 million in 2003. The largest component of this increase was a 22.2% increase in employee compensation and benefits (excluding grants of equity awards) to \$85.09 million in 2004 from \$69.63 million in 2003. This increase in compensation expense is primarily attributable to an increase in fee revenues. Compensation with regard to alternative investment products is determined on a different basis than compensation with regard to long-only products. In December 2004, the Compensation Committee of the Board of Directors, taking into consideration business conditions relating to the long-only products and the competition for investment personnel, determined to allow bonus payments (primarily in the form of equity awards to be granted in 2005) in excess of those that would have been permitted pursuant to the compensation guidelines established in 2001 with regard to long-only products.

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The number of awards to be granted was determined based on the value of BKF stock at the time of the Compensation Committee meeting held in December 2004, but the awards were made in March 2005 and had a value of \$3.2 million as of the March 10, 2005 grant date, reflecting a significant increase in the stock price during the intervening period. The expense associated with such awards will be amortized over the period from the grant date through December 31, 2007. Investments made with respect to strategies that have not yet reached critical mass and that are reflected in compensation expense increased to \$2.5 million in 2004, as compared to \$1.9 million in 2003. The primary new investment in 2004 was in a small cap value strategy, while the fund of funds offering was no longer included in this category in 2004, as compensation by members of this group with respect to marketing activities offset losses from the strategy.

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Expenses associated with employee equity grants increased 6.6% to \$8.66 million in 2004 from \$8.13 million in 2003 as the result of the vesting of the grants. BKF has not issued any options since December 2001, and all options granted have vested; all expenses relating to equity awards relate to grants of restricted stock units and restricted stock.

Occupancy and equipment rental decreased 5.3% to \$5.99 million in 2004 from \$6.32 million in 2003. This decrease resulted primarily from the relinquishment of space at BKF's headquarters in 2003, which was partly offset by an increase in depreciation and amortization expense resulting from fixed asset additions made in 2003 and 2004 relating to leasehold improvements and computer network upgrades.

Other operating expenses of BKF for 2004 were \$13.53 million, reflecting a decrease of 4.0% from \$14.09 million in 2003. This decrease primarily reflected (i) a decrease in portfolio management and trading system costs (which bear a correlation to the number of accounts managed in wrap fee programs) and (ii) a decrease in consulting fees paid in connection with the establishment of Levco Europe, LLP (as the consultant established an employee relationship so that compensation for 2004 was reflected in employee compensation and benefits), which decreases were partly offset by increases in expenses relating to (i) the implementation of the requirements of the Sarbanes-Oxley Act and (ii) increased premiums for directors and officers/errors and omissions insurance coverage. It should also be noted that a significant portion of management's time was spent on the implementation of the requirements of the Sarbanes-Oxley Act.

Other operating expenses from consolidated affiliated partnerships decreased to \$26,000 from \$177,000 primarily as the result of the decrease in the number and size of the affiliated partnerships being consolidated.

The \$118,000 interest expense reflects imputed interest relating to payments being made in connection with the relinquishment of space pursuant to the lease amendment entered into during the fourth quarter of 2003.

Operating Income (Loss)

BKF had operating income of \$3.06 million in 2004, as compared to an operating loss of \$7.75 million in 2003. Excluding amortization of finite life intangibles, the loss on the lease amendment, and gains and losses and interest and dividend income relating to the consolidated affiliated partnerships, operating income was \$8.90 million in 2004, as compared to \$1.77 million in 2003.

Income Taxes

BKF recorded an income tax expense of \$4.08 million in 2004, as compared to an income tax benefit of \$1.08 million in 2003. The deferred tax asset/income tax benefit recorded in 2003 was primarily attributable to future tax benefits relating to (i) future compensation deductions in connection with the delivery of stock underlying restricted stock unit awards and (ii) the loss on the lease amendment. The tax expense recorded in 2004 is primarily due to the increase in pre-tax book income in 2004 as compared to a pre-tax book loss in 2003.

Excluding the non-deductible amortization expense, BKF had an effective tax rate of 43.74% in 2004, as compared to an effective tax rate of 43.96% in 2003. The difference in effective tax rates in 2004 and 2003 is primarily attributable to state and local taxes due to changes in the allocated income among various taxing jurisdictions.

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YEAR ENDED DECEMBER 31, 2003 AS COMPARED TO YEAR ENDED DECEMBER 31, 2002.

Revenues

Total revenues for 2003 were \$102.74 million, reflecting an increase of 17.5% from \$87.41 million in revenues in 2002. This increase was primarily attributable to (i) a 47.6% increase in incentive fees and allocations from \$24.59 million to \$36.29 million and (ii) a net realized and unrealized gain on investments from consolidated investment partnerships of \$2.32 million in 2003 as compared to a loss of \$3.54 million in 2002. The gains/losses on investments from consolidated investment partnerships include minority interests, i.e., the portion of the gains or losses generated by the partnerships allocable to all partners other than Levco GP, Inc., which are separately identified on the consolidated statements of operations. These gains were partly offset by a 2.4% decrease in investment advisory fees (excluding incentive fees and allocations) to \$60.32 million in 2003 from \$61.83 million in 2002.

The increase in incentive fees primarily resulted from an increase in assets under management in the event-driven and long-short equity products. Incentive fees and general partner allocations are accrued on a quarterly basis but are primarily determined and billed or allocated, as the case may be, at the end of the applicable contract year or upon investor withdrawal. Such accruals may be reversed prior to being earned or allocated as the result of investment performance. In 2003, incentive fees were reduced by the reversal of accruals made in 2002 with respect to an account following a short-biased strategy that had a June 30 fiscal year end. The decrease in investment advisory fees was attributable to (1) a decrease in the average assets under management pursuant to the long-only strategies and (2) a decrease in the average fees paid with respect to accounts managed pursuant to such strategies, which decrease was partially offset by the increase in investment advisory fees attributable to event-driven and long-short equity strategies.

The percentage of total fees attributable to event-driven strategies increased to approximately 53% in 2003 from 35% in 2002.

Net commission income generated by the broker-dealer business fell 31.3% to \$2.02 million in 2003 from \$2.94 million in 2002, primarily as the result of a decrease in the number of accounts at the broker-dealer and a decrease in commission rates.

In 2003, BKF had realized and unrealized gains on investments (excluding consolidated affiliated partnerships) of \$1.02 million, comprised primarily of (1) the receipt of approximately \$189,000 from the settlement of class action suits relating to investments made by BKF during the time it was a registered investment company and (2) net gains of \$785,000 in its investments in a range of alternative investment strategies (excluding \$8.93 million in incentive allocations from affiliated partnerships). As of year end, approximately \$8.10 million (excluding incentive allocations) was invested in such strategies. In 2002, BKF had realized and unrealized gains on investments (excluding consolidated affiliated partnerships) of \$31,000, reflecting (1) the receipt of approximately \$185,000 from the settlement of class action suits relating to investments made by BKF during the time it was a registered investment company and (2) the net losses in its investments in a range of long only and alternative investment strategies (excluding \$7.50 million in incentive allocations from affiliated partnerships). As of year end 2002, approximately \$1.83 million (excluding incentive allocations) was invested in such strategies. Realized and unrealized gains and losses on investments in affiliated, non-consolidated investment partnerships are recorded by BKF under the equity method of accounting based on BKF's proportionate share of the income or loss earned or incurred by the partnerships.

Interest income in 2003 (excluding consolidated affiliated partnerships)

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was \$453,000, reflecting a 30.8% decrease from \$655,000 in 2002. This decrease is primarily attributable to a decrease in interest rates.

Interest and dividend income from consolidated affiliated partnerships in 2003 was \$309,000, reflecting a 65.8% decrease from \$904,000 in 2002. This decrease is primarily attributable to the decrease in the number, and the corresponding decrease in the assets under management, of the affiliated partnerships being consolidated.

Expenses

Total expenses for 2003 were \$110.48 million, reflecting an increase of 23.5% from \$89.46 million in 2002. Excluding amortization of finite life intangibles and the loss on the lease amendment, total expenses

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were \$98.35 million, reflecting an increase of 19.3% from \$82.45 million in 2002. The largest component of this increase was a 16.1% increase in employee compensation and benefits (excluding grants of equity awards) to \$69.63 million in 2003 from \$59.97 million in 2002. This increase in compensation expense is primarily attributable to an increase in the percentage of revenues paid as compensation with respect to certain alternative investment products and an increase in the percentage of total revenues attributable to alternative investment strategies. Compensation with regard to alternative investment products is determined on a different basis than compensation with regard to long-only products. In December 2003, the Compensation Committee of the Board of Directors, taking into consideration market and business conditions relating to the long-only strategies, determined to allow bonus payments (partly in the form of equity awards to be granted in 2004) in excess of those that would have been permitted pursuant to the compensation guidelines established in 2001 with regard to long-only products.

Expenses associated with the grant of employee equity awards increased 339.1% to \$8.13 million in 2003 from \$1.85 million in 2002, primarily as the result of equity awards granted in both 2002 and 2003 (including restricted stock units granted in exchange for options).

Occupancy and equipment rental increased 7.7% to \$6.32 million in 2003 from \$5.87 million in 2002. This increase resulted primarily from depreciation expense relating to capital expenditures made in connection with the development of the technological infrastructure and the construction of the office facility.

In 2003, BKF recorded a \$5.13 million loss related to a lease amendment that was entered into in October 2003. Under the amendment, BKF relinquished space and reduced its rent expense by approximately \$4.4 million over the remaining term of the lease.

The expense accrual was calculated based on the net present value of the payments representing the difference between the amounts that BKF was obligated for on the space it relinquished and the amounts the landlord will receive from the tenant succeeding BKF in the relinquished space.

Other operating expenses of BKF for 2003 were \$14.09 million, reflecting a decrease of 2.1% from \$14.39 million in 2002. This decrease primarily reflected (i) a decrease in portfolio management and trading system costs (which bear a correlation to the number of accounts managed in wrap fee programs) and (ii) the reversal of an accrual made with respect to payments to third party marketers (as the result of the reversal of accrued incentive fees with regard to short-biased products), which were partly offset by increased insurance premiums for directors and officers/errors and omissions coverage.

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Other operating expenses from consolidated affiliated partnerships decreased by 51.2% to \$177,000 from \$363,000 primarily as the result of the decrease in the number of the affiliated partnerships being consolidated.

Operating Loss

BKF had an operating loss of \$7.75 million in 2003, as compared to an operating loss of \$2.05 million in 2002. Excluding amortization of finite life intangibles, the loss on the lease amendment, and gains and losses and interest and dividend income relating to the consolidated affiliated partnerships, operating income was \$1.77 million in 2003, as compared to \$7.60 million in 2002. As discussed above, the largest factor in this decrease was the increase in employee compensation and benefits (including expenses relating to equity awards), which exceeded the increase in incentive fees and allocations.

Income Taxes

BKF recorded an income tax benefit of \$1.08 million in 2003, as compared to an income tax expense of \$3.69 million (net of a deferred tax benefit of \$793,000) in 2002. The deferred tax asset is primarily attributable to future tax benefits relating to (i) future compensation deductions in connection with the delivery of stock underlying restricted stock unit awards and (ii) the loss on the lease amendment.

Excluding the non-deductible amortization expense, BKF had an effective tax rate of 43.96% in 2003, as compared to an effective tax rate of 44.7% in 2002. The difference in effective tax rates in 2003 and 2002 is

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primarily attributable to state and local taxes due to changes in the allocated income among various taxing jurisdictions.

LIQUIDITY AND CAPITAL RESOURCES

BKF's current assets as of December 31, 2004 consist primarily of cash, US Treasury bills, advisory fees receivable and marketable equity securities. While BKF's daily business operations are not generally capital intensive, BKF utilizes capital to develop and seed new investment products. The development of new products is an important element in BKF's business plan, and such seed capital investments may require substantial financial resources. Due to its relatively small size, BKF may consider a number of options to obtain such seed capital. BKF has historically met its cash and liquidity needs through cash generated by operating activities. At December 31, 2004, BKF had cash, cash equivalents and US Treasury bills of \$44.05 million, as compared to \$37.44 million at December 31, 2003. This increase primarily reflects the collection of fees and receivables during 2004 and the annual withdrawal of general partner incentive allocations from affiliated investment partnerships, which was partly offset by the payment of dividends, the purchases of fixed assets and the investment of capital in affiliated investment partnerships. The increase in investment advisory and incentive fees receivable from \$37.84 million at December 31, 2003 to \$40.01 million at December 31, 2004 primarily reflects the accrual of incentive fees (which are primarily earned as of the conclusion of the calendar year), which was partly offset by the receipt in 2004 of incentive fees earned in 2003.

The increase in investments in securities to \$5.79 million at December 31, 2004 from \$4.38 million at December 31, 2003, primarily reflects an additional investment in an affiliated non-US private investment vehicle. The increase in prepaid expenses and other assets to \$7.05 million at December 31, 2004 from

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\$3.89 million at December 31, 2003 primarily reflects a tax receivable and the subscription in advance for interests in an unaffiliated investment fund.

The decrease in deferred tax assets to \$8.39 million in 2004 from \$8.67 million in 2003 is primarily attributable to the delivery of shares of stock underlying restricted stock unit awards and the exercise of stock options for which deferred tax assets were set up in the year the awards and options vested.

The increase in investments in securities from consolidated affiliated partnerships to \$6.52 million at December 31, 2004 from \$3.93 million at December 31, 2003, and the decrease in due from broker from consolidated affiliated partnerships from \$4.25 million at December 31, 2003 to \$952,000 at December 31, 2004 reflects the numbers and size of the funds consolidated.

Accrued expenses were \$4.29 million at December 31, 2004, as compared to \$3.56 million at December 31, 2003. The largest component of such expenses is the accrual for third party marketing fees. Expenses accrued during 2004 were offset primarily by the payment of accrued third party marketing fees.

Accrued bonuses were \$42.69 million at December 31, 2004, as compared to \$39.73 million at December 31, 2003, reflecting the payment of 2003 bonuses and the accrual for 2004 bonuses.

The increase in accrued incentive compensation to \$15.77 million at December 31, 2004 from \$10.29 million at December 31, 2003 reflects the vesting of equity awards, which was partly offset by the delivery of the common stock underlying equity awards and the forfeiture of such awards by departing employees.

The decrease in accrued lease amendment expenses to \$3.84 million at December 31, 2004 from \$4.54 million at December 31, 2003 reflects payments made pursuant to the lease amendment under which space was surrendered.

Based upon BKF's current level of operations and anticipated growth, BKF expects that cash flows from operating activities will be sufficient to finance its working capital needs for the foreseeable future. BKF's business is not seasonal. Except for the lease commitments and related expenditures described below, BKF has no material commitments for capital expenditures. The Company has office space obligations that require monthly payments plus escalations through September 2011.

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OFF BALANCE SHEET RISK

Levco GP serves as the managing general partner for several affiliated investment partnerships which trade primarily in equity securities or, in the case of one partnership, in distressed corporate debt. As of December 31, 2004, total partners' capital in these partnerships was approximately \$614.13 million. As of December 31, 2004, the sum total of Levco GP's capital accounts in the affiliated investment partnerships was approximately \$17.36 million. The financial condition and results of operations of certain of these affiliated investment partnerships are not included in BKF's consolidated statements of financial condition (except to the extent of Levco GP's equity ownership). Levco GP has not guaranteed any of the affiliated investment partnerships' obligations, nor does it have any contractual commitments associated with them.

CONTRACTUAL OBLIGATIONS

As of December 31, 2004, the Company's contractual obligations, including payments due by period, are as follows (\$ in thousands):

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	PAYMENTS DUE BY PERIOD				
	TOTAL	2005	2006-2007	2008-2009	THEREAFT
Operating leases.....	\$22,937	\$3,002	\$6,104	\$7,378	\$6,453
Accrued lease loss amendment.....	3,843	415	1,048	1,074	1,302
Total Contractual Obligations.....	26,780	3,417	7,152	8,452	7,755
Operating lease -- UK (executed February 2005).....	997	82	262	262	393
Total Contractual Obligations, subsequent to December 31, 2004.....	\$27,777	\$3,499	\$7,414	\$8,714	\$8,148

CRITICAL ACCOUNTING POLICIES

REVENUE RECOGNITION AND RELATED EXPENSES

With respect to incentive fees and allocations, BKF has elected to accrue income on a quarterly basis, though such fees and allocations are determined and billed or allocated at the end of the applicable measurement period. Such accruals, as well as related compensation and third party referral fees, may be reversed as the result of subsequent investment performance prior to the conclusion of the applicable contract year or investor withdrawal. Alternatively, BKF could have adopted a policy of not recognizing such fees or allocations until the respective payments are fixed at the end of the performance measurement period. Since most incentives fees or allocations are determined as of the end of the calendar year, the adoption of a revenue recognition policy that defers recognition of incentive fees or allocations and associated expenses could result in much lower levels of income, and associated compensation expenses, for periods prior to the fourth quarter. BKF's annual financial results would not be materially affected, as most of the performance measurement periods conclude on December 31.

PURCHASE PRICE ALLOCATION

In order to account for the acquisition of Levco by BKF in 1996 utilizing the purchase method of accounting, Levco's cost in excess of net assets was reflected in the following intangible items: goodwill, employment contracts for key personnel and investment advisory contracts. The total value of these intangibles at the time of the acquisition was \$116.8 million. BKF determined that 20% of that amount was attributable to goodwill, 20% to the employment contracts and 60% to the investment contracts. BKF amortizes the value of the investment contracts over a ten year period, and amortized the employment contracts, which have all expired, over their respective terms. Pursuant to Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," commencing in 2002, the net carrying value of the goodwill of \$14.8 million at December 31, 2001, ceased to be amortized. Goodwill is subject to an annual impairment test.

INVESTMENTS IN AFFILIATED INVESTMENT PARTNERSHIPS

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Levco GP serves as the managing general partner for several affiliated investment partnerships which are not consolidated with BKF. These general partnerships are periodically assessed to determine whether the underlying assets and liabilities should be consolidated. See "Item 7 -- Off Balance Sheet Risk."

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Since BKF's revenues are largely driven by the market value of Levco's assets under management, these revenues are exposed to fluctuations in the equity markets. Management fees for most accounts are determined based on the market value of the account on the last day of the quarter with respect to which the investment advisory fee is charged, so any significant increases or decreases in market value occurring on or shortly before the last day of a quarter may materially impact revenues for the quarter. Furthermore, since Levco manages most of its assets in a large cap value style, a general decline in the performance of value stocks could have an adverse impact on Levco's revenues. Similarly, a lack of opportunity to implement, or a failure to successfully implement, Levco's event-driven strategies, could reduce performance based incentive fees and allocations and thereby negatively impact BKF's revenues. In addition, as of December 31, 2004 and 2003, BKF had invested (1) \$1.34 million and \$1.05 million, respectively, in seed capital for long-only equity products, which investments could be similarly impacted by a decline in the performance of value stocks, and (2) \$18.95 million and \$13.36 million (excluding accrued incentive allocations), respectively, in proprietary alternative investment strategies, which are also exposed to market fluctuations.

The following table (dollars in thousands) summarizes our investments as of December 31, 2004 and December 31, 2003 in long-only equity products and alternative investment strategies (excluding incentive allocations) and provides a sensitivity analysis assuming a 10% increase or decrease in the value of these investments.

	FAIR VALUE	FAIR VALUE ASSUMING 10% DECREASE IN EQUITY PRICE	FAIR VALUE AS 10% INCREAS EQUITY PRI
	-----	-----	-----
AT DECEMBER 31, 2004			
Equity price sensitive investments, at fair value.....	\$20,295	\$18,266	\$22,325
AT DECEMBER 31, 2003			
Equity price sensitive investments, at fair value.....	\$14,413	\$12,972	\$15,854

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

The independent auditor's reports and financial statements listed in the accompanying index are included in Item 15 of this Annual Report on Form 10-K. See Index to Financial Statements on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements on accounting or financial disclosure matters.

ITEM 9A. CONTROLS AND PROCEDURES

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

BKF's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, BKF conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in Internal Control -- Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework"). Based on our evaluation under the COSO Framework, management concluded that BKF's internal control over financial reporting was effective as of December 31, 2004.

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CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in BKF's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that occurred during BKF's most recent quarter that has materially affected, or is reasonably likely to materially affect, BKF'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 BKF's controls will succeed in achieving their stated goals under all potential future conditions.

BKF's Chief Executive Officer and Chief Financial Officer have furnished in this Annual Report on Form 10-K the certifications required under Sections 306 and 902. In addition, BKF's Chief Executive Officer has certified to the New York Stock Exchange that he is not aware of any violations by BKF of the corporate governance listing standards of the NYSE.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders of
BKF CAPITAL GROUP, INC.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 9A., that BKF Capital Group, Inc. (a Delaware corporation) maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). BKF Capital Group, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating

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the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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In our opinion, management's assessment that BKF Capital Group, Inc. maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Also in our opinion, BKF Capital Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial condition of BKF Capital Group, Inc. and Subsidiaries of December 31, 2004, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year then ended and our report dated March 10, 2005 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

New York, New York
March 10, 2005

PART III

ITEMS 10, 11, 12, 13 AND 14.

The information required by Items 10, 11, 12, 13 and 14 will be furnished on or prior to April 30, 2005 (and is hereby incorporated by reference) by an amendment hereto or pursuant to a definitive proxy statement pursuant to Regulation 14A which will contain such information.

PART IV

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ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this Form 10-K:

(1) Financial Statements

The following financial statements of BKF Capital Group, Inc. and Subsidiaries are filed as part of this report under Item 8-Financial Statements and Supplementary Data:

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Report of Independent Registered Public Accounting Firm -- Grant Thornton LLP.....	F-2
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(2) Financial Data Schedules

All schedules are omitted, as the required information is inapplicable or is included in the financial statements or related notes.

(3) Exhibits

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EXHIBIT NUMBER -----	DESCRIPTION -----
3.1	-- Restated Certificate of Incorporation of Registrant, as amended (incorporated by reference to Exhibit 3(i) to Registrant's Quarterly Reports on Form 10-Q for the periods ended June 30, 2000 and June 30, 2001).
3.2	-- Bylaws of Registrant (incorporated by reference to Exhibit 3(ii) to Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2001).
4.1	-- Specimen of Common Stock Certificate (incorporated by reference to Exhibit 4.1 of Registrant's Annual Report on Form 10-K for the period ended December 31, 2000).
4.2	-- Rights Agreement dated as of June 8, 2001 between BKF and Mellon Investor Services LLC (as Rights Agent) (incorporated

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- by reference to Exhibit 4.1 to BKF's Current Report on Form 8-K dated June 11, 2001).
- 10.1 -- Amendment to Lease dated October 10, 2003 between Rockefeller Center Properties and John A. Levin, Inc. (incorporated by reference to Exhibit 10.1 of Registrant's Annual Report on Form 10-K for the period ended December 31, 2003).
- 10.2 -- Lease dated December 20, 1993 between Rockefeller Center Properties and John A. Levin & Co., Inc., as amended (incorporated by reference to Exhibit 10.1 of Registrant's Annual Report on Form 10-K for the period ended December 31, 2000, Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2001, and Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2001).
- 10.3 -- Lease dated September 25, 2002 between River Bend Executive Center, Inc. and Levin Management Co., Inc. (incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2002).
- 10.4 -- Lease dated February 14, 2005 between Benchmark Group Limited and Levco Europe, LLP.*
- 10.5 -- Registrant's 1998 Incentive Compensation Plan, as amended (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2001).
- 10.6 -- Registrant's Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2000).
- 10.7 -- Form of Stock Option Award Agreement (incorporated by reference to Exhibit 10.5 to Registrant's Annual Report on Form 10-K for the period ended December 31, 2001).
- 10.8 -- Form of Deferred Stock Award Agreement (incorporated by reference to Exhibit 4.5 to the Registration Statement on Form S-8 filed with the Commission on November 17, 2000).
- 10.9 -- Form of Restricted Stock Award Agreement*
- 10.10 -- Agreement between BKF and Gregory T. Rogers dated September 29, 2004 (incorporated by reference to Exhibit 10.1 of Registrant's Report on Form 8-K dated October 6, 2004)
- 14.1 -- Registrant's Code of Ethics (incorporated by Reference to Exhibit 14.1 of Registrant's Annual Report on Form 10-K for the period ended December 31, 2003).
- 21.1 -- Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to the Registrant's Annual Report on Form 10-K for the period ended December 31, 2000).
- 23.1 -- Consent of Grant Thornton LLP.*
- 23.2 -- Consent of Ernst & Young LLP.*
- 23.3 -- Consent of Eisner LLP.*
- 24.1 -- Powers of Attorney (included on the Signature Pages hereto).*
- 31.1 -- Section 302 Certification of Chief Executive Officer*
- 31.2 -- Section 302 Certification of Chief Financial Officer*
- 32.1 -- Section 906 Certification of Chief Executive Officer*
- 32.2 -- Section 906 Certification of Chief Financial Officer*

* Filed herewith

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of the period

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covered by this report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

BKF CAPITAL GROUP, INC.

By: /s/ GLENN A. AIGEN

Glenn A. Aigen
Senior Vice President and Chief
Financial Officer

Date: March 17, 2005

Each person whose signature appears below hereby constitutes and appoints John A. Levin, Glenn A. Aigen and Norris Nissim and each of them, his true and lawful attorney-in-fact and agent with full power of substitution, for him in any and all capacities, to execute and cause to be filed with the Securities and Exchange Commission any and all amendments to the Annual Report on Form 10-K, with exhibits thereto and other documents connected therewith and to perform any acts necessary to be done in order to file such documents, and hereby ratifies and confirms all that said attorney-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

SIGNATURE -----	TITLE -----	DATE ----
/s/ JOHN A. LEVIN ----- John A. Levin	Chairman, Chief Executive Officer and President (Principal Executive Officer)	March 17, 2005
/s/ GLENN A. AIGEN ----- Glenn A. Aigen	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 17, 2005
/s/ ANSON M. BEARD, JR. ----- Anson M. Beard, Jr.	Director	March 17, 2005
/s/ BARTON M. BIGGS ----- Barton M. Biggs	Director	March 17, 2005
/s/ J. BARTON GOODWIN ----- J. Barton Goodwin	Director	March 17, 2005

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/s/ DAVID D. GRUMHAUS ----- David D. Grumhaus	Director	March 17, 2005
/s/ BURTON G. MALKIEL ----- Burton G. Malkiel	Director	March 17, 2005
/s/ PETER J. SOLOMON ----- Peter J. Solomon	Director	March 17, 2005
/s/ DEAN J. TAKAHASHI ----- Dean J. Takahashi	Director	March 17, 2005
/s/ JAMES S. TISCH ----- James S. Tisch	Director	March 17, 2005

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders of
 BKF CAPITAL GROUP, INC.

We have audited the consolidated statement of financial condition of BKF Capital

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Group, Inc. and Subsidiaries (a Delaware corporation) as of December 31, 2004, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of one consolidated affiliated partnership (the "2004 CAP"), which statements reflect total assets constituting 5 percent as of December 31, 2004, and total revenues of 0.5 percent for the year then ended. Those statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the 2004 CAP, is based solely on the report of the other auditor.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditor, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BKF Capital Group, Inc. and Subsidiaries as of December 31, 2004, and the consolidated results of their operations, changes in stockholders' equity and their consolidated cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of BKF Capital Group, Inc.'s and Subsidiaries' internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 10, 2005 expressed an unqualified opinion on management's assessment.

/s/ GRANT THORNTON LLP

New York, New York
March 10, 2005

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
BKF Capital Group, Inc.

We have audited the accompanying consolidated statement of financial condition of BKF Capital Group, Inc. as of December 31, 2003, and the consolidated statements of operations, changes in stockholders' equity and cash flows for each of the years in the two year period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of two consolidated affiliated partnerships (collectively the "2003 CAP"), majority-owned investments, which statements reflect total assets constituting 5 percent of the related consolidated totals as of December 31, 2003 and which statements reflect total revenues constituting 2 percent of the related consolidated totals for the

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year ended December 31, 2003. We did not audit the financial statements of six consolidated affiliated partnerships (collectively the "2002 CAP"), majority-owned investments, which statements reflect total revenues constituting 3 percent of the related consolidated totals for the year ended December 31, 2002. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the 2003 CAP and 2002 CAP, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BKF Capital Group, Inc. at December 31, 2003, and the consolidated results of its operations and its cash flows for each of the years in the two year period ended December 31, 2003, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 4 to the financial statements, in the context of making determinations pursuant to Financial Interpretation No. 46, "Consolidation of Variable Interest Entities," the Company also decided to consolidate certain affiliated investment partnerships in which it may be deemed to have a controlling interest.

/s/ ERNST & YOUNG LLP

New York, New York
March 3, 2004

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners
Alvarado Capital Partners, L.P.

We have audited the accompanying statement of assets, liabilities and partnership capital of Alvarado Capital Partners, L.P. (the "Partnership") (a limited partnership), including the condensed schedule of portfolio investments, as of December 31, 2004, and the related statements of operations, changes in partnership capital and the financial highlights for the period from October 1, 2004 (commencement of operations) to December 31, 2004 (not shown separately herein). These financial statements and financial highlights are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with standards of the Public Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and

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disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights (not shown separately herein) referred to above present fairly, in all material respects, the financial position of Alvarado Capital Partners, L.P. as of December 31, 2004, and the results of its operations, changes in its partnership capital and financial highlights for the period from October 1, 2004 (commencement of operations) to December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

/s/ EISNER LLP

New York, New York
January 24, 2005

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners
RCL Capital, L.P.

We have audited the statement of assets, liabilities and partnership capital of RCL Capital, L.P. (a limited partnership) as of December 31, 2003, and the related statements of operations, changes in its partnership capital and the financial highlights for the period from July 14, 2003 (commencement of operations) to December 31, 2003. These financial statements and the financial highlights (not shown separately herein) are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements and the financial highlights based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights enumerated above present fairly, in all material respects, the financial position of RCL Capital, L.P. as of December 31, 2003, and the results of its operations, changes in its partnership capital and financial highlights for the period from July 14, 2003 (commencement of operations) to December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

/s/ Eisner LLP

New York, New York
January 12, 2004

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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To the Partners
Levco Debt Opportunity Partners, L.P.

We have audited the statement of assets, liabilities and partnership capital of Levco Debt Opportunity Partners, L.P. as of December 31, 2003, and the related statements of operations, changes in partnership capital and the financial highlights for the years ended December 31, 2003 and 2002. These financial statements and the financial highlights (not shown separately herein) are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements and the financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights enumerated above present fairly, in all material respects, the financial position of Levco Debt Opportunity Partners, L.P. as of December 31, 2003, the results of its operations, changes in its partnership capital and financial highlights for the years ended December 31, 2003 and 2002 in conformity with accounting principles generally accepted in the United States of America.

/s/ Eisner LLP

New York, New York
February 6, 2004

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
AltVantage Absolute Return Fund, L.P.

We have audited the statements of operations, changes in its partnership capital and cash flows for AltVantage Absolute Return Fund, L.P. (a limited partnership) for the year ended December 31, 2002. These financial statements (not shown separately herein) are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of AltVantage Absolute Return Fund, L.P. enumerated above present fairly, in all material respects, the results of its operations, changes in its net assets and cash flows for the year ended

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December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

/s/ Eisner LLP

New York, New York
April 11, 2003

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners
SR Capital Partners, L.P.

We have audited the statements of operations and changes in partnership capital of SR Capital Partners (a limited partnership) for the period from May 1, 2002 (commencement of operations) to December 31, 2002. These financial statements (not shown separately herein) are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of SR Capital Partners, L.P. enumerated above present fairly, in all material respects, the results of its operations and the changes in its partnership capital for the period from May 1, 2002 (commencement of operations) to December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

/s/ Eisner LLP

New York, New York
January 13, 2003

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners
Greenspring Partners, L. P.

We have audited the statements of operations and changes in its partnership capital for Greenspring Partners, L.P. (a limited partnership) for the year ended December 31, 2002. These financial statements (not shown separately herein) are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial

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statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of Greenspring Partners, L.P. enumerated above present fairly, in all material respects, the results of its operations and the changes in its partnership capital for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

/s/ Eisner LLP

New York, New York
January 13, 2003

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners
PWF Capital Partners, L.P.

We have audited the statements of operations and changes in partnership capital of PWF Capital Partners, L.P. (a limited partnership) for the period from May 1, 2002 (commencement of operations) to December 31, 2002. These financial statements (not shown separately herein) are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of PWF Capital Partners, L.P. enumerated above present fairly, in all material respects, the results of its operations and the changes in its partnership capital for the period from May 1, 2002 (commencement of operations) to December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

/s/ Eisner LLP

New York, New York
January 13, 2003

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners
Meadow Lane Associates, L.P.

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We have audited the statements of operations and changes in partnership capital for Meadow Lane Associates, L.P. (in liquidation) for the nine months ended September 30, 2002. These financial statements (not shown separately herein) are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of Meadow Lane Associates, L.P. (in liquidation) enumerated above present fairly, in all material respects, the results of its operations and the changes in its partnership capital for the nine months ended September 30, 2002 in conformity with accounting principles generally accepted in the United States of America.

/s/ Eisner LLP

New York, New York
October 17, 2002

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (DOLLAR AMOUNTS IN THOUSANDS)

	DECEMBER 31, 2004	DECEMBER 31, 2003
	-----	-----
ASSETS		
Cash and cash equivalents.....	\$ 3,582	\$ 4,947
U.S. Treasury bills.....	40,466	32,495
Investment advisory and incentive fees receivable.....	40,009	37,844
Investments in securities, at value (cost \$5,426 and \$4,317, respectively).....	5,788	4,379
Investments in affiliated partnerships.....	17,362	17,042
Prepaid expenses and other assets.....	7,049	3,890
Fixed assets (net of accumulated depreciation of \$6,756 and \$4,881, respectively).....	6,812	6,741
Deferred tax asset.....	8,391	8,666
Goodwill (net of accumulated amortization of \$8,566).....	14,796	14,796
Investment advisory contracts (net of accumulated amortization of \$59,576 and \$52,567, respectively).....	10,513	17,522
Consolidated affiliated partnerships:		
Due from broker.....	952	4,248
Investments in securities, at value (cost \$5,877 and \$3,692, respectively).....	6,517	3,927
Investments in unaffiliated partnerships.....	--	3,778
	-----	-----
Total assets.....	\$162,237	\$160,275

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	=====	=====
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY		
Accrued expenses.....	\$ 4,292	\$ 3,562
Accrued bonuses.....	42,686	39,728
Accrued incentive compensation.....	15,773	10,289
Accrued lease amendment expense.....	3,843	4,535
Consolidated affiliated partnerships:		
Securities sold short, at value (proceeds of \$1,065 and \$1,106, respectively).....	1,299	1,117
	-----	-----
Total liabilities.....	67,893	59,231
	-----	-----
Minority interest in consolidated affiliated partnerships...	2,478	8,935
	-----	-----
STOCKHOLDERS' EQUITY		
Common stock, \$1 par value, authorized -- 15,000,000 shares, issued and outstanding -- 7,274,779 and 6,826,247 shares, respectively.....	7,275	6,826
Additional paid-in capital.....	68,114	63,229
Retained earnings.....	17,508	22,054
Unearned compensation -- restricted stock.....	(1,031)	--
	-----	-----
Total stockholders' equity.....	91,866	92,109
	-----	-----
Total liabilities, minority interest and stockholders' equity.....	\$162,237	\$160,275
	=====	=====

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)

	YEAR ENDED DECEMBER 31,		
	2004	2003	2002
	-----	-----	-----
REVENUES:			
Investment advisory fees.....	\$ 78,324	\$ 60,324	\$ 61,833
Incentive fees and allocations.....	40,925	36,293	24,591
Commission income (net) and other.....	1,438	2,021	2,940
Net realized and unrealized gain on investments.....	1,020	1,022	31
Interest income.....	604	453	655
From consolidated affiliated partnerships:			
Net realized and unrealized gain (loss) on investments.....	1,129	2,316	(3,543)
Interest and dividend income.....	47	309	904
	-----	-----	-----
Total revenues.....	123,487	102,738	87,411
	-----	-----	-----
EXPENSES:			
Employee compensation and benefits.....	85,092	69,634	59,970
Employee compensation relating to equity grants.....	8,661	8,128	1,851

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Occupancy and equipment rental.....	5,990	6,322	5,872
Loss on lease amendment.....	--	5,127	--
Other operating expenses.....	13,529	14,087	14,392
Other operating expenses from consolidated affiliated partnerships.....	26	177	363
Amortization of intangibles.....	7,009	7,009	7,009
Interest expense.....	118	--	--
	-----	-----	-----
Total expenses.....	120,425	110,484	89,457
	-----	-----	-----
Operating income (loss).....	3,062	(7,746)	(2,046)
Minority interest in consolidated affiliated partnerships.....	(749)	(1,710)	3,291
	-----	-----	-----
Income (loss) before taxes.....	2,313	(9,456)	1,245
	-----	-----	-----
Income tax expense (benefit).....	4,078	(1,076)	3,692
	-----	-----	-----
NET (LOSS).....	\$ (1,765)	\$ (8,380)	\$ (2,447)
	=====	=====	=====
(Loss) per share:			
Basic and Diluted.....	\$ (0.25)	\$ (1.26)	\$ (0.37)
	=====	=====	=====
Weighted average shares outstanding			
Basic and Diluted.....	6,949,031	6,673,371	6,624,313
	=====	=====	=====

See accompanying notes

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLAR AMOUNTS IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2004	2003	2002
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss).....	\$ (1,765)	\$ (8,380)	\$ (2,447)
Adjustments to reconcile net (loss) to net cash provided by operations:			
Depreciation and amortization.....	9,171	8,559	8,103
Expense for vesting of restricted stock and stock units...	8,919	8,186	2,020
Loss on disposal of fixed assets.....	--	127	--
Tax benefit related to employee compensation plans.....	4,432	633	317
Change in deferred tax asset.....	275	(2,984)	(793)
Unrealized (gain) loss on investments in securities.....	(300)	(319)	617
Changes in operating assets and liabilities:			
(Increase) decrease in U.S. Treasury bills.....	(7,971)	(19,056)	12,144
(Increase) decrease in investment advisory and incentive fees receivable.....	(2,165)	(13,698)	3,680
(Increase) decrease in prepaid expenses and other assets.....	(3,193)	(1,794)	267
Decrease in investments in affiliated investment			

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partnerships.....	1,604	106	8,148
(Increase) decrease in investments in securities.....	(1,109)	(3,013)	1,120
Increase (decrease) in accrued expenses.....	700	(1,573)	823
Increase (decrease) in accrued bonuses.....	2,958	8,219	(6,102)
Increase (decrease) in accrued lease amendment expense.....	(692)	4,535	--
Increase in income taxes payable.....	--	(532)	(50)
Changes in operating assets and liabilities from consolidated affiliated partnerships:			
Minority interest in income (loss).....	208	1,710	(3,291)
(Increase) decrease in due from broker.....	(952)	10,870	(31,746)
(Increase) in securities.....	(6,517)	(1,080)	(17,810)
(Increase) decrease in investments in unaffiliated partnerships.....	--	497	(4,275)
Increase (decrease) in securities sold short.....	1,299	(1,959)	9,395
Minority interest in previously unconsolidated affiliated partnerships.....	--	1,111	40,961
	-----	-----	-----
Net cash provided by operating activities.....	4,902	(9,835)	21,081
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed asset additions.....	(2,234)	(4,729)	(1,606)
	-----	-----	-----
Net cash (used in) investing activities.....	(2,234)	(4,729)	(1,606)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of loan principal.....	--	--	(221)
Issuance of common stock.....	(3,504)	(2,091)	204
Dividends paid to shareholders.....	(2,799)	--	--
Consolidated affiliated partnerships:			
Increase (decrease) in partner contributions received in advance.....	--	(1,150)	1,150
Partner subscriptions.....	2,270	10,065	24,609
Partner redemptions.....	--	(13,024)	(35,750)
	-----	-----	-----
Net cash (used in) financing activities.....	(4,033)	(6,200)	(10,008)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(1,365)	(20,764)	9,467
Cash and cash equivalents at the beginning of the year.....	4,947	25,711	16,244
	-----	-----	-----
Cash and cash equivalents at the end of the year.....	\$ 3,582	\$ 4,947	\$ 25,711
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest.....	\$ 118	\$ 1	\$ 8
	=====	=====	=====
Cash paid for taxes.....	\$ 961	\$ 4,251	\$ 4,286
	=====	=====	=====

See accompanying notes

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(DOLLAR AMOUNTS IN THOUSANDS)

COMMON ADDITIONAL RETAINED UNEARNED

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	STOCK	PAID-IN CAPITAL	EARNINGS	COMPENSATION	TOT
	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 2001.....	\$6,601	\$64,002	\$32,881	\$ --	\$103
Issuance of common stock.....	41	343	--	--	
Tax benefit related to employee compensation plans.....	--	317	--	--	
Net (loss).....	--	--	(2,447)	--	(2)
	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 2002.....	6,642	64,662	30,434	--	101
Issuance of common stock.....	184	(2,066)	--	--	(1)
Tax benefit related to employee compensation plans.....	--	633	--	--	
Net (loss).....	--	--	(8,380)	--	(8)
	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 2003.....	6,826	63,229	22,054	--	92
Grants of restricted stock.....	65	1,620	--	(1,031)	
Issuance of common stock.....	384	(1,167)	--	--	
Tax benefit related to employee compensation plans.....	--	4,432	--	--	4
Dividend, net of compensation expense(1).....	--	--	(2,781)	--	(2)
Net (loss).....	--	--	(1,765)	--	(1)
	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 2004.....	\$7,275	\$68,114	\$17,508	\$ (1,031)	\$ 91
	=====	=====	=====	=====	=====

(1) compensation expense incurred relating to dividend of \$18.
See accompanying notes

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

BKF Capital Group, Inc. (the "Company") operates through a wholly-owned subsidiary, Levin Management Co., Inc. and its subsidiaries, all of which are referred to as "Levco." The Company trades on the New York Stock Exchange, Inc. ("NYSE") under the symbol ("BKF").

The Consolidated Financial Statements of Levco include its wholly-owned subsidiaries LEVCO Europe Holdings, Ltd. ("LEVCO Holdings") and its wholly-owned subsidiary, LEVCO Europe, LLP ("LEVCO Europe"), John A. Levin & Co., Inc., ("JALCO"), JALCO's two wholly-owned subsidiaries, Levco GP Inc. ("Levco GP") and LEVCO Securities, Inc. ("LEVCO Securities") and certain affiliated investment partnerships for which the Company is deemed to have a controlling interest in the applicable partnership. One investment partnership was consolidated at December 31, 2004 and two were consolidated at December 31, 2003. In addition, the operations of two investment partnerships (one de-consolidated on July 1, 2004 due to a decrease in ownership interest and one launched on October 1, 2004) were included in the statements of operation and cash flows for the

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applicable periods during the year ended December 31, 2004. The operations of three investment partnerships (two terminated in March, 2003 and one de-consolidated October 1, 2003 due to a decrease in ownership interest) were included in the statements of operations and cash flows for the applicable periods during the year ended December 31, 2003. All intercompany transactions have been eliminated in consolidation.

JALCO is an investment advisor registered under the Investment Advisers Act of 1940, as amended, which provides investment advisory services to its clients which include U.S. and foreign corporations, mutual funds, limited partnerships, universities, pension and profit sharing plans, individuals, trusts, not-for-profit organizations and foundations. JALCO also participates in broker consulting programs (Wrap Accounts) with several nationally recognized financial institutions. LEVCO Securities is registered with the SEC as a broker-dealer and is a member of the National Association of Securities Dealers, Inc. Levco GP acts as the managing general partner of several affiliated investment partnerships and is registered with the Commodities Futures Trading Commission as a commodity pool operator.

CONSOLIDATION ACCOUNTING POLICIES

Operating Companies. Financial Accounting Standards Board ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities - an interpretation of Accounting Research Bulletin No. 51 ("ARB 51"), "Consolidated Financial Statements," to variable interest entities ("VIE") , ("FIN 46"), which was issued in January 2003 and revised in December 2003 ("FIN 46R"), defines the criteria necessary to be considered an operating company (i.e., voting interest entity) for which the consolidation accounting guidance of Statement of Financial Accounting Standards ("SFAS") No. 94, "Consolidation of All Majority-Owned Subsidiaries, ("SFAS 94") should be applied. As required by SFAS 94, the Company consolidates operating companies in which BKF has a controlling financial interest. The usual condition for a controlling financial interest is ownership of a majority of the voting interest. FIN 46R defines operating companies as businesses that have a sufficient legal equity to absorb the entities' expected losses and, in each case, for which the equity holders have substantive voting rights and participate substantively in the gains and losses of such entities. Operating companies in which the Company is able to exercise significant influence but do not control are accounted for under the equity method. Significant influence generally is deemed to exist when the Company owns 20% to 50% of the voting equity of an operating entity. The Company has determined that it does not have any VIE. Entities consolidated are based on equity ownership of the entity by the Company and its affiliates.

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

Generally, investment advisory fees are billed quarterly, in arrears, and

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are based upon a percentage of the market value of each account at the end of the quarter. Wrap account fees are billed quarterly based upon a percentage of the market value of each account as of the previous quarter end. Incentive fees, general partner incentive allocations earned from affiliated investment partnerships, and incentive fees from other accounts are accrued on a quarterly basis and are billed quarterly or at the end of their respective contract year, as applicable. Such accruals may be reversed as a result of subsequent investment performance prior to the conclusion of the applicable contract year.

Commissions earned on securities transactions executed by LEVCO Securities and related expenses are recorded on a trade-date basis net of any sales credits.

Commissions earned on distribution of an unaffiliated investment advisor's funds are recorded once a written commitment is obtained from the investor.

REVENUE RECOGNITION POLICIES FOR CONSOLIDATED AFFILIATED PARTNERSHIPS ("CAP")

Marketable securities owned and securities sold short, are valued at independent market prices with the resultant unrealized gains and losses included in operations.

Security transactions are recorded on a trade date basis.

Interest income and expense are accrued as earned or incurred.

Dividend income and expense are recorded on the ex-dividend date.

CASH, CASH EQUIVALENTS AND UNITED STATES TREASURY BILLS

The Company treats all United States Treasury Bills with maturities at acquisition of three months or less as cash equivalents. The U.S. Treasury bills are valued at cost plus accrued interest, which approximates market value. Investments in money market funds are valued at net asset value. The Company maintained substantially all of its cash, cash equivalents and U.S. Treasury bills invested in interest bearing instruments at two nationally recognized financial institutions, which at times may exceed federally insured limits. As a result the Company is exposed to market and credit risk.

INVESTMENTS IN AFFILIATED INVESTMENT PARTNERSHIPS

Levco GP serves as the managing general partner for several affiliated investment partnerships ("AIP"), which primarily engage in the trading of publicly traded equity securities, and in the case of one partnership, distressed corporate debt. The assets and liabilities and results of operations of the AIP are not included in the Company's consolidated statements of financial condition with the exception of Levco GP's equity ownership and certain AIP whereby Levco GP is deemed to have a controlling interest in the partnership (see Note 4). The limited partners of the AIP have the right to redeem their partnership interests at least quarterly. Additionally, the unaffiliated limited partners of the AIP may terminate Levco GP as the general partner of the AIP at any time. Levco GP does not maintain control over the unconsolidated AIP, has not guaranteed

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

any of the AIP obligations, nor does it have any contractual commitments associated with them. Investments in the unconsolidated AIP held through Levco

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GP, are recorded based upon the equity method of accounting. Levco GP's investment amount in the unconsolidated AIP equals the sum total of its capital accounts, including incentive allocations, in the AIP. Each AIP values its underlying investments in accordance with policies as described in its audited financial statements and underlying offering memoranda. It is the Company's general practice to withdraw the incentive allocations earned from the AIP within three months after the fiscal year end. Levco GP has general partner liability with respect to its interest in each of the AIP and has no investments in the AIP other than its interest in these partnerships. See Note 8 -- Related Party Transactions.

INVESTMENTS IN SECURITIES

Investments in securities consist primarily of equity securities and shares in unconsolidated affiliated onshore and offshore investment companies, which invest in equity securities. Investments in securities are accounted for as "trading securities." Equity securities are stated at quoted market values and shares in the unconsolidated affiliated onshore and offshore investment companies are stated at net asset value as provided by the investment companies' independent administrator. The resulting unrealized gains and losses are included in net realized and unrealized gain (loss) from investments. Realized gains and losses are recorded on the identified cost basis.

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

The Company files consolidated Federal and combined state and local income tax returns.

LONG-LIVED ASSETS

Long-lived assets are accounted for in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which requires impairment losses to be recognized on long-lived assets used in operations when an indication of an impairment exists. If the expected future undiscounted cash flows are less than the carrying amount of the assets, an impairment loss would be recognized to the extent the carrying value of such asset exceeded its fair value.

FIXED ASSETS

Furniture, fixtures, office and computer equipment and leasehold improvements are carried at cost, net of accumulated depreciation and amortization. Depreciation of furniture, fixtures, office and computer equipment is provided over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the shorter of the economic life or the term of the lease. Internal use software that qualifies for capitalization under AICPA Statement of Position 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use," is capitalized and subsequently amortized over the estimated useful life of the software, generally three years.

INTANGIBLE ASSETS

The cost in excess of net assets of Levco acquired by BKF in June 1996 is reflected as goodwill, investment advisory contracts, and employment contracts

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in the Consolidated Statements of Financial

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Condition. Through December 31, 2001, goodwill was amortized straight line over 15 years. Effective January 1, 2002 the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets". Under SFAS No. 142, goodwill is no longer amortized but is subject to an impairment test at least annually or when indicators of potential impairment exist. Other intangible assets with finite lives are amortized over their useful lives. See Note 6 -- Intangible Assets. Investment contracts are amortized straight line over 10 years. These contracts will be fully amortized by June 30, 2006.

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.

The following table sets forth the computation of basic and diluted (loss) per share (dollar amounts in thousands, except per share data):

	YEAR ENDED DECEMBER 31,		
	2004	2003	2002
Net (loss).....	\$ (1,765)	\$ (8,380)	\$ (2,447)
Basic weighted-average shares outstanding.....	6,949,031	6,673,371	6,624,313
Dilutive potential shares from stock options (See Note 13).....	--	--	--
Diluted weighted-average shares outstanding.....	6,949,031	6,673,371	6,624,313
Basic and diluted (loss) per share:			
Net (loss).....	\$ (0.25)	\$ (1.26)	\$ (0.37)

In calculating diluted (loss) per share for the years ended December 31, 2004, 2003 and 2002, 1,280,861, 1,937,636 and 1,936,543 common stock equivalents were excluded due to their anti-dilutive effect on the calculation.

COMPREHENSIVE INCOME

The Company has not presented consolidated statements of comprehensive income in accordance with SFAS No. 130 "Reporting Comprehensive Income," because it does not have any items of "other comprehensive income".

FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of the Company's assets and liabilities except for fixed

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assets, goodwill and investment advisory contracts, which qualify as financial instruments under Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," approximate the carrying amounts presented in the Consolidated Statements of Financial Condition.

BUSINESS SEGMENTS

The Company has not presented business segment data, in accordance with SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information," because it operates predominantly in one business segment, the investment advisory and asset management business.

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

STOCK-BASED COMPENSATION

SFAS No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123") established financial accounting and reporting standards for equity-based and non-employee compensation. SFAS 123 permits companies to account for equity-based employee compensation using the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," or using the fair-value method under SFAS 123. The company has adopted APB 25 and its related interpretations to account for equity-based employee compensation. Accordingly, no compensation expense was recognized for stock option awards because the exercise price equaled or exceeded the market value on the Company's common stock on the grant date. Compensation expense for restricted stock units ("RSU") or restricted stock with future service requirements is recognized over the relevant service periods. In December 2002, the FASB Issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123." SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and amends the disclosure requirements of SFAS No. 123 to require prominent disclosures about the method of accounting for stock-based compensation. The Company has elected to apply the disclosure provisions of SFAS No. 123. See Recent Accounting Developments below for a discussion of SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which the FASB issued in December 2004.

The following table illustrates the effect on net (loss) and (loss) per share if the Company had applied the fair value recognition provisions of SFAS No. 123 (dollar amounts in thousands, except per share amounts):

	2004	2003	2002
	-----	-----	-----
Net (loss), as reported.....	\$ (1,765)	\$ (8,380)	\$ (2,447)
Add: Stock-based employee compensation expense included in reported net loss, net of related tax effects.....	4,873	4,611	1,036
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects.....	(4,873)	(4,674)	(1,886)
	-----	-----	-----
Pro forma net (loss).....	\$ (1,765)	\$ (8,443)	\$ (3,297)
	=====	=====	=====

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(Loss) per share:

Basic and diluted -- as reported.....	\$ (0.25)	\$ (1.26)	\$ (0.37)
	=====	=====	=====
Basic and diluted -- pro forma.....	\$ (0.25)	\$ (1.27)	\$ (0.50)
	=====	=====	=====

The fair value of each option grant is estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions for the year ended December 31, 2001:

	2001

Expected dividend yield.....	0.00%
Expected volatility.....	26.64%
Risk-free interest.....	4.64%
Expected term.....	7 years
Fair value.....	\$ 11.30

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

RECLASSIFICATIONS

Certain prior period amounts reflect reclassifications to conform with the current year's presentation.

SIGNIFICANT ACCOUNTING POLICIES OF CONSOLIDATED AFFILIATED PARTNERSHIPS ("CAP")

Securities sold short represent obligations to deliver the underlying securities sold at prevailing market prices and option contracts written represent obligations to purchase or deliver the specified security at the contract price. The future satisfaction of these obligations may be at amounts that are greater or less than that recorded on the consolidated statements of financial condition. The CAP monitors their positions continuously to reduce the risk of potential loss due to changes in market value or failure of counterparties to perform.

INVESTMENTS IN UNAFFILIATED INVESTMENT PARTNERSHIPS

The Company's investments in unaffiliated investment partnerships result from the consolidation of an affiliated investment partnership that invests in unaffiliated investment partnerships. Investments in unaffiliated investment partnerships are recorded at fair value, which generally is equal to the CAP pro rata interest in the net assets of each unaffiliated investment partnership (based upon the net asset values reported by the unaffiliated investment partnerships).

MINORITY INTEREST

Minority interests in the accompanying consolidated statements of financial condition represent the minority owners' share of the equity of consolidated investment partnerships. Minority interest in the accompanying consolidated statements of operations represents the minority owners' share of the income or loss of consolidated investment partnerships.

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PARTNER CONTRIBUTIONS AND WITHDRAWALS

Typically, contributions are accepted monthly and withdrawals are made quarterly upon the required notification period having been met. The notification period ranges from thirty to sixty days.

RECENT ACCOUNTING DEVELOPMENTS

In December 2004, the FASB issued SFAS 123R. SFAS 123R must be adopted as of the beginning of the first interim reporting period that begins after June 15, 2005. SFAS 123R requires public companies to recognize expense in the income statement for the grant-date fair value of equity awards to employees. Expense is to be recognized over the period during which employees are required to provide service. All of the Company's remaining stock options are fully vested as of December 31, 2004. Therefore, the Company does not expect the adoption of SFAS 123R to a material effect on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 153, "Exchange of Nonmonetary Assets -- An Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions". SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21 (b) of APB No. 29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for the fiscal periods beginning after June 15, 2005 and is required to be adopted by the Company for the year ended December 31, 2006. The adoption of SFAS No. 153 is not expected to have a significant impact on the Company's financial statements.

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

2. OFF-BALANCE SHEET RISK

LEVCO Securities acts as an introducing broker and all transactions for its customers are cleared through and carried by a major U.S. securities firm on a fully disclosed basis. LEVCO Securities has agreed to indemnify its clearing broker for losses that the clearing broker may sustain from the customer accounts introduced by LEVCO Securities. In the ordinary course of its business, however, LEVCO Securities does not accept orders with respect to client accounts if the funds required for the client to meet its obligations are not on deposit in the client account at the time the order is placed.

In the normal course of business, the CAP enter into transactions in various financial instruments, including derivatives, for trading purposes, in order to reduce their exposure to market risk. These transactions include option contracts and securities sold short.

Substantially all of the CAP cash and securities positions are deposited with one clearing broker for safekeeping purposes. The broker is a member of major securities exchanges.

3. INVESTMENT ADVISORY FEES RECEIVABLE

Included in investment advisory fees receivable are approximately \$768,000 and \$680,000 of accrued incentive fees as of December 31, 2004 and 2003, respectively, for which the full contract measurement period has not been

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reached. The Company has provided for the applicable expenses relating to this revenue. If the accrued incentive fees are not ultimately realized, a substantial portion of the related accrued expenses will be reversed.

4. CONSOLIDATION OF CAP

In January 2003, the FASB issued FIN 46, which addresses the application of ARB 51. The interpretation provides a framework for determining whether an entity should be evaluated for consolidation based on voting interests or significant financial support provided to the entity ("variable interests"). FIN 46 generally would require that the assets, liabilities and results of operations of a VIE be consolidated into the financial statements of the enterprise that is the primary beneficiary.

An entity is classified as a VIE if (a) total equity is not sufficient to permit the entity to finance its activities without additional subordinated financial support or (b) its equity investors lack (i) the direct or indirect ability to make decisions about an entity's activities through voting rights or absorb the expected losses of the entity if they occur or (ii) the right to receive the expected residual returns of the entity if they occur. Once an entity is determined to be a VIE, its assets, liabilities and results of operations should be consolidated with those of its primary beneficiary. The primary beneficiary of a VIE is the entity which either will absorb a majority of the VIE's expected losses or has the right to receive a majority of the VIE's expected residual returns. The expected losses and residual returns of a VIE include expected variability in its net income or loss and may include fees to decision makers and fees to guarantors of substantially all VIE assets or liabilities.

In December 2003, FIN 46R was issued which defines the criteria necessary to be considered an operating company (i.e., voting interest entity) for which the consolidation accounting guidance of SFAS 94 should be applied. As required by SFAS 94, the Company consolidates AIP in which the Company has a controlling financial interest. The consolidation of these partnerships does not impact the Company's equity or net income. Levco GP has general partner liability with respect to its interest in each of the CAP.

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following tables present the consolidation of the CAP with BKF as of December 31, 2004 and December 31, 2003. The consolidating statements of financial condition have been included to assist investors in understanding the components of financial condition and operations of BKF and the CAP. A significant portion of the results of operations have been separately identified in the consolidated statements of operations (dollar amounts in thousands):

	DECEMBER 31, 2004			
	BKF	CAP	ELIMINATIONS	CONSOLIDATED
ASSETS				
Cash and cash equivalents.....	\$ 3,582	\$ --	\$ --	\$ 3,582
U.S. Treasury bills.....	40,466	--	--	40,466
Investment advisory and incentive fees receivable.....	40,009	--	--	40,009

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Investments in securities, at value (cost \$5,426).....	5,788	--	--	5,788
Investments in affiliated partnerships.....	21,052	--	(3,690)	17,362
Prepaid expenses and other assets.....	7,045	4	--	7,049
Fixed assets (net of accumulated depreciation of \$6,756).....	6,812	--	--	6,812
Deferred tax asset.....	8,391	--	--	8,391
Goodwill (net of accumulated amortization of \$8,566).....	14,796	--	--	14,796
Investment advisory contracts (net of accumulated amortization of \$59,576).....	10,513	--	--	10,513
Consolidated affiliated partnerships:				
Due from broker.....	--	952	--	952
Investments in securities, at value (cost \$5,877).....	--	6,517	--	6,517
	-----	-----	-----	-----
Total assets.....	\$158,454	\$7,473	\$ (3,690)	\$162,237
	=====	=====	=====	=====
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY				
Accrued expenses.....	\$ 4,286	\$ 6	\$ --	\$ 4,292
Accrued bonuses.....	42,686	--	--	42,686
Accrued incentive compensation.....	15,773	--	--	15,773
Accrued lease amendment expense.....	3,843	--	--	3,843
Consolidated affiliated partnerships:				
Securities sold short, at value (proceeds of \$1,065).....	--	1,299	--	1,299
	-----	-----	-----	-----
Total liabilities.....	66,588	1,305	--	67,893
	-----	-----	-----	-----
Minority interest in CAP.....	--	--	2,478	2,478
	-----	-----	-----	-----
STOCKHOLDERS' EQUITY				
Common stock, \$1 par value, authorized -- 15,000,000 shares, issued and outstanding -- 7,274,779.....	7,275	--	--	7,275
Additional paid-in capital.....	68,114	--	--	68,114
Retained earnings.....	17,508	--	--	17,508
Unearned compensation -- restricted stock.....	(1,031)	--	--	(1,031)
Capital from consolidated affiliated partnerships.....	--	6,168	(6,168)	--
	-----	-----	-----	-----
Total stockholders' equity.....	91,866	6,168	(6,168)	91,866
	-----	-----	-----	-----
Total liabilities, minority interest and stockholders' equity.....	\$158,454	\$7,473	\$ (3,690)	\$162,237
	=====	=====	=====	=====

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

DECEMBER 31, 2003

BKF	CAP	ELIMINATIONS	CONSOLIDATED
-----	-----	-----	-----

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ASSETS				
Cash and cash equivalents.....	\$ 4,930	\$ 17	\$ --	\$ 4,947
U.S. Treasury bills.....	32,495	--	--	32,495
Investment advisory and incentive fees receivable.....	37,856	--	(12)	37,844
Investments in securities, at value (cost \$4,317).....	4,379	--	--	4,379
Investments in affiliated partnerships.....	18,965	--	(1,923)	17,042
Prepaid expenses and other assets.....	3,856	34	--	3,890
Fixed assets (net of accumulated depreciation of \$4,881).....	6,741	--	--	6,741
Deferred tax asset.....	8,666	--	--	8,666
Goodwill (net of accumulated amortization of \$8,566).....	14,796	--	--	14,796
Investment advisory contracts (net of accumulated amortization of \$52,567).....	17,522	--	--	17,522
Consolidated affiliated partnerships:				
Due from broker.....	--	4,248	--	4,248
Investments in securities, at value (cost \$3,692).....	--	3,927	--	3,927
Investments in unaffiliated partnerships.....	--	3,778	--	3,778
	-----	-----	-----	-----
Total assets.....	\$150,206	\$12,004	\$ (1,935)	\$160,275
	=====	=====	=====	=====
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY				
Accrued expenses.....	\$ 3,545	\$ 29	\$ (12)	\$ 3,562
Accrued bonuses.....	39,728	--	--	39,728
Accrued incentive compensation.....	10,289	--	--	10,289
Accrued lease amendment expense.....	4,535	--	--	4,535
Consolidated affiliated partnerships:				
Securities sold short, at value (proceeds of \$1,106).....	--	1,117	--	1,117
	-----	-----	-----	-----
Total liabilities.....	58,097	1,146	(12)	59,231
	-----	-----	-----	-----
Minority interest in CAP.....	--	--	8,935	8,935
	-----	-----	-----	-----
STOCKHOLDERS' EQUITY				
Common stock, \$1 par value, authorized -- 15,000,000 shares, issued and outstanding -- 6,826,247.....	6,826	--	--	6,826
Additional paid-in capital.....	63,229	--	--	63,229
Retained earnings.....	22,054	--	--	22,054
Capital from consolidated affiliated partnerships.....	--	10,858	(10,858)	--
	-----	-----	-----	-----
Total stockholders' equity.....	92,109	10,858	(10,858)	92,109
	-----	-----	-----	-----
Total liabilities, minority interest and stockholders' equity.....	\$150,206	\$12,004	\$ (1,935)	\$160,275
	=====	=====	=====	=====

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

5. FIXED ASSETS

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Fixed assets consist of the following (dollar amounts in thousands):

	ESTIMATED USEFUL LIFE -- IN YEARS	DECEMBER 31, ----- 2004 2003 -----	
Furniture and fixtures.....	7	\$ 2,333	\$ 2,025
Computer hardware, software and other.....	3-5	6,595	5,745
Leasehold improvements.....	Life of lease	4,640	3,852
		-----	-----
		13,568	11,622
Less accumulated depreciation and amortization.....		6,756	4,881
		-----	-----
Fixed assets, net.....		\$ 6,812	\$ 6,741
		=====	=====

Depreciation and amortization expense was approximately \$2.2 million, \$1.6 million and \$1.1 million for the years ended December 31, 2004, 2003 and 2002, respectively.

6. INTANGIBLE ASSETS

Effective January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." The future expected amortization expense of intangible assets (investment contracts) is as follows:

2005.....	\$7,009
2006.....	3,504

7. SIGNIFICANT CUSTOMERS

The Company recorded revenue from one of its broker consults programs of approximately \$7.5 million, \$8.2 million and \$13.6 million, or 6%, 8% and 16% of total revenues for the years ended December 31, 2004, 2003 and 2002, respectively. In addition, the Company recorded revenue from two affiliated investment vehicles, one utilizing the event driven strategy of \$39.4 million, \$31.5 million, and \$19.1 million, or 32%, 31% and 22% and one operating under a long-short strategy of \$12.1 million, \$5.2 million and \$8,000 or 10%, 5% and 0% of total revenues for the years ended December 31, 2004, 2003 and 2002, respectively.

8. RELATED PARTY TRANSACTIONS

INVESTMENT ADVISORY FEES FROM RELATED PARTIES

The Company earned investment advisory fees from accounts for which four current members of the Company's Board of Directors (of which one is an officer of the Company) have controlling discretion. The amounts earned from these accounts were \$2.2 million, \$1.8 million and \$2.0 million for the years ended December 31, 2004, 2003 and 2002, respectively. At December 31, 2004 and 2003 approximately \$557,000 and \$522,000, respectively, were included in investment advisory and incentive fee receivable relating to these accounts.

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

INVESTMENTS IN AFFILIATED INVESTMENT PARTNERSHIPS AND RELATED REVENUE

Summary financial information, including the Company's carrying value and income from the unconsolidated AIP is as follows (dollar amounts in thousands):

	DECEMBER 31,	
	2004	2003
Total AIP assets.....	\$ 837,800	\$1,023,156
Total AIP liabilities.....	(223,674)	(322,931)
Total AIP capital balance.....	614,126	700,225
AIP net earnings.....	19,831	23,832
Company's carrying value (including incentive allocations).....	17,362	17,042
Company's income on invested capital (excluding accrued incentive allocations).....	624	1,198

Included in the carrying value of investments in AIP at December 31, 2004 and 2003 are incentive allocations approximating \$6.5 million and \$8.9 million, respectively.

Included in the Company's incentive fees and general partner incentive allocations are approximately \$5.2 million and \$6.4 million payable directly to employee owned and controlled entities ("Employee Entities") for the years ended December 31, 2004 and 2003, respectively. These amounts are included in the Company's carrying value of the AIP at the end of the applicable period. These Employee Entities, which serve as non-managing general partners of several AIP, also bear the liability for all compensation expense relating to the allocated revenue, amounting to approximately \$5.2 million and \$6.4 million for the years ended December 31, 2004 and 2003, respectively. These amounts are included in the Consolidated Statement of Operations.

The Company earned investment advisory fees and incentive allocations/fees from unconsolidated affiliated domestic investment partnerships and affiliated offshore investment vehicles of approximately \$75.3 million, \$56.6 million and \$38.1 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Included in investment advisory and incentive fees receivable at December 31, 2004 and 2003 are \$4.0 million and \$4.3 million, respectively, of advisory fees from AIP and sponsored investment offshore vehicles. Also included in investment advisory and incentive fees receivable are \$26.7 million and \$25.2 million of incentive fees from sponsored offshore investment vehicles at December 31, 2004 and 2003, respectively.

COMMISSION REVENUES

Commission revenues earned on securities transactions reflected on the Consolidated Statements of Operations have been generated by transactions introduced to a clearing broker by LEVCO Securities, which acts as a broker for certain investment advisory accounts of the Company. Commission revenues have been presented net of the related clearing expenses.

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9. STOCKHOLDERS' EQUITY

The Company adopted a Share Purchase Rights Plan on May 29, 2001 (the "Rights Plan"). The Rights Plan was implemented by declaring a dividend, distributable to stockholders of record on June 18, 2001. With certain exceptions, the rights become exercisable if a person or group acquires 10% or more of the Company's outstanding common stock. Such an acquisition causes each right to be adjusted to permit the holder (other than such person or any member of such group) to buy a number of additional shares of common stock of the Company having a market value of twice the exercise price of the rights. In addition, if the Company is

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

involved in a merger or other business combination at any time after a person or group has acquired 10% or more of the Company's shares, the Rights will entitle the holder to buy a number of shares of common stock of the acquiring company having a market value of twice the exercise price of each right. Rights held by the acquiring person or group become void. The Company may also redeem the rights for \$.01 per right or may exchange each right for one share of common stock, subject to restrictions set forth in the Rights Plan. The rights expire on June 17, 2011.

10. COMMITMENT AND CONTRACTUAL OBLIGATIONS

COMMITMENT

The Company has office space obligations that require monthly payments plus escalations through September 2011. At December 31, 2004, the minimum annual rental commitments under the operating lease are as follows (dollar amounts in thousands):

2005.....	\$ 3,002
2006.....	3,019
2007.....	3,085
2008.....	3,688
2009.....	3,690
Thereafter.....	6,453

Total minimum payments required.....	\$22,937
	=====

Rent expense net of subrental income was \$3.2 million, \$4.1 million, and \$4.1 million for the years ended December 31, 2004, 2003 and 2002, respectively. Subrental income was \$92,000 (of which \$21,000 was received from an entity controlled by an independent Director of the Company), \$162,000 (of which \$136,000 was received from an entity controlled by an independent Director of the Company) and \$49,000 for the years ended December 31, 2004, 2003, and 2002 respectively.

In addition, the Company incurred a \$5.0 million loss from a lease amendment as of September 2003, related to the surrender of approximately 21,000 square feet in October 2003. The expense related to the loss will be paid out over the remaining life of the Company's primary office lease, which expires on

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September 30, 2011. The expense was calculated by taking the total estimated future obligations and discounting it by an imputed interest rate of 6%. The Company no longer has any obligation on the surrendered space other than the accrued lease loss. The estimated monthly payments are approximately \$65,000.

See Note 16, Subsequent Events for additional lease commitments.

CONTRACTUAL OBLIGATIONS

In the ordinary course of business, the Company enters into contracts with third parties pursuant to which BKF or the third party provides services to the other. In many of the contracts, the Company agrees to indemnify the third party under certain circumstances. The terms of the indemnity vary from contract to contract and the amount of the indemnification liability, if any, cannot be determined.

11. NET CAPITAL REQUIREMENT

LEVCO Securities is subject to the SEC's Uniform Net Capital Rule 15c3-1 ("Rule"), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2004 and 2003, LEVCO Securities was in compliance with this Rule.

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

12. EMPLOYEE BENEFIT PLANS

Levco has adopted a Section 401(k) plan. All employees with three months or more of service are eligible to participate in the plan. Eligible participants may contribute up to 15% of their earnings, subject to statutory limitations. Levco may match contributions by employees who have a minimum of six months service, up to 100%, subject to statutory limitations. Included in employee compensation and benefits was \$563,000, \$471,000 and \$808,000 of the employee match contributions for the years ended December 31, 2004, 2003 and 2002, respectively.

13. STOCK-BASED COMPENSATION PLANS

In December 1998, the shareholders of BKF approved an Incentive Compensation Plan ("Compensation Plan"), which was amended in May 2001 that allows the Company to pay officers and employees part of their compensation in RSU, restricted stock and other forms of equity-based compensation, including stock options. At December 31, 2004, the awards authorized and available for future grants under the Compensation Plan were 2,600,000 and 549,212, respectively. All awards are issued at the discretion of BKF's Compensation Committee.

A. RESTRICTED STOCK UNITS

RSU activity for the years ended December 31, 2002, 2003 and 2004 is summarized below:

RSU

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Outstanding at:	
December 31, 2001.....	710,714
Granted.....	651,980
Delivered.....	(13,813)
Forfeited.....	(2,334)

December 31, 2002.....	1,346,547
Granted.....	527,190
Granted -- option tender.....	111,105
Delivered.....	(262,652)
Forfeited.....	(2,833)

December 31, 2003.....	1,719,357
Delivered.....	(367,398)
Forfeited.....	(94,494)

December 31, 2004.....	1,257,465
	=====

On December 11, 2002 the Company commenced a tender offer to exchange 333,308 outstanding options for RSU, on a three for one exchange basis. As of January 10, 2003 the tender offer was complete, with a total of 111,105 RSU (of which 333 were forfeited in 2003) being granted in exchange for the options tendered. The RSU vested in two annual installments with fifty percent (50%) vesting on December 31, 2003 and fifty percent (50%) vesting on December 31, 2004. The Company recognized \$2.0 million of compensation expense related to the RSU over the two-year vesting period.

Employee compensation expense related to the RSU for the years ended December 31, 2004, 2003 and 2002 was approximately \$8.3 million, \$8.1 million and \$1.9 million, respectively. See Note 14 -- Non-Cash Transactions.

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The expected future compensation expense related to RSU is as follows (dollar amounts in thousands):

2005.....	\$4,204
2006.....	140

Total.....	\$4,344
	=====

B. RESTRICTED STOCK

Restricted stock activity for the year ended December 31, 2004 is as follows:

RESTRICTED
STOCK

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Outstanding at:	
December 31, 2003.....	--
Granted -- Employees.....	56,105
Granted -- Directors.....	9,600
Forfeited.....	(437)

December 31, 2004.....	65,268
	=====

The restriction on the remaining shares (55,668, net of forfeitures) will be lifted in March 2007 and are subject to forfeiture through such date. Employee compensation expense related to restricted stock for the year ended December 31, 2004 was approximately \$380,000.

The restriction on 9,600 shares of restricted stock was lifted in January 2005. In connection therewith, the Company recorded approximately \$274,000 of directors' fees expense for the year ended December 31, 2004.

The expected future compensation expense related to restricted stock is as follows (dollar amounts in thousands):

2005.....	\$ 470
2006.....	470
2007.....	91

Total.....	\$1,031
	=====

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

C. NON-QUALIFIED STOCK OPTIONS

Stock option activity for the years ended December 31, 2002, 2003 and 2004 is summarized below:

	SHARES UNDER OPTION	WEIGHTED-AVG. EXERCISE PRICE
	-----	-----
Outstanding at:		
December 31, 2001.....	632,971	\$21.40
Exercised.....	(40,975)	13.03
Forfeited.....	(2,000)	28.27
	-----	-----
December 31, 2002.....	589,996	\$21.95
Exercised.....	(38,409)	13.03
Forfeited -- tender offer.....	(333,308)	28.27
	-----	-----
December 31, 2003.....	218,279	\$13.88
Exercised.....	(194,883)	13.74
	-----	-----

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December 31, 2004.....	23,396	\$15.01
	=====	=====

Stock options outstanding and exercisable at December 31, 2004 are as follows:

SHARES UNDER OPTION	WEIGHTED-AVG. EXERCISE PRICE	WEIGHTED-AVG. REMAINING CONTRACTUAL LIFE
-----	-----	-----
7,134	\$13.03	5.06
16,262	15.88	5.50
23,396	\$15.01	5.19
=====	=====	=====

D. DEFERRED COMPENSATION PLAN

On April 18, 2000, the Company adopted a Long Term Deferred Compensation Plan to provide a competitive long-term incentive for key officers, employees and non-employee directors. RSU vesting in a given year are eligible to be deferred into this plan. All incentive compensation relating to these RSU has already been recorded. As of December 31, 2004, 326,952 of vested RSU were deferred pursuant to the plan until:

January 2005.....	71,413
November 2005.....	65,048
December 2005.....	43,952
January 2006.....	131,139
December 2010.....	15,400
Total.....	326,952
	=====

These amounts are included in the total RSU in Note 13A above.

14. NON-CASH TRANSACTIONS

In 2002, the Company withheld 5,298 shares of common stock in connection with the delivery of 13,813 RSU for required withholding taxes.

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

During 2002, the Company used \$170,000 of the 2001 RSU grant to non-employee directors to reduce payments for Board of Directors and Committee meetings. In addition, 651,980 RSU (of which 58,167 were forfeited as of December 31, 2004) were granted to employees.

In 2003, the Company withheld 109,435 shares of common stock for required

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withholding taxes in connection with the delivery of 262,652 RSU.

During 2003, the Company granted 11,625 RSU to non-employee directors of the Company with a value of \$210,000 to reduce cash payments for Board of Directors and Committee meetings. In addition, 626,670 RSU (of which 38,160 were forfeited as of December 31, 2004) were granted to employees.

In 2004, the Company withheld 140,626 shares of common stock for required withholding taxes in connection with the delivery of 367,398 RSU.

During 2004, the Company granted 9,600 shares of restricted stock to non-employee directors of the Company with a value of \$274,000 to reduce cash payments for Board of Directors. In addition, 56,105 shares of restricted stock (of which 437 were forfeited as of December 31, 2004) were granted to several employees and certain executive officers of the Company, who are subject to performance based criteria with regard to their 2003 compensation.

15. INCOME TAXES

The provision (benefit) for income taxes consists of the following (dollar amounts in thousands):

	YEAR ENDED DECEMBER 31,		
	2004	2003	2002
Current:			
Federal.....	\$1,433	\$ 1,680	\$3,081
State and local.....	328	217	1,404
	-----	-----	-----
Total current.....	1,761	1,897	4,485
	-----	-----	-----
Deferred:			
Federal.....	1,276	(2,207)	(446)
State and local.....	1,041	(766)	(347)
	-----	-----	-----
Total deferred.....	2,317	(2,973)	(793)
	-----	-----	-----
Total provision (benefit).....	\$4,078	\$ (1,076)	\$3,692
	=====	=====	=====

Deferred tax assets arise from the future tax benefit on deferred and non-cash compensation, lease amendment loss, unrealized losses on investment, and depreciation. Deferred tax liabilities arise from deferred revenues, unrealized gains on investments, and state and local taxes.

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

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	YEAR ENDED DECEMBER 31,	
	2004	2003
Deferred tax assets:		
Compensation.....	\$ 8,352	\$ 8,031
Depreciation.....	353	128
Lease reserve.....	1,732	2,164
Revenue.....	83	--
Gross deferred tax asset.....	10,520	10,323
Deferred tax liabilities:		
Deferred state income taxes.....	(2,035)	(1,375)
Deferred revenues.....	--	(237)
Unrealized gains on investments.....	(94)	(45)
Gross deferred tax liability.....	(2,129)	(1,657)
Net deferred tax asset.....	\$ 8,391	\$ 8,666

The Company's provision (benefit) for income taxes differs from the amount of income tax determined by applying the applicable U.S. federal statutory income tax rate principally due to state and local taxes and non-deductible amortization. The Company has determined that the amortization expense on intangible assets is non-deductible since the purchase method of accounting has been applied retroactive to June 1996.

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

	YEAR ENDED DECEMBER 31,		
	2004	2003	2002
Expected income tax expense (benefit).....	\$ 810	\$ (3,310)	\$ 436
Increase in income resulting from:			
State and local taxes, net.....	890	--	687
Non-deductible amortization.....	2,453	2,453	2,453
Officer's life insurance.....	105	129	128
Other.....	21	9	--
Decrease in income tax resulting from:			
State and local taxes, net.....	--	(357)	--
Dividend on employee equity awards.....	(201)	--	--
Other.....	--	--	(12)
Income tax expense (benefit).....	\$4,078	\$ (1,076)	\$3,692

An income tax benefit of approximately \$4.4 million and \$633,000 relating to the Compensation Plan was allocated to additional paid-in capital in 2004 and 2003, respectively.

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

16. SUBSEQUENT EVENTS

- a. In January 2005, the Board of Directors approved a dividend of \$0.125 per share payable to shareholders on February 15, 2005 totaling \$1.05 million.
- b. In March 2005, certain executive officers of the Company, who are subject to performance based criteria with regard to their 2004 compensation, and several employees were granted 75,344 shares of restricted stock with a value of approximately \$3.2 million.
- c. In February 2005, the Company signed a lease for office space in London, England. The Company has obligations that require monthly payments plus escalations through December 2012 (with the option to terminate the lease by December 2007). The minimum annual rental commitments under the operating lease are as follows (dollar amounts in thousands):

2005 (starting in May).....	\$ 82
2006.....	131
2007.....	131
2008.....	131
2009.....	131
Thereafter.....	391

Total minimum payments required.....	\$997
	=====

17. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table sets forth the selected quarterly financial data (dollar amounts in thousands, except per share data):

2004	Q1	Q2	Q3	Q4	TOTAL
----	-----	-----	-----	-----	-----
Revenues.....	\$ 29,847	\$ 24,619	\$ 27,844	\$ 41,177	\$ 123,487
Operating income (loss).....	\$ (214)	\$ (1,456)	\$ 415	\$ 4,317	\$ 3,062
Net income (loss).....	\$ (1,058)	\$ (1,699)	\$ (737)	\$ 1,729	\$ (1,765)
Earnings (loss) per share:					
Basic.....	\$ (0.15)	\$ (0.25)	\$ (0.11)	\$ 0.24	\$ (0.25)
Diluted.....	\$ (0.15)	\$ (0.25)	\$ (0.11)	\$ 0.23	\$ (0.25)
Weighted average shares					
outstanding basic.....	6,854,289	6,908,415	6,922,763	7,109,185	6,949,031
	=====	=====	=====	=====	=====
Weighted average shares					
outstanding diluted.....	6,854,289	6,908,415	6,922,763	7,459,346	6,949,031
	=====	=====	=====	=====	=====
Common stock price per share:					
High.....	\$ 27.00	\$ 29.90	\$ 29.40	\$ 38.00	
Low.....	\$ 24.72	\$ 26.40	\$ 26.01	\$ 29.80	

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Close..... \$ 25.80 \$ 29.05 \$ 29.30 \$ 37.90

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

2003	Q1	Q2	Q3	Q4	TOTAL
-----	-----	-----	-----	-----	-----
Revenues.....	\$ 21,206	\$ 25,107	\$ 26,924	\$ 29,501	\$ 102,738
Operating income (loss).....	\$ (1,195)	\$ 108	\$ (5,999)	\$ (660)	\$ (7,746)
Net (loss).....	\$ (1,289)	\$ (1,074)	\$ (4,283)	\$ (1,734)	\$ (8,380)
(Loss) per share:					
Basic and diluted.....	\$ (0.19)	\$ (0.16)	\$ (0.64)	\$ (0.26)	\$ (1.26)
Weighted average shares outstanding basic and diluted.....	6,643,918	6,646,055	6,655,734	6,673,371	6,673,371
	=====	=====	=====	=====	=====
Common stock price per share:					
High.....	\$ 18.45	\$ 22.28	\$ 24.50	\$ 25.15	
Low.....	\$ 16.24	\$ 15.65	\$ 20.15	\$ 21.75	
Close.....	\$ 16.25	\$ 21.83	\$ 24.15	\$ 24.68	

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