BKF CAPITAL GROUP INC
Form 10-Q
May 13, 2008

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

Form 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2008

Or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____ to ____

Commission file number: 1-10024

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

Delaware	**36-0767530**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Rockefeller Plaza, New York, New York	**10020**
(Address of principal executive offices)	(Zip Code)

(212) 332-8400
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the 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 **þ** No **o**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer þ Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes **þ** No **o**

As of May 1, 2008, 7,973,216 shares of the registrant s common stock, $1.00 par value, were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollar amounts in thousands)

	March 31, 2008 (unaudited)	December 31, 2007
Assets		
Cash and cash equivalents	$ 920	$ 1,161
U.S. Treasury bills	23,142	22,954
Investment advisory trailer fees and other receivables	447	405
Prepaid expenses and other assets	2,253	2,814
Fixed assets (net of accumulated depreciation of $314)	28	28
Total assets	$ 26,790	$ 27,362
Liabilities and stockholders equity		
Accrued expenses	$ 1,135	$ 1,127
Accrued restructuring expense	2,983	2,996
Accrued lease amendment expense	2,332	2,443
Total liabilities	6,450	6,566
Commitments and contingencies		
Stockholders equity		
Common stock, $1 par value, authorized 15,000,000 shares, issued and outstanding 7,973,216 shares	$ 7,973	7,973
Additional paid-in capital	76,243	76,243
Accumulated deficit	(63,876)	(63,420)
Total stockholders equity	20,340	20,796
Total liabilities and stockholders equity	$ 26,790	$ 27,362

See accompanying notes

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

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

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Revenues:		
Commission income (net) and other	498	353
Interest income	271	474
Total revenues	769	827
Expenses:		
Employee compensation and benefits (including equity grants of $121 in 2007)	206	529
Occupancy & equipment rental	170	234
Other operating expenses	655	1,538
Interest expense	173	132
Restructuring expenses	21	507
Total expenses	1,225	2,940
Loss before taxes	(456)	(2,113)
Income tax expense		
Net loss	$ (456)	$ (2,113)
Loss per share:		
Basic and Diluted	(0.06)	$ (0.26)
Weighted average shares outstanding		
Basic and Diluted	7,973,216	7,976,341

See accompanying notes

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

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

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Cash flows from operating activities		
Net (loss)	$ (456)	$ (2,113)
Adjustments to reconcile net (loss) to net cash (used in) operations:		
Depreciation and amortization		26
Expense for vesting of restricted stock and stock units		121
(Increase) in U.S. treasury bills	(188)	(1,211)
(Increase) Decrease in investment advisory trailer fees and other receivables	(42)	3,475
Decrease (Increase) in prepaid expenses and other assets	561	(425)
Increase (Decrease) in accrued expenses	8	(178)
(Decrease) in accrued bonuses		(286)
(Decrease) in accrued lease amendment expense	(111)	(151)
(Decrease) in accrued restructuring expenses	(13)	(1,196)
Net cash (used in) operating activities	(241)	(1,938)
Net (decrease) in cash and cash equivalents	(241)	(1,938)
Cash and cash equivalents at the beginning of the period	1,161	3,689
Cash and cash equivalents at the end of the period	920	$ 1,751
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 0	$ 0
Cash paid for taxes	$ 21	$ 121

See accompanying notes

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
Years Ended December 31, 2007 and 2006 and the Three Months Ended March 31, 2008
(Amounts in thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned Compensation	Total
Balance at January 1, 2006	$ 8,180	$ 88,887	$ (10,168)	$ (11,306)	$ 75,593
Grants of restricted stock units and restricted stock net of forfeitures(1)	(277)	(9,309)		10,856	1,270
Issuance of common stock	73	(4,499)		402	(4,024)
Grants of stock options		804			804
Net (loss)			(47,016)		(47,016)
Balance at December 31, 2006	$ 7,976	$ 75,883	$ (57,184)	$ (48)	$ 26,627
Cumulative effect of applying the provisions of FIN 48			(562)		(562)
Forfeitures of restricted stock	(3)	(40)		48	5
Grants of stock options		400			400
Net (loss)			(5,674)		(5,674)
Balance at December 31, 2007	$ 7,973	$ 76,243	$ (63,420)	$	$ 20,796
Net (loss)			(456)		(456)
Balance at March 31, 2008 (unaudited)	$ 7,973	$ 76,243	$ (63,876)	$	$ 20,340

(1) Includes grants of $162 and forfeitures of $(439).

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

BKF Capital Group, Inc. (the Company) operates through a wholly-owned subsidiary, BKF Management Co., Inc. and its subsidiaries, all of which are referred to as BKF. The Company trades on the over the counter market under the symbol (BKFG).

The consolidated financial statements of BKF include its wholly-owned subsidiaries BKF Asset Management, Inc., (BAM), BAM s two wholly-owned subsidiaries, BKF GP Inc. (BKF GP) and LEVCO Securities, Inc. (LEVCO Securities). There were no affiliated partnerships in the March 31, 2008 or December 31, 2007 Consolidated Financial Statements.

BAM was an investment advisor which was registered under the Investment Advisers Act of 1940, as amended; it withdrew its registration on December 19, 2006. Prior to that time provided investment advisory services to its clients which included U.S. and foreign corporations, mutual funds, limited partnerships, universities, pension and profit sharing plans, individuals, trusts, not-for-profit organizations and foundations. BAM also participated in broker consulting programs (Wrap Accounts) with several nationally recognized financial institutions. BAM had no operations during 2007 or 2008. LEVCO Securities was registered with the SEC as a broker-dealer and was a member of the National Association of Securities Dealers, Inc.; it withdrew its registration on November 30, 2006. BKF GP acts as the managing general partner of several affiliated investment partnerships which are in the process of being finally liquidated and dissolved.

Going Concern

The Company s financial statements have been presented on the basis that it is a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The company experienced a total loss of assets under management and as a result, the Company has had a significant decline in revenues and no longer has an operating business. The Company continues to evaluate strategic alternatives: either commence a new business or liquidate. Historically, the Company has funded its cash and liquidity needs through cash generated from operations. Accordingly the cash projected to be generated from operations will not be sufficient to fund operations and the Company will need to use its existing working capital to fund operations. As a result there is substantial doubt about the ability of the Company to continue as a going concern. The accompanying financial statements do not reflect any adjustment for the outcome of this uncertainty.

Principles of Consolidation

The consolidated financial statements include the accounts of BKF Capital Group, Inc. and its wholly owned subsidiary, BKF Management Co., Inc. and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

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

Commissions are trailer fees on investment advisory fees which are recognized as earned.

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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 maintains 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 credit risk related to the money market funds and the market rate inherent in both the U.S. Treasury bills and the money market funds.

Income Taxes

The Company accounts for income taxes under the liability method prescribed by Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. The Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109, Accounting for Income Taxes* (FIN48) as of January 1, 2007. As a result the Company recognized an increase to accumulated deficit and an increase to the liability for taxes and interest of approximately $562,000. The liability is a result of exposure to state income reallocation exposure for years still subject to audit and based on the results of a recent audit of previous years.

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

The Company and its subsidiaries file consolidated Federal and combined state and local tax returns. The Company is currently subject to a three year statue of limitations by major tax jurisdictions. Recently the Company settled an examination issue with New York State and New York City related to income allocation for the years 1999, 2000 and 2001. New York State has commenced an audit of the years 2002, 2003 and 2004.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amount of existing assets and liabilities and their respective tax basis. Future tax benefits are recognized only to the extent that realization of such benefits is more likely than not to occur. The Company has recorded a valuation reserve of approximately $23.1 and $22.9 million against its net deferred tax asset as of March 31, 2008 and December 31, 2007, respectively. The Company believes that it is not more likely than not that this deferred tax benefit will be utilized in the foreseeable future.

The tax receivable of approximately $1.2 million as of March 31, 2008, represents cash refunds due with respect to the federal carry back claims for 2004 and 2003 taxes paid and is included in other assets. The IRS is currently auditing 2003, 2004 and 2005 in connection with this claim.

Recent Accounting Developments

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value and requires disclosure regarding fair value measurements. SFAS 157 is effective for the Company beginning January 1, 2008. The adoption of SFAS 157 will have no material effect on the Company s financial statements.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company s financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted FIN 48 in the first quarter of 2007.

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The impact of the adoption of FIN 48 resulted in an increase to accumulated deficit and an increase to liabilities for taxes and interest of approximately $562,000.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159), which permits certain financial assets and financial liabilities to be measured at fair value, using an instrument-by-instrument election. The initial effect of adopting SFAS 159 must be accounted for as a cumulative-effect adjustment to opening retained earnings for the fiscal year in which we apply SFAS 159. Retrospective application of SFAS 159 to fiscal years preceding the effective date is not permitted. SFAS 159 has no effect on the Company s financial statements.

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

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

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BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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):

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Net (loss)	$ (456)	$ (2,113)
Basic weighted-average shares outstanding	7,973,216	7,976,341
Dilutive potential shares from equity grants		
Diluted weighted-average shares outstanding	7,973,216	7,976,341
Basic and diluted (loss) per share:		
Net (loss)	$ (0.06)	$ (0.26)

In calculating diluted (loss) per share for the three-months ended March 31, 2008 and 2007 common stock equivalents of 450,000 and 250,000, respectively, were excluded due to their anti-dilutive effect on the calculation.

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 has historically operated in one business segment, the investment advisory and asset management business.

Stock Options

The Company complies with SFAS No. 123R using the modified prospective method.

2. Investment advisory trailer fees and other receivables

Included in investment advisory trailer fees and other receivables are primarily trailer fees receivable from former portfolio managers and do not include any accrued incentive fees as of March 31, 2008 and December 31, 2007.

3. Non-Cash Transactions

First Quarter 2008:

There were no non-cash transactions in the quarter ending March 31, 2008.

First Quarter 2007:

200,000 shares under option were granted to the two directors who became the Chairman and the President/CEO as of January 2, 2007. The options vest at a rate of 16.67% per quarter commencing on March 31, 2007

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

and an additional 16.67% on the last day of the next five calendar quarters thereof (these vesting provisions were subsequently eliminated and the options became fully vested). The option term is ten years.

250,000 shares under option were forfeited.

4. Stock Options

Effective January 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS No. 123R) requiring that compensation cost relating to share-based payment transactions be recognized in the financial statements. The cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee s requisite service period (generally the vesting period of the equity award). Prior to January 1, 2006, we accounted for share-based compensation to employees in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25), and related interpretations. We also followed the disclosure requirements of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation , as amended by Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure . We adopted SFAS 123R using the modified prospective method.

There was $81,000 of compensation cost related to non-qualified stock options recognized in operating results (included in selling, general and administrative expenses) in the three months ended March 31, 2007 and none in the first quarter of 2008.

The fair value of each option award is estimated on the grant date using the Black-Scholes option-pricing model. Expected volatility is based on implied volatilities from the public trading price of BKF stock. We used a 10 year option life as the expected term. The expected term represents an estimate of the time options are expected to remain outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. treasury yield curve in effect at the time of grant. The following table sets forth the assumptions used to determine compensation cost for our non-qualified stock options consistent with the requirements of SFAS No. 123R for options granted in the first quarter of 2007. There were no options granted in the first quarter of 2008.

	Three Months March 31, 2007
Expected volatility	35.45%
Expected annual dividend yield	0.00%
Risk free rate of return	4.58%
Expected option term (years)	9.5

As of March 31, 2008 and December 31, 2007 there were 450,000 options outstanding with a weighted average exercise price of $2.74.

At March 31, 2008 there was no unrecognized compensation cost related to stock options. The intrinsic value of outstanding options at March 31, 2008 was zero.

5. Income Taxes

The Company accounts for income taxes under the liability method prescribed by Statement of Financial Accounting Standards (SFAS) No. 109. Accounting for Income Taxes. The Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109, Accounting for Income Taxes* (FIN48) as of January 1, 2007. As a result the Company recognized an increase to accumulated deficit and an increase to the liability for taxes and interests of approximately $562,000 during the first quarter of 2007. The exposure is related to issues arising from a New York State audit which resulted in a

BKF CAPITAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

reallocation of income increasing the Company s liability in the audited years. The Company believes it has exposure to the same issue in more recent years and has included the effect of those years in the restatement.

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

The Company and its subsidiaries file consolidated Federal and combined state and local tax returns. The Company is currently subject to a three year statue of limitations by major tax jurisdictions. Recently the Company settled an examination issue with New York State and New York City related to income allocation for the 1999, 2000, and 2001. Currently New York State is auditing the years 2002, 2003 and 2004.

The tax receivable of approximately $1.2 million as of March 31, 2008, represents cash refunds due with respect to the federal carry back claims for 2004 and 2003 taxes paid and is included in other assets. The IRS is currently auditing 2003, 2004 and 2005 in connection with this claim.

The Company has recorded a valuation reserve of approximately $23.1 and $22.9 million against its net deferred tax asset as of March 31, 2008 and December 31, 2007, respectively. The Company believes that it is not more likely than not that this deferred tax benefit will be utilized in the foreseeable future.

There was no provision for income taxes as of March 31, 2008 due to continuing operating losses and the prior utilization of the Company s tax carryback.

6. Restructuring Expenses

During the first quarter of 2008 the Company had $21,000 of restructuring costs as follows (in 000,000 s):

	Liability Dec. 31, 2007	Charged to Expense	Paid or Amortized	Liability March 31, 2008
Lease and fixed asset costs	$ 3.0		*	3.0
	$ 3.0	$	$ *	$ 3.0

* 1st quarter amount rounds down to zero.

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

OVERVIEW

Historically BKF Capital operated entirely through BKF Asset Management, Inc. (BKF), previously a registered investment adviser with the Securities and Exchange Commission. BKF specialized in managing equity portfolios for institutional investors through its long-only equity and alternative investment strategies. It also acted as the managing general partner of a number of investment partnerships through it s subsidiary BKF GP Inc.

During 2006 the Company ceased operating its investment advisory business. At March 31, 2008, it has no operating business and no assets under management. The Company s principal assets consist of a significant cash position, sizable net operating tax losses to potentially carry forward, its status as an Exchange Act Reporting Company and a small revenue stream consisting of interest and fee sharing payments from departed portfolio managers. This revenue stream will be insufficient to cover operating expenses.

As previously disclosed, the Company has been evaluating strategic alternatives. Currently, the Company has two options:

- Merging with, acquiring or commencing a business potentially being funded by a capital raising event; or
- Liquidating the Company and distributing a portion of the Company s remaining cash to stockholders.

The Company continues to evaluate opportunities within these strategic alternatives.

RESULTS OF OPERATIONS

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

Three Months Ended March 31, 2008 as Compared to Three Months Ended March 31, 2007

Revenues

Total revenues for the first quarter of 2008 were $0.77 million, reflecting a decrease of 7.0% from $0.83 million in revenues in the same period in 2007. This decrease is attributable to lowering interest rates and thus less interest revenue.

The revenues for the three months ended March 31, 2008 are a result of interest earned on treasury bills and money market funds and trailer fees from departed portfolio managers.

Expenses

Total expenses for the first quarter of 2008 were $1.2 million, reflecting a decrease of 58.7% from $2.9 million in expenses in the same period in 2007.

Lower expenses primarily reflect the reduction of personnel and generally lower levels of activity in 2008 vs 2007.

Interest expense is primarily related to imputed interest on the sublease reserves. The increase from 2007 to 2008 is related to interest accrued on potential tax claim in accordance with FIN 48.

Other operating expenses were $635,000 in the first quarter of 2008, reflecting a 58.8% decrease from $1.54 million in the same period in 2007. The majority of these expenses in the first quarter of 2008 was the amortization of prepaid D&O insurance of $400,000; the remainder of these expenses in 2008 was primarily legal and accounting fees.

Operating Loss

Operating loss for the first quarter of 2008 was $456,000, as compared to operating loss of $2.11 million in the same period in 2007.

LIQUIDITY AND CAPITAL RESOURCES

BKF s current assets as of March 31, 2008 consist primarily of cash, short-term investments and receivables.

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

At March 31, 2008, BKF had cash, cash equivalents and U.S. Treasury bills of $24.06 million, compared to $24.11 million at December 31, 2007.

OFF BALANCE SHEET RISK

There has been no material change with respect to the off balance sheet risk incurred by BKF Capital since December 31, 2007.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Currently the Company has no assets under management and is not subject to market risk.

Item 4. ***Controls and Procedures***

An evaluation was performed under the supervision and with the participation of BKF s management, including the CEO and CFO, of the effectiveness of the design and operation of BKF s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on that evaluation, BKF s management, including the CEO and CFO, concluded that BKF s disclosure controls and procedures were effective as of the end of the period covered by this report. 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.

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PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

There are no material lawsuits pending against the Company.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

None

Item 3. ***Defaults Upon Senior Securities***

None

Item 4. ***Submission of Matters to a Vote of Security Holders***

None

Item 5. ***Other Information***

This Quarterly Report on Form 10-Q contains certain statements that are not historical facts, including, most importantly, information concerning possible or assumed future results of operations of BKF and statements preceded by, followed by or that include the words may, believes, expects, anticipates, or the negation thereof, or similar expressions, which constitute forward-looking statements within the meaning of the Reform Act. 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 expectations and are susceptible to a number of risks, uncertainties and other factors, including the risks specifically enumerated in Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations, 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: changes in business strategy; 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; 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 6. ***Exhibits***

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

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SIGNATURES

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

BKF Capital Group, Inc.

By:	/s/ Harvey J. Bazaar
Harvey J. Bazaar *Chief Executive Officer* *and President*	
By:	/s/ J. Clarke Gray
J. Clarke Gray *Senior Vice President and* *Chief Financial Officer*	

Date: May 13, 2008

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