

P&F INDUSTRIES INC  
Form 10-Q  
May 17, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

**For the Quarterly Period Ended March 31, 2010**

**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 - 5332**

**P&F INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**22-1657413**  
(I.R.S. Employer Identification Number)

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445 Broadhollow Road, Suite 100, Melville, New York  
(Address of principal executive offices)

11747  
(Zip Code)

Registrant's telephone number, including area code: (631) 694-9800

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Indicate by checkmark 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, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

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

As of May 14, 2010 there were 3,614,562 shares of the registrant's Class A Common Stock outstanding.

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**P&F INDUSTRIES, INC.**

**FORM 10-Q**

**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2010**

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Table of Contents**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements****P&F INDUSTRIES, INC. AND SUBSIDIARIES****CONSOLIDATED CONDENSED BALANCE SHEETS**

	March 31, 2010 (unaudited)	December 31, 2009 (See Note 1)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$	\$ 546,000
Accounts receivable net	7,253,000	7,545,000
Inventories - net	18,802,000	19,746,000
Notes and other receivables	198,000	110,000
Deferred income taxes net	670,000	670,000
Income tax refund receivable	3,275,000	3,270,000
Prepaid expenses and other current assets	240,000	169,000
Assets of discontinued operations	8,707,000	10,797,000
<b>TOTAL CURRENT ASSETS</b>	<b>39,145,000</b>	<b>42,853,000</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	1,550,000	1,550,000
Buildings and improvements	7,476,000	7,476,000
Machinery and equipment	16,150,000	16,130,000
	25,176,000	25,156,000
Less accumulated depreciation and amortization	12,379,000	11,990,000
<b>NET PROPERTY AND EQUIPMENT</b>	<b>12,797,000</b>	<b>13,166,000</b>
<b>GOODWILL</b>	<b>5,150,000</b>	<b>5,150,000</b>
<b>OTHER INTANGIBLE ASSETS net</b>	<b>2,563,000</b>	<b>2,651,000</b>
<b>DEFERRED INCOME TAXES -net</b>	<b>1,437,000</b>	<b>1,437,000</b>
<b>ASSETS OF DISCONTINUED OPERATIONS</b>	<b>3,680,000</b>	<b>3,924,000</b>
<b>OTHER ASSETS net</b>	<b>215,000</b>	<b>237,000</b>
<b>TOTAL ASSETS</b>	<b>\$ 64,987,000</b>	<b>\$ 69,418,000</b>

See accompanying notes to consolidated condensed financial statements (unaudited).



Table of Contents**P&F INDUSTRIES, INC. AND SUBSIDIARIES****CONSOLIDATED CONDENSED BALANCE SHEETS**

	<b>March 31, 2010</b> <b>(unaudited)</b>	<b>December 31, 2009</b> <b>(See Note 1)</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Short-term borrowings	\$ 13,900,000	\$ 16,300,000
Accounts payable	2,669,000	1,396,000
Other accrued liabilities	2,978,000	2,003,000
Liabilities of discontinued operations	8,699,000	9,719,000
Current maturities of long-term debt	4,370,000	5,015,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>32,616,000</b>	<b>34,433,000</b>
Long-term debt, less current maturities	3,385,000	4,148,000
Liabilities of discontinued operations	5,787,000	5,222,000
<b>TOTAL LIABILITIES</b>	<b>41,788,000</b>	<b>43,803,000</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS EQUITY</b>		
Preferred stock - \$10 par; authorized - 2,000,000 shares; no shares issued		
Common stock		
Class A - \$1 par; authorized - 7,000,000 shares; issued - 3,956,431 at March 31, 2010 and December 31, 2009	3,956,000	3,956,000
Class B - \$1 par; authorized - 2,000,000 shares; no shares issued		
Additional paid-in capital	10,650,000	10,615,000
Retained earnings	11,548,000	13,999,000
Treasury stock, at cost 341,869 shares at March 31, 2010 and December 31, 2009	(2,955,000)	(2,955,000)
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>23,199,000</b>	<b>25,615,000</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 64,987,000</b>	<b>\$ 69,418,000</b>

See accompanying notes to consolidated condensed financial statements (unaudited).

Table of Contents**P&F INDUSTRIES, INC. AND SUBSIDIARIES****CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (Unaudited)**

	<b>Three months ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
Net revenue	\$ 11,147,000	\$ 12,221,000
Cost of sales	7,148,000	8,121,000
Gross profit	3,999,000	4,100,000
Selling, general and administrative expenses	4,317,000	4,203,000
Operating loss	(318,000)	(103,000)
Interest expense	389,000	305,000
Loss from continuing operations before income taxes	(707,000)	(408,000)
Income tax benefit		(69,000)
Loss from continuing operations	(707,000)	(339,000)
Loss from discontinued operations (net of tax benefit of \$ 0 for 2010 and \$58,000 for 2009)	(1,744,000)	(267,000)
Net loss	\$ (2,451,000)	\$ (606,000)
Basic and diluted loss per common share:		
Continuing operations	\$ (0.20)	\$ (0.09)
Discontinued operations	(0.48)	(0.08)
	\$ (0.68)	\$ (0.17)
Weighted average common shares outstanding:		
Basic and diluted	3,615,000	3,615,000

See accompanying notes to consolidated condensed financial statements (unaudited).



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**P&F INDUSTRIES, INC. AND SUBSIDIARIES**

**CONSOLIDATED CONDENSED STATEMENT OF SHAREHOLDERS EQUITY (unaudited)**

	<b>Total</b>	<b>Class A Common Stock, \$1 Par Shares</b>	<b>Amount</b>	<b>Additional paid-in capital</b>	<b>Retained earnings</b>	<b>Treasury stock Shares</b>	<b>Amount</b>
Balance, January 1, 2010	\$ 25,615,000	3,956,000	\$ 3,956,000	\$ 10,615,000	\$ 13,999,000	342,000	\$ (2,955,000)
Net loss	(2,451,000)				(2,451,000)		
Stock-based compensation	35,000			35,000			
Balance, March 31, 2010	\$ 23,199,000	3,956,000	\$ 3,956,000	\$ 10,650,000	\$ 11,548,000	342,000	\$ (2,955,000)

See accompanying notes to consolidated condensed financial statements (unaudited).

Table of Contents**P&F INDUSTRIES, INC. AND SUBSIDIARIES****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (unaudited)**

	Three months ended March 31,	
	2010	2009
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (2,451,000)	\$ (606,000)
Adjustments to reconcile net loss to net cash provided by operating activities of continuing operations:		
Net loss from discontinued operations	1,744,000	267,000
Noncash charges:		
Depreciation and amortization	413,000	386,000
Amortization of other intangible assets	87,000	88,000
Amortization of other assets	3,000	3,000
Provision (recovery) for losses on accounts receivable - net	8,000	(10,000)
Stock-based compensation	35,000	70,000
Loss (gain) on sale of fixed asset	2,000	(2,000)
Changes in operating assets and liabilities, net of discontinued operations:		
Accounts receivable	283,000	(693,000)
Notes and other receivables	(88,000)	(69,000)
Inventories	945,000	991,000
Income tax refund receivable	(5,000)	(142,000)
Prepaid expenses and other current assets	175,000	(482,000)
Other assets	(226,000)	(149,000)
Accounts payable	1,273,000	731,000
Accruals and other liabilities	975,000	8,000
Total adjustments	5,624,000	997,000
Net cash provided by operating activities of continuing operations	3,173,000	391,000

See accompanying notes to consolidated condensed financial statements (unaudited).

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	Three months ended March 31,	
	2010	2009
<b>Cash Flows from Investing Activities</b>		
Capital expenditures	\$ (46,000)	\$ (561,000)
Proceeds from sales of fixed assets		3,000
Net cash used in investing activities	(46,000)	(558,000)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from short-term borrowings		8,484,000
Repayments of short-term borrowings	(2,400,000)	(3,484,000)
Repayment of term loan	(1,253,000)	(6,444,000)
Proceeds from equipment lease financing		348,000
Repayments of equipment lease financing	(106,000)	(9,000)
Principal payments on long-term debt	(49,000)	(68,000)
Net cash used in financing activities	(3,808,000)	(1,173,000)
<b>Cash flows from discontinued operations</b>		
Operating activities	(154,000)	1,117,000
Investing activities	245,000	30,000
Financing activities	44,000	