

LAWNDALE CAPITAL MANAGEMENT LLC

Form SC 13D/A

May 26, 2010

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CUSIP No. 692830508

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

SCHEDULE 13D

Under the Securities Exchange Act of 1934

(Amendment No. 1)

P&F Industries, Inc.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

692830508

(CUSIP Number)

Andrew E. Shapiro  
Lawndale Capital Management, LLC  
591 Redwood Highway, Suite 2345  
Mill Valley, CA 94941  
415-389-8258

Christopher J. Rupright, Esq.  
Shartsis Friese LLP  
One Maritime Plaza, 18th Floor  
San Francisco, CA 94111  
415-421-6500

(Name, Address and Telephone Number of Person  
Authorized to Receive Notices and Communications)

May 25, 2010

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of sections 240.13d-1(e), 240.13d-1(f) or 140.13d-1(g), check the following box. [ ]

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See section 240.13d-7 for other parties to whom copies are to be sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1746 (11-02)

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CUSIP No. 692830508

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).

Lawndale Capital Management, LLC

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a)  XX  
(b)  \_\_\_\_\_

3. SEC Use Only

4. Source of Funds (See Instructions) AF

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) \_\_\_\_\_

6. Citizenship or Place of Organization California

|   |                              |         |
|---|------------------------------|---------|
| Number of Shares Beneficially Owned by Each Reporting Person With | 7. Sole Voting Power         | -0-     |
|   | 8. Shared Voting Power       | 276,817 |
|   | 9. Sole Dispositive Power    | -0-     |
|   | 10. Shared Dispositive Power | 276,817 |

11. Aggregate Amount Beneficially Owned by Each Reporting Person 276,817

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)\_\_\_\_\_

13. Percent of Class Represented by Amount in Row (11) 7.7%

14. Type of Reporting Person (See Instructions)

OO, IA



CUSIP No. 692830508

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).

Andrew E. Shapiro

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) XX  
 (b) \_\_\_\_\_

3. SEC Use Only

4. Source of Funds (See Instructions) AF

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) \_\_\_\_\_

6. Citizenship or Place of Organization United States

|                |     |                          |         |
|----------------|-----|--------------------------|---------|
| Number of      | 7.  | Sole Voting Power        | -0-     |
| Shares         |     |                          |         |
| Beneficially   | 8.  | Shared Voting Power      | 276,817 |
| Owned by       |     |                          |         |
| Each Reporting | 9.  | Sole Dispositive Power   | -0-     |
| Person With    | 10. | Shared Dispositive Power | 276,817 |

11. Aggregate Amount Beneficially Owned by Each Reporting Person 276,817

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) \_\_\_\_\_

13. Percent of Class Represented by Amount in Row (11) 7.7%

14. Type of Reporting Person (See Instructions)

IN



CUSIP No. 692830508

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).

Diamond A Partners, L.P.

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) \_\_\_\_\_  
(b) \_\_\_\_\_

3. SEC Use Only

4. Source of Funds (See Instructions) WC

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) \_\_\_\_\_

6. Citizenship or Place of Organization California

|   |                              |     |         |
|---|------------------------------|-----|---------|
| Number of Shares Beneficially Owned by Each Reporting Person With | 7. Sole Voting Power         | -0- |         |
|   | 8. Shared Voting Power       |     | 231,300 |
|   | 9. Sole Dispositive Power    | -0- |         |
|   | 10. Shared Dispositive Power |     | 231,300 |

11. Aggregate Amount Beneficially Owned by Each Reporting Person 231,300

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)\_\_\_\_\_

13. Percent of Class Represented by Amount in Row (11) 6.4%

14. Type of Reporting Person (See Instructions)

PN





CUSIP No. 692830508

Item 1. Security and Issuer

This statement relates to shares of Common Stock (the "Stock") of P&F Industries, Inc. (the "Issuer"). The principal executive office of the Issuer is located at 445 Broadhollow Road, Suite 100, Melville, NY 11747.

Item 2. Identity and Background

The persons filing this statement and the persons enumerated in Instruction C of Schedule 13D and, where applicable, their respective places of organization, general partners, directors, executive officers and controlling persons, and the information regarding them, are as follows:

- (a) Lawndale Capital Management, LLC ("Lawndale" or "LCM");  
Andrew E. Shapiro ("Shapiro"); Diamond A Partners, L.P. ("DAP")  
(collectively, the "Filers").

DAP is filing this statement jointly with the other Filers, but not as a member of a group and expressly disclaims membership in a group. Lawndale and Shapiro disclaim beneficial ownership of the Stock except to the extent of their respective pecuniary interests therein.

- (b) The business address of the Filers is  
591 Redwood Highway, Suite 2345, Mill Valley, CA 94941.

- (c) Present principal occupation or employment of the Filers and the name, principal business and address of any corporation or other organization in which such employment is conducted:

LCM is the investment adviser to and the general partner of DAP, which is an investment limited partnership. Shapiro is the sole manager of LCM.

- (d) During the last five years, none of the Filers has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

- (e) During the last five years, none of the Filers was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

- (f) Shapiro is a citizen of the United States of America.

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Item 3. Source and Amount of Funds or Other Consideration

The source and amount of funds used in purchasing the Stock were as follows:

| Purchaser | Source of Funds            | Amount       |
|-----------|----------------------------|--------------|
| LCM       | Funds under Management (1) | \$999,473.10 |
| DAP       | Working Capital            | \$783,717.82 |

(1) Includes funds of DAP invested in Stock.

Item 4. Purpose of Transaction

As disclosed in prior filings, the Filers ("Lawndale") have been in contact with P&F Industries ("PFIN") management and members of PFIN's Board of Directors (the "Board") regarding certain operational and corporate governance concerns that include, but are not limited to, what Lawndale believes to be excessive compensation paid to PFIN's Chairman and CEO, Richard Horowitz, for poor performance. This further leads to serious concerns regarding the Board's current composition and independence.

On May 25, 2010, Lawndale sent PFIN's Board a letter (a copy of which is attached at Exhibit B hereto, and incorporated by reference to this filing) informing them of Lawndale's intent to vote 272,812 shares, equal to 7.5% of eligible shares to "WITHOLD authority for ALL NOMINEES" on Proposal 1, Election of Directors, at PFIN's annual meeting scheduled for June 3 2010 and noting independent proxy advisory services, Proxy Governance and RiskMetrics also recommended voting to "WITHHOLD ALL" and "WITHHOLD Dubofsky", respectively. (a copy of the Proxy Governance recommendation is attached as part of this exhibit)

As disclosed in greater detail in the letter, among the reasons for its vote, Lawndale cited the following:

- For P&F's Small Size And Business Structure, Horowitz' Compensation Is Wholly Inappropriate
  - The Only Shareowner That Has Benefited From The Horowitz Era Has Been Horowitz
  - P&F's Board Requires Increased Independence Via New Directors From Outside "The Club"

At the invitation of the Nominating Committee Chairman, Marc Utay, in February 2010 Lawndale submitted the names and backgrounds of five highly qualified and independent individuals for possible addition to P&F's Board. Although these nominations were made long before the deadline for setting PFIN's slate and Proxy for the upcoming June 3 Annual Meeting, none of Lawndale's suggested nominees appeared on PFIN's final Proxy. Lawndale was recently informed that two of its nominees have been invited to meet with certain members of the Board in the week following PFIN's Annual Meeting.

It is the view of Lawndale that a board comprised of qualified directors who are independent, and whose interests are better aligned with shareholders via meaningful purchased equity ownership, would more objectively and aggressively oversee the compensation and corporate acquisition decisions of PFIN.

Lawndale believes the public market value of PFIN is undervalued by not adequately reflecting the value of PFIN's business segments and other assets, including certain long-held real estate.

While Lawndale acquired the Stock solely for investment purposes, Lawndale has been and may continue to be in contact with PFIN management, members of PFIN's Board, other significant shareholders and others regarding alternatives that PFIN could employ to maximize shareholder value. Lawndale may from time to time take such actions, as it deems necessary or appropriate to maximize its investment in the Company's shares. Such action(s) may include, but is not limited to, buying or selling the Company's Stock at its discretion, communicating with the Company's shareholders and/or others about actions

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which may be taken to improve the Company's financial situation or governance policies or practices, as well as such other actions as Lawndale, in its sole discretion, may find appropriate.

Item 5. Interest in Securities of the Issuer

The beneficial ownership of the Stock by each Filer at the date hereof is reflected on that Filer's cover page.

The Filers have effected the following transactions in the Stock in the past 60 days:

| Name | Purchase or Sale | Date      | Number of Shares | Price Per Share |
|------|------------------|-----------|------------------|-----------------|
| LCM  | P                | 4/1/2010  | 800              | 2.4313          |
| LCM  | P                | 4/5/2010  | 1,229            | 2.2371          |
| DAP  | P                | 4/5/2010  | 1,365            | 2.2371          |
| DAP  | P                | 5/17/2010 | 300              | 2.3000          |
| LCM  | P                | 5/19/2010 | 505              | 2.1396          |
| DAP  | P                | 5/19/2010 | 2,400            | 2.1396          |
| DAP  | P                | 5/20/2010 | 800              | 2.1238          |

Item 6. Contracts, Arrangement, Understandings or Relationships with Respect to Securities of the Issuer

LCM is the general partner of its clients pursuant to limited partnership agreements providing to LCM the authority, among other things, to invest the funds of such clients in Stock, to vote and dispose of Stock and to file this statement on behalf of such clients. Pursuant to such limited partnership agreements, the general partner of such clients is entitled to allocations based on assets under management and realized and unrealized gains.

Item 7. Material to Be Filed as Exhibits

Exhibit A: Agreement Regarding Joint Filing of Statement on Schedule 13D or 13G.

Exhibit B: Letter from LCM to the Issuer with enclosure.

SIGNATURES

After reasonable inquiry and to the best of my knowledge, I certify that the information set forth in this statement is true, complete and correct.

Dated: May 25, 2010

Lawndale Capital Management, LLC

Diamond A Partners, L.P.

By: Andrew E. Shapiro, Manager

By: Lawndale Capital Management,  
LLC  
General Partner

By: Andrew E. Shapiro, Manager

Andrew E. Shapiro

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EXHIBIT A

AGREEMENT REGARDING JOINT FILING  
OF STATEMENT ON SCHEDULE 13D OR 13G

The undersigned agree to file jointly with the Securities and Exchange Commission (the "SEC") any and all statements on Schedule 13D or Schedule 13G (and any amendments or supplements thereto) required under section 13(d) of the Securities Exchange Act of 1934, as amended, in connection with purchases by the undersigned of the common stock of P&F Industries, Inc. For that purpose, the undersigned hereby constitute and appoint Lawndale Capital Management, LLC as their true and lawful agent and attorney-in-fact, with full power and authority for and on behalf of the undersigned to prepare or cause to be prepared, sign, file with the SEC and furnish to any other person all certificates, instruments, agreements and documents necessary to comply with section 13(d) and section 16(a) of the Securities Exchange Act of 1934, as amended, in connection with said purchases, and to do and perform every act necessary and proper to be done incident to the exercise of the foregoing power, as fully as the undersigned might or could do if personally present.

Dated: February 2, 2010

Lawndale Capital Management, LLC

Diamond A Partners, L.P.

By: Andrew E. Shapiro, Manager

By: Lawndale Capital Management,  
LLC  
General Partner

By: Andrew E. Shapiro, Manager

Andrew E. Shapiro

SEC 1746 (11-02)

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