FORM 10-K405

P&F INDUSTRIES INC - PFIN

Filed: March 29, 2000 (period: December 31, 1999)

Annual report filed under Regulation S-K Item 405 (Discontinued)

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1 - 5332

P & F INDUSTRIES, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	22-1657413
(State of incorporation)	(I.R.S. Employer Identification Number)
300 SMITH STREET, FARMINGDALE, NEW YORK	11735
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (631) 694-1800

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of each exchange on which registered
NONE	NONE

Securities registered pursuant to Section 12(g) of the Act:

CLASS A COMMON STOCK, $1.00 PAR VALUE
(Title of class)

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 X   NO
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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 amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the last sale price on March 17, 2000, was approximately $20,034,000.

As of March 17, 2000, there were outstanding 3,601,893 shares of the Registrant's Class A Common Stock, par value $1.00 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference information from the Registrant's definitive Proxy Statement for the 2000 Annual Meeting of Stockholders.

P & F INDUSTRIES, INC.

FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

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SAFE HARBOR STATEMENT

UNDER THE PRIVATE SECURITIES
LITIGATION REFORM ACT OF 1995

This Annual Report on Form 10-K may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any forward-looking statements contained herein, including those related to the Company's performance for the year 2000, are based upon the Company's historical performance and on current plans, estimates and expectations. They are subject to various risks and uncertainties, including, but not limited to, the impact of competition, product demand and pricing, investment results, legislative and regulatory developments and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission. These risks could cause the Company's actual results for the 2000 fiscal year and beyond to differ materially from those expressed in any forward-looking statement made by or on behalf of the Company. Forward-looking statements speak only as of the date on which they are made, and the Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

PART I
ITEM 1. BUSINESS

P & F Industries, Inc. (the "Company") conducts its business operations through three wholly-owned subsidiaries. Embassy Industries, Inc. ("Embassy") is engaged in the manufacture and sale of baseboard heating products and the importation and sale of radiant heating systems. Embassy also imports a line of door and window hardware items through its Franklin Hardware division ("Franklin"). Florida Pneumatic Manufacturing Corporation ("Florida Pneumatic") is engaged in the importation, manufacture and sale of pneumatic hand tools, primarily for the industrial and retail markets, and the importation and sale of compressor air filters. Florida Pneumatic also markets, through its Berkley Tool division ("Berkley"), a line of pipe cutting and threading tools, wrenches and replacement electrical components for a widely used brand of pipe cutting and threading machines. Green Manufacturing, Inc. ("Green"), which was acquired by the Company on September 16, 1998, is engaged primarily in the manufacture, development and sale of heavy-duty welded custom designed hydraulic cylinders. Green also manufactures a line of access equipment for the petro-chemical industry and a line of post hole digging equipment for the agricultural industry. Note 9 of the Notes to Consolidated Financial Statements presents additional information regarding the acquisition of Green. Note 11 of the Notes to Consolidated Financial Statements presents financial information for the segments of the Company's business.

Florida Pneumatic has two major customers, Sears, Roebuck and Co. and W.W. Grainger, Inc., that accounted for 24.7%, 35.7% and 45.4% and 7.7%, 10.1% and 9.1% of consolidated revenues for the years ended December 31, 1999, 1998 and 1997, respectively. A third major customer, The Home Depot, is a customer of both Florida Pneumatic and Franklin and accounted for 10.1% of consolidated revenues for the year ended December 31, 1999. Revenues derived from countries outside the United States were immaterial for the years ended December 31, 1999, 1998 and 1997.

EMBASSY

Embassy's baseboard heating products are sold nationally, under the Embassy name and under its Panel-Track and System 6 trademarks, for use in hot-water heating systems installed in single family homes, multi-unit dwellings and commercial and industrial buildings. Products are sold principally to wholesalers by manufacturers' representatives and in-house sales support personnel. Embassy's products are also sold to other manufacturers for incorporation into their products and for distribution on a private label basis.

Hot-water heating systems operate by heating water in a boiler and circulating it through the copper tubing in the baseboard along the perimeter of the space to be heated. Attached to the copper tubing are numerous closely-spaced aluminum fins which dissipate the heat. Sections are two to ten feet in length, project several inches from the wall and rise less than a foot from the floor. These sections may be combined for longer installations. Embassy's baseboard contains patented plastic tracks which ease handling and reduce operating noise.

Embassy also imports a line of radiant heating systems. These systems are different from baseboard heating systems in that the radiant heating systems radiate heat provided by hot water circulating through plastic tubing, which is generally installed beneath the surface of the floor. These systems include the tubing, manifolds, controls and installation supplies. Embassy also provides computer software which aids in the design of the system. Sales of this product accounted for 15.4% of Embassy's total heating equipment revenues in 1999.

Baseboard and radiant heating systems compete with forced hot-air and electric heating systems. Compared to baseboard and radiant heating systems, electric heating systems are generally more expensive to operate, while forced hot-air systems are noisier, sometimes cause discomfort from fluctuations in temperature as the furnace cycles on and off and do not distribute warm air uniformly within the room. Radiant heating systems are generally the most expensive of these systems to install and therefore tend to be installed more often in custom and higher priced homes. Since Embassy's products are used primarily in new installations, its sales are related to housing starts.

Embassy's baseboard heating products are sold off the shelf and no material backlog of orders exists. Raw materials are readily available. The business is seasonal, with approximately 60.0% of Embassy's heating equipment revenues coming in the last six months of the year.

The primary competitive factors in the baseboard and radiant heating market are quality, price, service and brand-name awareness.

The Franklin division of Embassy imports and packages approximately 225 types of hardware products, including locksets, deadbolts, door and window security hardware, rope-related hardware products and fire escape ladders. Products generally range in price from under $1.00 to $30.00 and are sold to retailers, wholesalers and private label accounts through manufacturers' representatives and in-house sales support personnel. Nearly all of Franklin's sales are of products imported from the Far East. Three customers accounted for approximately 41.4%, 48.9% and 55.9% of Franklin's revenues in 1999, 1998 and 1997, respectively. A fourth major customer accounted for 26.5% of Franklin's for the year ended December 31, 1999. The Company believes that its relationships with these customers remain excellent.

The primary competitive factors in the hardware business are price, service, skill in packaging and point-of-sale marketing.

Franklin's products are sold off the shelf and no material backlog of orders exists. Sources of imported products are readily available. Franklin's business is not seasonal.

FLORIDA PNEUMATIC

Florida Pneumatic imports or manufactures approximately fifty types of pneumatic hand tools, most of which are sold at prices ranging from $50 to $1,000, under the names "Florida Pneumatic", "Universal Tool" and "Fuji", as well as under the trade names or trademarks of several private label customers. The line of products includes sanders, grinders, drills, saws, impact wrenches, nailers and staplers. These tools are similar in appearance and function to electric hand tools but are powered by compressed air, rather than directly by electricity. Air tools, as they are also called, are generally less expensive to operate, offer better performance and are lighter in weight than their electrical counterparts.

Most of Florida Pneumatic's sales are of pneumatic tools imported from Japan and Taiwan, along with sales of some products imported from mainland China. Florida Pneumatic manufactures high speed rotary and reciprocating pneumatic tools at its factory in Jupiter, Florida and imports air filters.

Products are sold to distributors, retailers and private label customers through in-house sales personnel and manufacturers' representatives.

Typical users of Florida Pneumatic's hand tools include industrial maintenance and production staffs, do-it-yourself mechanics, automobile mechanics and auto body repairmen.

The primary competitive factors in the pneumatic tool market are price, service and brand-name awareness.

Two customers accounted for 57.4%, 70.4% and 72.9% of Florida Pneumatic's revenues in 1999, 1998 and 1997, respectively. A third customer accounted for 14.6% of Florida Pneumatic's revenues in 1999. The Company believes that its relationships with these customers remain excellent.

Berkley markets a product line consisting of pipe and bolt dies, pipe taps, pipe and tubing cutter wheels and replacement electrical components for a widely used brand of pipe cutting and threading machines. Florida Pneumatic markets Berkley's products through industrial distributors and contractors.

Florida Pneumatic's products are sold off the shelf and no material backlog of orders exists. The business is not seasonal, but it may be subject to significant periodic changes resulting from occasional sales promotions by customers.

Florida Pneumatic purchases significant amounts of pneumatic tools from two foreign suppliers. Other sources are available. However, the loss of either supplier could cause a temporary disruption in the flow of products, possibly creating an adverse effect on operating results.

GREEN

Green is engaged primarily in the manufacture, development and sale of heavy-duty welded custom designed hydraulic cylinders. All of Green's hydraulic cylinders are sold on an OEM basis and are integrated components on a variety of equipment and machinery. Hydraulic cylinders are welded casings whose internal chambers consist of a rod and piston surrounded by a petroleum-based fluid. The casings contain openings or valves which allow the introduction of fluid into one side of the chamber at high pressure. The introduction of fluid causes the rod/piston to move with tremendous force and allows for the pushing or lifting of extremely heavy loads.

Green's products, which are sold throughout the United States, are used on tow trucks and car carriers for hoisting and lifting cars and on aerial lifts and cranes to raise platforms and other heavy objects. The cylinders are also used on various types of construction equipment for digging and as steering mechanisms. They are also installed in compacting equipment, as the means to compress recyclable cardboard or other refuse.

Green specializes in cylinders that range in bore size from 1 to 8 inches and stroke, or extend, up to 180 inches. Each cylinder is engineered to the customer's specifications.

Green sells its products directly to OEM customers, at prices ranging from $50 to $1,500, with an approximate average selling price of $150.

The primary competitive factors in the hydraulic cylinder industry are quality and timely delivery.

Green also manufactures a line of access equipment for the petro-chemical and bulk storage industries. This product line, which accounts for about 10% of Green's revenues, consists of bridges, platforms, walkways and stairways, constructed of steel or aluminum and generally installed outdoors. These products are designed to customers' specifications and sold directly to them for use in overhead and elevated access to large containers, including rail cars and storage tanks.

Green also markets a small line of diggers used primarily as attachments to small tractors for light farm work. This product line, which accounts for less than 5% of Green's revenues, is marketed through farm equipment dealers and wholesalers.

Green's business does not exhibit a great deal of seasonality, except for the agricultural equipment business, which is stronger during the growing season. Backlogs totalling as much as 25% of yearly sales are standard for the cylinder business.

One customer accounted for 22.6% and 24.1% of Green's revenues in 1999 and 1998, respectively. The Company believes that its relationship with this customer remains excellent.

Green purchases significant amounts of raw materials from one supplier. Other sources are available. The Company believes that the loss of this supplier would not cause any disruption in the flow of products or have an adverse effect on operating results.

EMPLOYEES

The Company employed 422 persons as of December 31, 1999, including 5 at corporate headquarters. The 100 employees of the pneumatic tool segment and the 225 employees of the hydraulic cylinder segment are not represented by a union. Of the 92 persons employed in the heating equipment and hardware segments, 65 factory workers are covered by a single-employer union contract. The heating equipment union contract expires on November 30, 2001. The Company believes that its relations with its employees are satisfactory.

ITEM 2. PROPERTIES

Embassy, Florida Pneumatic and Green each own the plant facilities which they occupy. The facilities owned by Embassy and Florida Pneumatic are subject to mortgages. Embassy's 75,000 square foot plant facility is located in Farmingdale, New York. Florida Pneumatic's 72,000 square foot plant facility is located in Jupiter, Florida. Green's 85,000 square foot plant facility is located in Bowling Green, Ohio. Each facility either provides adequate space for the operations of the respective subsidiary in the foreseeable future or can be expanded to provide additional space. The Company's executive offices are located in Embassy's facility in Farmingdale, New York.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any litigation that is expected to have a material adverse effect on its business.

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

No matters were submitted to a vote of security holders during the last quarter of the period covered by this report.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Class A Common Stock trades on The Nasdaq Stock Market. The price range of the Company's Class A Common Stock during the last two fiscal years was as follows:

1999	HIGH	LOW
First Quarter	$10	$ 8 15/16
Second Quarter	10 1/8	8 1/2
Third Quarter	9 3/4	8 1/16
Fourth Quarter	8 3/8	6 3/8

1998	HIGH	LOW

First Quarter	$ 8	$ 5 7/8
Second Quarter	11 5/16	7 9/16
Third Quarter	10 9/16	7 1/8
Fourth Quarter	9 7/8	7 3/8

As of March 17, 2000, there were approximately 1,700 holders of record of the Company's Class A Common Stock.

The Company has not declared any cash dividends on its Class A Common Stock since its incorporation in 1962 and has no plans to declare any cash dividends in the immediate future. On January 30, 1997, the Company redeemed all of the outstanding shares of its $1.00 Cumulative Preferred Stock, at the par value of $10 per share, for a total of $2,633,450, plus an interim dividend totalling $21,858.

ITEM 6. SELECTED FINANCIAL DATA

P & F INDUSTRIES, INC. AND SUBSIDIARIES

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data has been derived from the audited consolidated financial statements of P & F Industries, Inc. and subsidiaries. The selected financial data should be read in conjunction with the Consolidated Financial Statements and related notes included elsewhere in this Form 10-K.

	YEAR ENDED DECEMBER 31,				
	1999	1998	1997	1996	1995
Revenues	$82,700,440	$58,165,715	$50,026,947	$43,078,371	$43,047,601
Income from continuing operations	$ 4,545,505	$ 3,943,441	$ 2,513,779	$ 1,953,287	$ 1,491,975
Income from continuing operations per share of common stock:					
Basic	$ 1.35	$ 1.23	$ .83	$ .58	$ .42
Diluted	$ 1.23	$ 1.07	$ .71	$ .52	$ .39
Total assets	$54,240,359	$48,078,479	$32,648,895	$31,331,643	$35,415,672
Long-term obligations	$ 7,325,661	$10,193,064	$ 5,124,883	$ 5,288,570	$ 7,414,181
Cash dividends declared per common share	$ --	$ --	$ --	$ --	$ --

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

1999 COMPARED TO 1998

Consolidated revenues increased 42.2%, from $58,165,715 to $82,700,440. Revenues from pneumatic tools and related equipment increased substantially, from $37,806,138 to $46,708,679, due primarily to the addition of a new large customer during the fourth quarter. The selling prices of pneumatic tools and related equipment were unchanged during the year.

Heating equipment revenues increased 4.5%, from $9,423,633 to $9,843,257. This increase was consistent across both the baseboard and radiant product lines. Average selling prices for baseboard product, the bulk of the product line, were unchanged from 1998. Selling prices of radiant tubing were reduced by an average of 12% in 1999 in an attempt to stimulate demand.

Hardware revenues increased 27.3%, from $4,351,114 to $5,536,822. This increase was almost exclusively the result of shipments to a new large customer that was obtained midway through 1998. Selling prices of hardware products were virtually unchanged, with the exception of one significant region where discounting was undertaken to maintain competitiveness.

Revenues for hydraulic cylinders and other equipment increased 213.0%, from $6,584,830 to $20,611,682. Revenues for 1999 were for the entire year, while revenues for 1998 were for only the period from the date of the acquisition of Green to December 31, 1998. Selling prices for hydraulic cylinders and other equipment were unchanged during the year.

Consolidated gross profit, as a percentage of revenues, decreased from 35.5% to 30.9%, due primarily to the lower overall gross margins from hydraulic cylinders and other equipment. Gross profit from pneumatic tools and related equipment decreased from 40.1% to 37.5%, due to a less favorable exchange rate of the dollar compared to the Japanese yen, which raised the cost of imported product. Gross profit from heating equipment increased from 34.1% to 35.8%, due primarily to an increase in labor productivity and a reduction in the cost of some raw materials. Gross profit from hardware decreased from 28.3% to 26.3%, due to the price discounting noted above. In addition, an increase in warehouse expenses associated with a large increase in the average number of orders per dollar of revenue had a negative impact on gross profit from hardware. Gross profit from hydraulic cylinders decreased from 15.8% to 14.6%, due primarily to a temporary decrease in labor productivity, as well as to a less favorable product mix.

Consolidated selling, general and administrative expenses increased 27.1%, from $13,332,424 to $16,944,706, due primarily to the inclusion of Green's expenses for the entire year in 1999. As a percentage of revenues, selling, general and administrative expenses decreased from 22.9% to 20.5%, due primarily to the increase in revenues.

Interest expense increased 80.0%, from $772,035 to $1,389,383, primarily due to the debt related to the Green acquisition, the funds borrowed to build-up inventory associated with the large new customer gained in the fourth quarter and, to a lesser extent, an increase in the average borrowing rate.

The effective tax rates for the years ended December 31, 1999 and 1998 were 36.8% and 39.6%, respectively. See Note 8 of the Notes to Consolidated Financial Statements.

1998 COMPARED TO 1997

Consolidated revenues increased 16.3%, from $50,026,947 to $58,165,715. Revenues from pneumatic tools and related equipment were essentially flat, increasing from $37,485,572 to $37,806,138. This increase would have been 18.2% over the same period in 1997 if not for a one time order in 1997 of a special product from one large customer. This order, which amounted to $5,494,865, was shipped in the third and fourth quarters of 1997. The increase, after adjusting for the shipments noted above, was the result of both the addition of a major new line of pneumatic tools and an increase in sales to the industrial sector. Selling prices of pneumatic tools and related equipment were unchanged during the year.

Heating equipment revenues increased 13.0%, from $8,342,996 to $9,423,633. This increase was consistent across both the baseboard and radiant product lines. Selling prices for several large new accounts opened in 1999 were lower than the average selling prices on existing business.

Hardware revenues increased 3.7%, from $4,196,351 to $4,351,114. A decrease in sales to one large customer was more than offset by the combination of a large increase in sales to another large customer and the addition of another large customer in the second half of 1998. Selling prices of hardware were unchanged during the year.

Revenues for hydraulic cylinders and other equipment, attributable to the acquisition of Green, were $6,584,830 for the period from the date of the acquisition to December 31. Selling prices for hydraulic cylinders and other equipment were unchanged during the year.

Consolidated gross profit, as a percentage of revenues, increased from 33.0% to 35.5%. Gross profit from pneumatic tools and related equipment increased from 33.2% to 40.1%, due to a more favorable exchange rate of the dollar compared to the Japanese yen, which reduced the cost of imported product, and a slightly more favorable product mix. Gross profit from heating equipment decreased from 35.3% to 34.1%, due primarily to several new large accounts receiving slightly lower prices than existing accounts. Gross profit from hardware increased from 26.1% to 28.3%, due to a more favorable product mix. Gross profit from hydraulic cylinders was 15.8%.

Consolidated selling, general and administrative expenses increased 15.2%, from $11,573,473 to $13,332,424, primarily as the result of both an increase in marketing and compensation program expenditures and the acquisition of Green.

As a percentage of revenues, selling, general and administrative expenses decreased from 23.1% to 22.9%, due to the increase in revenues.

Interest expense increased 11.3%, from $693,660 to $772,035, primarily due to the borrowing in September to effect the acquisition of Green.

The effective tax rates for the years ended December 31, 1998 and 1997 were 39.6% and 45.6%, respectively. See Note 8 of the Notes to Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

The Company gauges its liquidity and financial stability by the measurements shown in the following table:

	DECEMBER 31,		
	1999	1998	1997
	(amounts in thousands, except for ratios)		
Working Capital	$17,921	$15,994	$17,060
Current Ratio	2.04 to 1	2.24 to 1	3.45 to 1
Shareholders' Equity	$29,025	$24,450	$20,121

During 1999, gross accounts receivable increased by $3,812,583. Florida Pneumatic's accounts receivable increased by approximately $4,050,000, while Green's accounts receivable decreased by approximately $400,000. The increase at Florida Pneumatic was primarily the result of the timing of shipments to a large customer, which resulted in an increase of approximately $2,125,000 in accounts receivable. During 1999, sales to the new customer noted above increased accounts receivable by approximately $1,300,000. The decrease in accounts receivable at Green was primarily the result of improved collections, which resulted in a 9% decrease in average days of accounts receivable outstanding. Inventories increased $3,593,026, primarily to support the increase in revenues. The increases in accounts receivable and inventories were financed by an increase in short-term borrowings of $2,500,000 and by the cash derived from operations.

During 1998, gross accounts receivable increased by $694,918, caused by two factors. The acquisition of Green resulted in an increase in accounts receivable of approximately $3,200,000, which was substantially offset by a decrease of approximately $3,000,000 in accounts receivable at Florida Pneumatic. A majority of Florida Pneumatic's fourth quarter sales occurred in October. Because substantially all of Florida Pneumatic's accounts receivable are collected in approximately 60 days, accounts receivable were unusually low at December 31. The remainder of the increase was due to a very strong fourth quarter for Embassy. Also during 1998, inventories increased $3,638,995, due to the acquisition of Green, which increased inventories by over $1,100,000, a build-up at Florida Pneumatic related to two large promotional orders to be shipped in early 1999 and an increase at Franklin to support the addition of a new account. This increase in inventories was financed by an increase in short-term borrowings of $3,500,000.

On July 26, 1999, the Company renewed its credit agreement, as amended, with European American Bank. This agreement provides the Company with various credit facilities, including revolving credit loans, term loans for acquisitions and a foreign exchange line. The revolving credit loan facility provides a total of $12,000,000, with various sublimits, for direct borrowings, letters of credit, bankers' acceptances and equipment loans. The amended credit agreement also includes a step-up period, from the date of renewal through January 31, 2000, during which the total availability under the revolving credit loan facility was increased to $17,000,000 to support the buildup of inventory related to a significant new customer. At December 31, 1999, there was $6,000,000 outstanding against the revolving credit loan facility. There was also a commitment of approximately $464,000 at December 31, 1999 for open letters of credit.

The term loan facility provides a commitment of $15,000,000 to finance acquisitions subject to the lending banks approval. As noted below, $10,000,000 of the term loan facility was used to help finance the acquisition of Green and there was $3,833,333 still outstanding against this facility at December 31, 1999. The amended credit agreement also includes a step-up period, from the date of renewal through January 31, 2000, during which the total availability under the term loan facility was increased to $18,000,000 to support potential acquisitions. There was also a standby letter of credit totalling approximately $821,000 outstanding against this facility at December 31, 1999. This standby letter of credit was used to secure the Economic Development Revenue Bond assumed as part of the acquisition of Green.

The foreign exchange line provides for the availability of up to $10,000,000 in foreign currency forward contracts. These contracts fix the exchange rate on future purchases of Japanese yen needed for payments to foreign suppliers. The total amount of foreign currency forward contracts outstanding at December 31, 1999 was approximately $507,000.

The Company's credit agreement is subject to annual review by the lending bank. Under this agreement, the Company is required to adhere to certain financial covenants. At December 31, 1999, and for the year then ended, the Company satisfied all of these covenants.

On September 16, 1998, the Company acquired certain assets and liabilities of Green Manufacturing, Inc. for $10,500,000. The acquisition was financed with $500,000 in working capital funds and a $10,000,000 7-year term loan from the Company's principal bank. This loan bears interest at LIBOR (London Interbank Offered Rates) plus 1.75%. The Company made payments of principal only through October 1999, at which time payments of both principal and interest became due. As of December 31, 1999, $6,166,667 of the loan had been repaid. The Economic Development Revenue Bond was issued on November 16, 1994 and provides for annual retirement payments each November 1, over a 10-year period. The Bond bears interest at variable rates. The interest rate at December 31, 1999 was 5.7%.

On January 30, 1998, the Company redeemed all of its outstanding 13.75% Subordinated Debentures, due January 1, 2017, at 100% of the principal amount thereof, plus accrued and unpaid interest to the redemption date. The funds used for this redemption, totalling $1,384,686, were derived from working capital.

In August 1997, the Company sold the 36,000 square foot building it owned in New Hyde Park, New York. This building was being leased to Triangle Sheet Metal Works, Inc. ("Triangle"), a former subsidiary of the Company. The sale of the building, with proceeds totalling approximately $1,766,000, resulted in a gain of $542,837, net of income taxes. This gain is presented in the financial statements as income from discontinued operation.

On January 30, 1997, the Company redeemed all of its outstanding $1.00 Cumulative Preferred Stock at the par value of $10 per share, plus an interim dividend, through the redemption date, of $.083 per share. The funds used for this redemption, totalling $2,655,308, were derived from working capital.

Capital spending was approximately $1,647,000, $1,416,000 and $652,000 in 1999, 1998 and 1997, respectively. The total amount was provided from working capital. Capital expenditures for 2000 are expected to be approximately $1,750,000, some of which may be financed through the Company's credit facilities. Included in the expected total for 2000 are capital expenditures relating to new products, expansion of existing product lines and replacement of old equipment.

The Company, through Florida Pneumatic, imports a significant amount of its purchases from Japan, with payment due in Japanese yen. As a result, the Company is subject to the effects of foreign currency exchange fluctuations. The Company uses a variety of techniques to protect itself from any adverse effects from these fluctuations, including increasing its selling prices, obtaining price reductions from its overseas suppliers, using alternative supplier sources and entering into foreign currency forward contracts. Nevertheless, the weakening of the U.S. dollar versus the Japanese yen in 1999 had a negative effect on the Company's results of operations and its financial position.

The Company believes that cash on hand, cash derived from operations and cash available through borrowings under its credit facilities will be sufficient to allow the Company to support its capital expenditure program and to meet its foreseeable working capital needs.

YEAR 2000

The Company made substantial preparations for the Year 2000 (Y2K) issue, which is the result of computer programs being written for, or microprocessors using, two digits (rather than four) to define the applicable year. Company computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in system failures or miscalculations. The vast majority of the products produced by the Company are unaffected by the Y2K issue, because they do not contain microprocessors.

Based on the information to date, the Company has not experienced any significant events attributable to the Y2K issue. The Company will continue to monitor its internal systems for any potential problems and it believes that if any Y2K problem were to arise at this point, the impact would be immaterial and short-lived.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities". SFAS 133 is effective for transactions

entered into after January 1, 2001 and requires that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of the hedge transaction and the type of hedge transaction. The ineffective portion of all hedges will be recognized in earnings. The Company is in the process of reviewing SFAS 133 to determine what impact, if any, the adoption of SFAS 133 will have on its results of operations and its financial position. Based on current market conditions, the Company does not believe that the impact will be material.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risks, which include changes in U.S. and international exchange rates, the prices of certain commodities and currency rates as measured against the U.S. dollar and each other. The Company attempts to reduce the risks related to foreign currency fluctuation by utilizing financial instruments, pursuant to Company policy.

The value of the U.S. dollar affects the Company's financial results. Changes in exchange rates may positively or negatively affect the Company's gross margins and operating expenses. The Company engages in hedging programs aimed at limiting, in part, the impact of currency fluctuations. Using primarily forward exchange contracts, the Company hedges some of those transactions that, when remeasured according to generally accepted accounting principles, impact the income statement. Factors that could impact the effectiveness of the Company's programs include volatility of the currency markets and availability of hedging instruments. All currency contracts that are entered into by the Company are components of hedging programs and are entered into for the sole purpose of hedging an existing or anticipated currency exposure, not for speculation. The Company does not buy or sell financial instruments for trading purposes. Although the Company maintains these programs to reduce the impact of changes in currency exchange rates, when the U.S. dollar sustains a weakening exchange rate against currencies in which the Company incurs costs, the Company's costs are adversely affected. At year-end, the Company held open hedge forward contracts to deliver approximately $507,000 of Japanese Yen. The potential loss in value of the Company's net investment in foreign currency forward contracts resulting from a hypothetical 10 percent adverse change in foreign currency exchange rates at December 31, 1999 is approximately $56,000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

P & F INDUSTRIES, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
and the Shareholders of
P & F Industries, Inc.
Farmingdale, New York

We have audited the accompanying consolidated balance sheets of P & F Industries, Inc. and subsidiaries as of December 31, 1999 and 1998 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. We have also audited the schedule listed in the accompanying index. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of P & F Industries, Inc. and subsidiaries at December 31, 1999 and 1998 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

Also, in our opinion, the schedule presents fairly, in all material respects, the information set forth therein.

/s/ BDO Seidman, LLP

BDO Seidman, LLP

New York, New York
March 7, 2000

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS	DECEMBER 31, 1999	1998
CURRENT:		
Cash	$ 1,305,351	$ 2,280,788
Accounts receivable, less allowance for possible losses of $767,456 and $498,669	12,086,000	8,542,204
Inventories (Note 2)	20,614,501	17,021,475
Deferred income taxes (Note 8)	532,000	507,000
Prepaid expenses and other	570,914	586,913
TOTAL CURRENT ASSETS	35,108,766	28,938,380
PROPERTY AND EQUIPMENT:		
Land	1,182,939	1,182,939
Buildings and improvements	5,942,838	5,773,608
Machinery and equipment	11,078,539	9,724,919
	18,204,316	16,681,466
Less accumulated depreciation	7,200,142	6,052,899
NET PROPERTY AND EQUIPMENT	11,004,174	10,628,567
GOODWILL, net of accumulated amortization of $1,514,476 and $1,190,040	7,950,482	8,274,918
OTHER ASSETS	176,937	236,614
	$ 54,240,359	$ 48,078,479

See accompanying notes to consolidated financial statements.

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY	DECEMBER 31, 1999	DECEMBER 31, 1998
CURRENT LIABILITIES:		
Short-term borrowings	$ 6,000,000	$ 3,500,000
Accounts payable	5,592,249	4,844,403
Accruals:		
Compensation	2,474,519	1,944,960
Other	2,173,516	2,130,026
Current maturities of long-term debt (Note 5)	947,884	524,974
TOTAL CURRENT LIABILITIES	17,188,168	12,944,363
LONG-TERM DEBT, less current maturities (Note 5)	7,325,661	10,193,064
DEFERRED INCOME TAXES (Note 8)	702,000	491,000
TOTAL LIABILITIES	25,215,829	23,628,427
COMMITMENTS AND CONTINGENCIES (Notes 3 and 10)		
SHAREHOLDERS' EQUITY (Notes 6 and 7):		
Preferred stock - $10 par authorized - 2,000,000 shares; no shares outstanding	--	--
Common stock:		
Class A - $1 par authorized - 7,000,000 shares; issued - 3,504,893 shares and 3,239,345 shares	3,504,893	3,239,345
Class B - $1 par authorized - 2,000,000 shares; no shares issued or outstanding	--	--
Additional paid-in capital	8,282,602	8,020,677
Retained earnings	17,735,535	13,190,030
Treasury stock, at cost (49,235 shares)	(498,500)	--
TOTAL SHAREHOLDERS' EQUITY	29,024,530	24,450,052
	$ 54,240,359	$ 48,078,479

See accompanying notes to consolidated financial statements.

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEAR ENDED DECEMBER 31,

	1999	1998	1997
REVENUES (Note 11):			
Net sales	$ 81,936,434	$ 57,363,317	$ 49,605,480
Other	764,006	802,398	421,467
	82,700,440	58,165,715	50,026,947
COSTS AND EXPENSES:			
Cost of sales	57,168,846	37,534,815	33,535,035
Selling, administrative and general	16,944,706	13,332,424	11,573,473
Interest	1,389,383	772,035	693,660
	75,502,935	51,639,274	45,802,168
INCOME BEFORE TAXES ON INCOME	7,197,505	6,526,441	4,224,779
TAXES ON INCOME (Note 8)	2,652,000	2,583,000	1,711,000
INCOME FROM CONTINUING OPERATIONS	4,545,505	3,943,441	2,513,779
INCOME FROM DISCONTINUED OPERATION (NET OF INCOME TAXES OF $850,000) (Note 9(b))	--	--	542,837
NET INCOME	$ 4,545,505	$ 3,943,441	$ 3,056,616

See accompanying notes to consolidated financial statements.

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(CONTINUED)

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
NET INCOME	$ 4,545,505	$ 3,943,441	$ 3,056,616
PREFERRED DIVIDENDS	$ --	$ --	$ 21,858
INCOME AVAILABLE TO COMMON SHAREHOLDERS	$ 4,545,505	$ 3,943,441	$ 3,034,758
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
BASIC	3,370,098	3,208,181	2,986,920
DILUTED	3,704,633	3,689,963	3,525,690

EARNINGS PER SHARE OF COMMON STOCK:

BASIC:			
CONTINUING OPERATIONS	$ 1.35	$ 1.23	$ .83
DISCONTINUED OPERATION	--	--	.18
NET INCOME	$ 1.35	$ 1.23	$ 1.01
DILUTED:			
CONTINUING OPERATIONS	$ 1.23	$ 1.07	$ .71
DISCONTINUED OPERATION	--	--	.15
NET INCOME	$ 1.23	$ 1.07	$ .86

See accompanying notes to consolidated financial statements.

P & F INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999	PREFERRED STOCK - $10 PAR		CLASS A COMMON STOCK - $1 PAR		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	
	SHARES	AMOUNT	SHARES	AMOUNT			SHARES	AMOUNT
BALANCE, January 1, 1997	263,345	$ 2,633,450	2,928,867	$ 2,928,867	$ 7,607,614	$ 6,211,831	--	$ --
Net income for the year ended December 31, 1997	--	--	--	--	--	3,056,616	--	--
Redemption of preferred stock	(263,345)	(2,633,450)	--	--	--	--	--	--
Exercise of stock options and warrants	--	--	172,978	172,978	87,625	--	--	--
Tax benefit from exercise of stock options	--	--	--	--	77,000	--	--	--
Dividends on preferred stock	--	--	--	--	--	(21,858)	--	--
BALANCE, December 31, 1997	--	--	3,101,845	3,101,845	7,772,239	9,246,589	--	--
Net income for the year ended December 31, 1998	--	--	--	--	--	3,943,441	--	--
Exercise of stock options	--	--	137,500	137,500	91,438	--	--	--
Tax benefit from exercise of stock options	--	--	--	--	157,000	--	--	--
BALANCE, December 31, 1998	--	--	3,239,345	3,239,345	8,020,677	13,190,030	--	--
Net income for the year ended December 31, 1999	--	--	--	--	--	4,545,505	--	--
Exercise of stock options	--	--	265,548	265,548	261,925	--	--	--
Shares surrendered as payment for exercise of stock options	--	--	--	--	--	--	(49,235)	(498,500)
BALANCE, December 31, 1999	--	$ --	3,504,893	$ 3,504,893	$ 8,282,602	$17,735,535	(49,235)	($ 498,500)

See accompanying notes to consolidated financial statements.

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 4,545,505	$ 3,943,441	$ 3,056,616
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	1,240,600	795,198	661,275
Amortization	354,940	183,707	128,278
Provision for losses on accounts receivable - net	268,787	18,776	77,327
Deferred income taxes	186,000	(95,000)	465,000
Loss on disposal of fixed assets	22,262	--	--
(Gain) on disposal of fixed assets of discontinued operation	--	--	(1,392,837)
Decrease (increase):			
Accounts receivable	(3,812,583)	1,948,907	(1,889,009)
Inventories	(3,593,026)	(2,020,088)	(2,262,630)
Prepaid expenses and other	15,999	(231,668)	76,406
Other assets	29,173	2,450	(56,400)
Increase (decrease):			
Accounts payable	747,846	12,250	1,378,536
Accruals	573,049	850,407	461,149
Total adjustments	(3,966,953)	1,464,939	(2,352,905)
Net cash provided by operating activities	578,552	5,408,380	703,711
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(1,646,999)	(1,415,999)	(652,223)
Purchase of assets of Green Manufacturing, Inc.	--	(10,284,685)	--
Payments for acquisition-related expenses	--	(448,163)	--
Proceeds from sale of fixed assets	8,530	--	--
Proceeds from sale of fixed assets of discontinued operation	--	--	1,724,564
Net cash (used in) provided by investing activities	(1,638,469)	(12,148,847)	1,072,341

See accompanying notes to consolidated financial statements.

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(CONTINUED)

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings	12,500,000	16,253,023	19,088,495
Repayments of short-term borrowings	(10,000,000)	(14,013,023)	(19,088,495)
Proceeds from acquisition loan	--	10,000,000	--
Proceeds from mortgage refinancing	1,800,000	--	--
Principal payments on long-term debt	(4,244,493)	(4,327,727)	(1,924,238)
Redemption of subordinated debentures	--	(1,369,200)	--
Proceeds from exercise of stock options and warrants	28,973	228,938	260,603
Tax benefit from exercise of stock options	--	157,000	77,000
Redemption of preferred stock	--	--	(2,633,450)
Dividends paid on preferred stock	--	--	(21,858)
Net cash (used in) provided by financing activities	84,480	6,929,011	(4,241,943)
NET INCREASE (DECREASE) IN CASH	(975,437)	188,544	(2,465,891)
CASH AT BEGINNING OF YEAR	2,280,788	2,092,244	4,558,135
CASH AT END OF YEAR	$ 1,305,351	$ 2,280,788	$ 2,092,244

See accompanying notes to consolidated financial statements.

P & F INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements contained herein include the accounts of P & F Industries, Inc. and its subsidiaries (the "Company"). All significant intercompany balances and transactions have been eliminated.

P & F Industries, Inc. conducts its business operations through three wholly-owned subsidiaries. Embassy Industries, Inc. ("Embassy") is engaged in the manufacture and sale of baseboard heating products and the importation and sale of radiant heating systems. Embassy also imports a line of door and window hardware items through its Franklin Hardware division. Florida Pneumatic Manufacturing Corporation is engaged in the importation, manufacture and sale of pneumatic hand tools, primarily for the industrial and retail markets, and the importation and sale of compressor air filters. Florida Pneumatic also markets, through its Berkley Tool division, a line of pipe cutting and threading tools, wrenches and replacement electrical components for a widely used brand of pipe cutting and threading machines. Green Manufacturing, Inc. ("Green") is engaged primarily in the manufacture, development and sale of heavy-duty welded custom designed hydraulic cylinders. Green also manufactures a line of access equipment for the petro-chemical industry and a line of post hole digging equipment for the agricultural industry. Note 11 presents financial information for the segments of the Company's business.

BASIS OF FINANCIAL STATEMENT PRESENTATION

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Company records revenues when products are shipped.

FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments, including cash and short-term debt, approximated fair value as of December 31, 1999 and 1998, because of the relatively short-term maturity of these instruments. The carrying value of long-term debt, including the current portion, approximated fair value as of December 31, 1999 and 1998, based upon quoted market prices for the same or similar debt issues.

At December 31, 1999, the Company had foreign currency forward contracts, maturing in 2000, to purchase approximately $507,000 in Japanese yen at contracted forward rates.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

The Company enters into foreign currency forward contracts as a hedge against foreign accounts payable. At December 31, 1999, gains and losses on such contracts were included in the measurement of the related foreign currency transactions and reflected in the cost of sales. The Company does not hold or issue financial instruments for trading purposes.

INVENTORIES

Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method.

PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost.

Depreciation is computed by the straight-line method for financial reporting purposes and by the straight-line and accelerated methods for income tax purposes. The estimated useful lives for financial reporting purposes are as follows:

Buildings and improvements	10 - 30 years
Machinery and equipment	3 - 12 years

LONG-LIVED ASSETS

The Company reviews certain long-lived assets and identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In that regard, the Company assesses the recoverability of such assets based upon estimated non-discounted cash flow forecasts.

GOODWILL

The excess of the purchase price over fair value of net assets of acquired businesses arises from business combinations accounted for as purchases and is amortized on a straight-line basis over periods from 25 to 40 years.

The Company's operational policy for the assessment and measurement of any impairment in the value of excess of cost over net assets acquired which is other than temporary is to evaluate the recoverability and remaining life of its goodwill and determine whether the goodwill should be completely or partially written off or the amortization period accelerated. The Company will recognize an impairment of goodwill if the fair value of the goodwill is deemed to be less than its carrying value. If the Company determines that goodwill has been impaired, the Company will reflect the impairment through a reduction in the carrying value of goodwill, in an amount equal to the excess of the carrying amount of the goodwill over the amount of the undiscounted estimated operating cash flows.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

TAXES ON INCOME

The Company files a consolidated Federal tax return. The parent company and each of its subsidiaries file separate state and local tax returns.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and any operating loss or tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of any change in the tax rate is recognized in income in the period that includes the enactment date of such change.

EARNINGS PER SHARE

Basic earnings per share is based only on the average number of common shares outstanding for the period. Diluted earnings per share reflects the effect of common shares issuable upon the exercise of options, warrants and convertible securities.

Diluted earnings per share is computed using the treasury stock method. Under this method, the aggregate number of shares outstanding reflects the assumed use of proceeds from the hypothetical exercise of any outstanding options or warrants to repurchase shares of common stock. The average market value for the period is used as the assumed repurchase price.

STOCK-BASED COMPENSATION

The Company accounts for its stock option awards under the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Under the intrinsic value based method, compensation cost is the excess, if any, of the quoted market price of the stock at grant date or other measurement date over the amount an employee must pay to acquire the stock. The Company makes pro forma disclosures of net income and earnings per share as if the fair value based method of accounting had been applied, as required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation."

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities". SFAS 133 is effective for the Company beginning January 1, 2001 and requires that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of the hedge transaction and the type of hedge transaction. The ineffective portion of all hedges will be recognized in earnings. The Company is in the process of reviewing SFAS 133 to determine what impact, if any, the adoption of SFAS 133 will have on its results of operations and its financial position. Based on current market conditions, the Company does not believe that the impact will be material.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year's presentation.

NOTE 2 - INVENTORIES

Inventories consist of:

	DECEMBER 31, 1999	DECEMBER 31, 1998
Raw materials	$ 4,128,374	$ 3,444,804
Work-in-process	812,929	435,453
Finished goods	15,673,198	13,141,218
	$ 20,614,501	$ 17,021,475

P & F INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 3 - SHORT-TERM BORROWINGS

The Company's credit agreement with a bank includes a revolving credit loan facility which provides a total of $12,000,000, with various sublimits, for direct borrowings, letters of credit, bankers' acceptances and equipment loans. The credit agreement also includes a step-up period, from the date of renewal through January 31, 2000, during which the total availability under the revolving credit loan facility was increased to $17,000,000 to support the buildup of inventory related to a significant new customer. At December 31, 1999, there was $6,000,000 outstanding against the revolving credit loan facility. There was also a commitment of approximately $464,000 at December 31, 1999 for open letters of credit.

The credit agreement also includes a foreign exchange line, which provides for the availability of up to $10,000,000 in foreign currency forward contracts. These contracts fix the exchange rate on future purchases of Japanese yen needed for payments to foreign suppliers. The total amount of foreign currency forward contracts outstanding at December 31, 1999 was approximately $507,000.

Direct borrowings under the Company's revolving credit loan facility are secured by the accounts receivable, inventory and equipment of the Company and are cross-guaranteed by each of the Company's subsidiaries. These borrowings bear interest at either the prime interest rate or LIBOR plus 1.60%. The prime interest rate at December 31, 1999 was 8.5% and LIBOR was approximately 5.8%.

The Company's credit agreement is subject to annual review by the lending bank. Under this agreement, the Company is required to adhere to certain financial covenants. At December 31, 1999, and for the year then ended, the Company satisfied all of these covenants.

The maximum short-term borrowings outstanding at month-end during the years ended December 31, 1999, 1998 and 1997 were approximately $13,000,000, $3,610,000 and $4,250,000, respectively.

The weighted average monthly balances for the years ended December 31, 1999, 1998 and 1997 were approximately $8,038,000, $4,656,000 and $1,920,000, respectively. The weighted average interest rates of 7.3%, 7.5% and 8.5% for the years ended December 31, 1999, 1998 and 1997, respectively, were calculated by dividing the weighted average monthly interest expense by the weighted average monthly balance.

NOTE 4 - SUBORDINATED DEBENTURES

The Company's 13.75% Subordinated Debentures were unsecured general obligations of the Company, subordinate to all senior indebtedness of the Company. On January 30, 1998, the Company redeemed all of the outstanding Debentures at 100% of the principal amount thereof, plus accrued and unpaid interest to the redemption date.

Interest expense on the Subordinated Debentures was $15,486 and $188,265 for the years ended December 31, 1998 and 1997, respectively.

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of:

	DECEMBER 31, 1999	DECEMBER 31, 1998
Term loan - principal amount outstanding at October 1, 1999 to be paid in equal monthly installments (plus interest at LIBOR plus 1.75%) through September 2005.(a)	$ 3,833,333	$ 6,000,000
Mortgage loan - $17,438 payable monthly (plus interest at 8.16%) through May 2006, when a final payment of approximately $1,435,000 is due.(b)	1,884,993	1,938,054
Mortgage loan - $16,370 payable monthly (plus interest at 7.09%) through February 2014.(b)	1,745,219	--
Mortgage loan - $9,095 payable monthly (plus interest at 1/2% above prime) through February 1999, when a final payment of approximately $1,798,000 was due. (b)(c)(d)	--	1,824,984
Economic Development Revenue Bond -- payable yearly in various principal amounts (plus interest at variable rates) through November 2004 (e)	810,000	955,000
	8,273,545	10,718,038
Less current maturities	947,884	524,974
	$ 7,325,661	$10,193,064

(a) LIBOR at December 31, 1999 was approximately 5.8%.
(b) These mortgages payable relate to the land and buildings of the Company's subsidiaries. Property with a net book value of approximately $5,121,000 is pledged as collateral.
(c) The prime interest rate at December 31, 1999 was 8.5%. (d) This mortgage was refinanced in March 1999.
(e) The interest rate at December 31, 1999 was 5.7%. This bond was secured by a standby letter of credit.

The aggregate amounts of the long-term debt scheduled to mature in each of the years ended December 31 are as follows: 2000 - $947,884; 2001 - $962,743; 2002 - $978,787; 2003 - $995,702; 2004 - $1,023,556; 2005 - $690,758; and 2006 and thereafter - $2,674,115. Interest expense on long-term debt was $653,297, $528,824 and $478,229 for the years ended December 31, 1999, 1998 and 1997, respectively.

NOTE 6 - CAPITAL STOCK TRANSACTIONS

On June 1, 1999, an officer of the Company surrendered 49,235 shares of Class A Common Stock, with a fair value of $498,500, in connection with the exercise of stock options for 250,000 shares of Class A Common Stock.

On January 30, 1997, the Company redeemed all of the outstanding shares of its $1.00 Cumulative Preferred Stock at $10 per share.

In 1994, in connection with its Stockholder Rights Plan, the Company entered into a Rights Agreement (as amended) and distributed as a dividend to each holder of Class A Common Stock a preferred stock purchase right. These rights entitle the stockholders, in certain circumstances, to purchase one one-thousandth of a share of the Company's Series A Junior Participating Preferred Stock for $10. The Stockholder Rights Plan is intended to protect, among other things, the interests of the Company's stockholders in the event the Company is confronted with coercive or unfair takeover tactics.

NOTE 7 - STOCK OPTIONS AND WARRANTS

In 1992, the Company adopted its Incentive Stock Option Plan (as amended) (the "Plan"), which authorizes the issuance, to employees and directors, of options to purchase a maximum of 1,100,000 shares of Class A Common Stock. These options must be issued within ten years of the effective date of the Plan and are exercisable for a ten year period from the date of grant at prices not less than 100% of the market value of the Class A Common Stock on the date the option is granted. Options granted to any 10% stockholder are exercisable for a five year period from the date of the grant at prices not less than 110% of the market value of the common stock on the date the option is granted.

The Company applies the Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees" ("APB Opinion 25"), and related interpretations in accounting for the Plan. Under APB Opinion 25, no compensation cost is recognized if the exercise price of the Company's employee stock options is equal to or greater than the market price of the underlying stock on the date of the grant.

Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation", requires the Company to provide pro forma information regarding net income and earnings per share as if compensation cost for the Company's stock option plan had been determined in accordance with the fair value method prescribed by SFAS 123. The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model with the following weighted-average assumptions for options granted in 1999, 1998 and 1997, respectively: no dividends paid for any of these years; expected volatility of 33.9%, 35.2% and 34.5%; risk-free interest rates of 5.1%, 5.5% and 6.6%; and expected lives of 10.0 years, 9.7 years and 4.0 years.

NOTE 7 - STOCK OPTIONS AND WARRANTS (continued)

The weighted-average fair values of options for which the exercise price equaled the market price on the grant date were $4.97 in 1999, $4.53 in 1998 and $2.83 in 1997. The weighted-average fair values of options for which the exercise price exceeded the market price on the grant date were $2.89 in 1998 and $1.98 in 1997.

Under the provisions of SFAS 123, the Company's income from continuing operations available to common shareholders and its basic and diluted earnings per share would have decreased to the pro forma amounts indicated below:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Income from continuing operations available to common shareholders:			
As reported	$4,545,505	$3,943,441	$2,491,921
Pro forma	$4,492,088	$3,485,588	$2,296,814
Basic earnings per share:			
As reported	$1.35	$1.23	$.83
Pro forma	$1.33	$1.09	$.77
Diluted earnings per share:			
As reported	$1.23	$1.07	$.71
Pro forma	$1.21	$ .94	$.65

The following table contains information on stock options for the three years ended December 31, 1999:

	OPTION SHARES	EXERCISE PRICE RANGE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, January 1, 1997	$ 741,200	$ 1.44 to 2.61	1.85
Granted	147,800	3.75 to 5.71	5.33
Exercised	(103,000)	1.50 to 1.88	1.51
Outstanding, December 31, 1997	786,000	1.44 to 5.71	2.55
Granted	171,500	7.88 to 8.66	7.93
Exercised	(137,500)	1.50 to 1.94	1.67
Outstanding, December 31, 1998	820,000	1.44 to 8.66	3.82
Granted	17,000	8.94 to 9.00	8.96
Exercised	(265,600)	1.81 to 1.99	1.99
Outstanding, December 31, 1999	571,400	1.44 to 9.00	4.83

NOTE 7 - STOCK OPTIONS AND WARRANTS (continued)

There were options available for issuance under the Plan as of December 31 of each year as follows: 1997 - 548,700; 1998 - 377,200; and 1999 - 360,200. Of the 571,400 options outstanding at December 31, 1999, 452,300 options were issued under the Plan and 119,100 options were issued under a previous plan.

The following table summarizes information about stock options outstanding and exercisable at December 31, 1999:

RANGE OF EXERCISE PRICES	OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$ 1.50 to 2.61	169,100	.6	$2.01	$ 169,100	$2.01
5.71	17,500	2.4	5.71	17,500	5.71
5.71	52,500	2.4	5.71	--	--
8.66	11,500	3.2	8.66	--	--
1.44	15,000	3.6	1.44	15,000	1.44
1.94	51,000	5.0	1.94	51,000	1.94
3.75 to 5.25	77,800	7.2	5.00	77,800	5.00
7.88	160,000	8.2	7.88	160,000	7.88
8.94 to 9.00	17,000	9.2	8.96	17,000	8.96
1.44 to 9.00	571,400	4.6	4.83	507,400	4.65

NOTE 8 - TAXES ON INCOME

Provisions for taxes on income in the consolidated statements of income consist of:

	YEAR ENDED DECEMBER 31, 1999	1998	1997
Continuing operations:			
Current:			
Federal	$2,262,000	$2,476,000	$1,520,000
State and local	204,000	202,000	112,000

Total current	2,466,000	2,678,000	1,632,000
Deferred:			
Federal	170,000	(90,000)	38,000
State and local	16,000	(5,000)	41,000
Total deferred	186,000	(95,000)	79,000
Taxes on income from continuing operations	2,652,000	2,583,000	1,711,000
Discontinued operation:			
Current:			
Federal	--	--	464,000
State and local	--	--	--
Total current	--	--	464,000
Deferred:			
Federal	--	--	117,000
State and local	--	--	269,000
Total deferred	--	--	386,000
Taxes on income from discontinued operation	--	--	850,000
Total taxes on income	$2,652,000	$2,583,000	$2,561,000

NOTE 8 - TAXES ON INCOME (continued)

Deferred tax assets (liabilities) consist of:

	DECEMBER 31, 1999	DECEMBER 31, 1998
Current deferred tax assets:		
Bad debt reserves	$145,000	$131,000
Warranty and other reserves	387,000	376,000
	$532,000	$507,000
Non-current deferred tax liabilities:		
Depreciation	($635,000)	($474,000)
Goodwill	(67,000)	(17,000)
	($702,000)	($491,000)

A reconciliation of the Federal statutory rate to the total effective tax rate applicable to income before taxes on income is as follows:

	YEAR ENDED DECEMBER 31,					
	1999		1998		1997	
	$	%	$	%	$	%
Federal income taxes computed at statutory rates	2,447,000	34.0	2,219,000	34.0	1,910,000	34.0
Increase in taxes resulting from:						
State and local taxes, net of Federal tax benefit	135,000	1.9	128,000	2.0	384,000	6.9
Expenses not deductible for tax purposes	110,000	1.5	97,000	1.5	100,000	1.7
Other	(40,000)	(.6)	139,000	2.1	167,000	3.0
Taxes on income	2,652,000	36.8	2,583,000	39.6	2,561,000	45.6

NOTE 9 - ACQUISITION AND DISCONTINUED OPERATION

(a) Acquisition

On September 16, 1998, the Company acquired certain assets, including cash totalling $215,315, and assumed certain liabilities of Green Manufacturing, Inc., a manufacturer of custom-engineered hydraulic cylinders, prefabricated stairways and platforms and tractor-mounted post hole diggers. The purchase price for the acquisition was $10,500,000 in cash, $10,000,000 of which was provided by an acquisition loan made pursuant to the Company's credit agreement and $500,000 of which was provided by working capital funds.

As part of the acquisition, the Company assumed $1,095,000 of outstanding Economic Development Revenue Bonds issued by Wood County, Ohio and $1,260,000 in short-term borrowings from a bank.

The acquisition has been accounted for using the purchase method of accounting and, accordingly, the accompanying consolidated financial statements include the results of operations of the acquired company only from the date of acquisition. The excess of acquisition costs over the fair value of net assets acquired is included in the accompanying balance sheets as "Goodwill". Also included in "Goodwill" are costs totalling $448,163 incurred in connection with the acquisition.

The following table summarizes, on an unaudited pro forma basis, the combined results of operations of the Company and Green, as though the acquisition had been made January 1, 1997. The pro forma amounts give effect to adjustments for amortization of goodwill, interest expense and income taxes. The pro forma amounts presented are not necessarily indicative of future operating results.

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Revenues	$82,700,440	$72,082,186	$68,246,335
Net income from continuing operations available to common shareholders	$ 4,545,505	$ 4,013,224	$ 2,576,074
Earnings per share of common stock from continuing operations:			
Basic	$ 1.35	$ 1.25	$ .86
Diluted	$ 1.23	$ 1.08	$ .73

NOTE 9 - ACQUISITION AND DISCONTINUED OPERATION (continued)

(b) Discontinued operation

In 1994, the Company sold substantially all of the assets and liabilities of Triangle Sheet Metal Works, Inc. ("Triangle"), its sheet metal contracting subsidiary. The assets sold did not include Triangle's land, building and building improvements. As part of the sale agreement, the Company leased this building to the acquirer. In August 1997, the Company sold the land and building to the acquirer for approximately $1,766,000. The Company realized a gain of $542,837 on the sale, net of related taxes.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

(a) The Company and two of its subsidiaries have adopted a defined contribution pension plan, which covers substantially all non-union employees. Contributions to this plan were determined as a percentage of compensation. The amounts recognized as pension expense for this plan were approximately $312,000, $278,000 and $258,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

In conjunction with the acquisition of Green, the Company acquired a defined contribution 401(k) plan, which covers all of Green's employees. Employer contributions to this plan were determined as a percentage of employee contributions. The amounts recognized as expense for this plan were approximately $62,000 for the year ended December 31, 1999 and approximately $26,000 for the period from the date of acquisition to December 31, 1998.

One of the Company's subsidiaries also participates in a multi-employer pension plan. This plan provides defined benefits to all union workers. Contributions to this plan are determined by union contracts and the Company does not administer or control the funds in any way. The amounts recognized as pension expense for this plan were approximately $32,000, $29,000 and $29,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

(b) The Company has an employment agreement with an officer. This agreement currently provides for a minimum annual aggregate salary of $610,000 through February 2004. This agreement provides that if a change in control of the Company occurs and, as a result, the officer is terminated or is unable to exercise his functions and duties and therefore resigns, he shall have the option to receive either full compensation for the remaining term of the agreement or a severance allowance equal to three times average annual compensation for the five previous years.

(c) Florida Pneumatic purchases significant amounts of pneumatic tools from two foreign suppliers. Other sources are available. However, the loss of either supplier could cause a temporary disruption in the flow of products, possibly creating an adverse effect on operating results.

(d) Green purchases significant amounts of raw materials from one supplier. Other sources are available. The Company believes that the loss of this supplier would not cause any disruption in the flow of products or have an adverse effect on operating results.

NOTE 11 - SEGMENTS OF BUSINESS

The Company currently operates four business segments: pneumatic tools and related equipment, hydraulic cylinders, heating equipment and hardware. The accounting policies of each of the segments are the same as those described in Note 1. The Company evaluates segment performance based on operating income.

The following presents financial information by segment for the years ended December 31, 1999, 1998 and 1997. Operating income excludes general corporate expenses, interest expense and income taxes. Identifiable assets are those assets directly owned or utilized by the particular business segment.

(IN THOUSANDS) 1999	CON-SOLIDATED	PNEUMATIC TOOLS AND RELATED EQUIPMENT	HYDRAULIC CYLINDERS	HEATING EQUIPMENT	HARDWARE
Revenues from external customers	$ 82,700	$ 46,708	$ 20,612	$ 9,843	$ 5,537
Operating income	$ 11,736	$ 9,304	$ 1,208	$ 718	$ 506
General corporate expense	(3,149)				
Interest expense	(1,389)				
Income before taxes on income	$ 7,198				
Identifiable assets at December 31, 1999	$ 52,066	$ 31,127	$ 14,563	$ 4,031	$ 2,345
Corporate assets	2,174				
Total assets at December 31, 1999	$ 54,240				

Depreciation (including $13 corporate)	$ 1,241	$ 440	$ 528	$ 230	$ 30
Amortization	$ 355	$ 109	$ 240	$ 6	$ --
Capital expenditures (including $7 corporate)	$ 1,647	$ 867	$ 773	$ --	$ --

P & F INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 11 - SEGMENTS OF BUSINESS (continued)

(IN THOUSANDS) 1998	CON-SOLIDATED	PNEUMATIC TOOLS AND RELATED EQUIPMENT	HYDRAULIC CYLINDERS	HEATING EQUIPMENT	HARDWARE
Revenues from external customers	$ 58,166	$ 37,806	$ 6,585	$ 9,424	$ 4,351
Operating income	$ 9,770	$ 8,410	$ 417	$ 471	$ 472
General corporate expense	(2,472)				
Interest expense	(772)				
Income before taxes on income	$ 6,526				
Identifiable assets at December 31, 1998	$ 44,342	$ 22,672	$ 14,225	$ 5,013	$ 2,432
Corporate assets	3,736				
Total assets at December 31, 1998	$ 48,078				
Depreciation (including $7 corporate)	$ 795	$ 419	$ 111	$ 238	$ 20
Amortization	$ 184	$ 112	$ 66	$ 6	$ --
Capital expenditures (including $29 corporate)	$ 1,416	$ 383	$ 397	$ 607	$ --

NOTE 11 - SEGMENTS OF BUSINESS (continued)

(IN THOUSANDS) 1997	CON-SOLIDATED	PNEUMATIC TOOLS AND RELATED EQUIPMENT	HEATING EQUIPMENT	HARDWARE
Revenues from external customers	$ 50,027	$ 37,486	$ 8,343	$ 4,198
Operating income	$ 7,337	$ 6,488	$ 420	$ 429
General corporate expense	(2,418)			
Interest expense	(694)			
Income before taxes on income	$ 4,225			
Identifiable assets at December 31, 1997	$ 29,833	$ 22,629	$ 5,115	$ 2,089
Corporate assets	2,816			
Total assets at December 31, 1997	$ 32,649			
Depreciation (including $23 corporate)	$ 661	$ 387	$ 231	$ 20
Amortization	$ 128	$ 122	$ 6	$ --
Capital expenditures (including $2 corporate)	$ 652	$ 486	$ 164	$ --

The heating equipment segment, which sells to plumbing supply houses primarily in the northern tier of the United States, is directly affected by the housing industry. The pneumatic tools, hydraulic cylinders and hardware segments sell primarily throughout the United States.

The pneumatic tools segment has two customers that accounted for 24.7%, 35.7% and 45.4% and 7.7%, 10.1% and 9.1%, respectively, of consolidated revenues for the years ended December 31, 1999, 1998 and 1997, respectively. These two customers also accounted for 37.6% and 25.5% of consolidated accounts receivable as of December 31, 1999 and 1998, respectively. A third customer, a customer of both the pneumatic tools segment and the hardware segment, accounted for 10.1% of consolidated revenues for the year ended December 31, 1999 and 13.2% of consolidated accounts receivable as of December 31, 1999. There were no other major customers requiring disclosure.

NOTE 12 - UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION

Unaudited interim consolidated financial information for the two years ended December 31, 1999 and 1998 is summarized as follows:

	QUARTER ENDED			
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,
1999	$	$	$	$
Revenues	18,108,268	17,092,157	20,358,379	27,141,636
Gross profit	5,562,207	5,433,028	6,330,645	8,205,714
Net income	961,407	754,024	1,233,942	1,596,132
Earnings per share of common stock:				
Basic	.30	.23	.35	.46
Diluted	.26	.20	.33	.44
1998	$	$	$	$
Revenues	12,541,124	11,997,372	14,118,689	19,508,530
Gross profit	4,681,236	4,830,800	5,361,648	5,757,216
Net income	780,869	950,009	1,220,719	991,844
Earnings per share of common stock:				
Basic	.25	.29	.38	.31
Diluted	.22	.25	.33	.27

NOTE 13 - EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per common share from continuing operations:

	YEAR ENDED DECEMBER 31,		
	1999	1997	1996
Numerator:			
Net income from continuing operations	$4,545,505	$3,943,441	$2,513,779
Dividends on preferred stock	--	--	(21,858)
Numerator for basic and diluted earnings per common share - income from continuing operations available to common shareholders	$4,545,505	$3,943,441	$2,491,921
Denominator:			
Denominator for basic earnings per share - weighted average common shares outstanding	3,370,098	3,208,181	2,986,920
Effect of dilutive securities:			
Common stock options	334,535	481,782	538,770
Denominator for diluted earnings per share - adjusted weighted average common shares and assumed conversions	3,704,633	3,689,963	3,525,690
Basic earnings per common share from continuing operations	$ 1.35	$ 1.23	$ .83
Diluted earnings per common share from continuing operations	$ 1.23	$ 1.07	$ .71

NOTE 14 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Interest	$ 1,400,165	$ 673,814	$ 818,552

Income taxes	$ 2,414,890	$ 2,539,601	$ 2,113,329
Accruals included in gain on sale of fixed assets of discontinued operation	$ --	$ --	$ 218,894

The Company received 49,235 shares of Class A Common Stock in connection with the exercise of stock options by an officer of the Company. The value of these shares was recorded at $498,500.

PART II (continued)

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information relating to the directors and executive officers of the Registrant is set forth in the Registrant's definitive Proxy Statement for its 2000 Annual Meeting of Stockholders (the "Proxy Statement") to be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, and is hereby incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to executive compensation is set forth in the Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, and is hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information relating to the security ownership of certain beneficial owners and management is set forth in the Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, and is hereby incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information relating to certain relationships and related transactions is set forth in the Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, and is hereby incorporated by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

	PAGE
(a) Financial statements and financial statement schedules	
(1) The consolidated financial statements of the Registrant as set forth under Item 8 are filed as part of this report.	
(2) The following consolidated financial statement schedule for the three years ended December 31, 1999, 1998 and 1997 is filed as part of this report:	
Schedule II - Valuation and Qualifying Accounts	43
All other schedules are omitted because they are not required, are not applicable, or the required information is otherwise shown in the financial statements or notes thereto.	
(3) The following exhibits are filed as part of this report:	
See "Exhibit Index" immediately following the signature page.	45 - 46
(b) Reports on Form 8-K.	
No reports on Form 8-K were filed by the Registrant during the quarter ended December 31, 1999.	

P & F INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E
		ADDITIONS			
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF PERIOD
Year ended December 31, 1999:					
Allowance for possible losses	$ 498,669	$ 339,743	$ --	$ 70,956(b)	$ 767,456
Year ended December 31, 1998:					
Allowance for possible losses	$ 421,014	$ 18,776	$ 177,517(a)	$ 118,638(b)	$ 498,669
Year ended December 31, 1997:					
Allowance for possible losses	$ 370,410	$ 77,327	$ --	$ 26,723(b)	$ 421,014

(a) Amount received as part of purchase of net assets of Green

Manufacturing, Inc.

(b) Write-off of expenses against reserve.

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.

P & F INDUSTRIES, INC.
(Registrant)

By: /s/ RICHARD A. HOROWITZ	By: /s/ JOSEPH A. MOLINO, JR.
Richard A. Horowitz Chairman of the Board President Principal Executive Officer Principal Operating Officer	Joseph A. Molino, Jr. Vice President Principal Financial and Accounting Officer

Date: March 17, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ ROBERT L. DUBOFSKY	/s/ ALAN GOLDBERG
Robert L. Dubofsky, Director	Alan Goldberg, Director
/s/ RICHARD A. HOROWITZ	/s/ SIDNEY HOROWITZ
Richard A. Horowitz, Director	Sidney Horowitz, Director
/s/ ARTHUR HUG, JR.	/s/ DENNIS KALICK
Arthur Hug, Jr., Director	Dennis Kalick, Director
/s/ NEIL NOVIKOFF	/s/ MARC A. UTAY
Neil Novikoff, Director	Marc A. Utay, Director

Date: March 17, 2000

EXHIBIT INDEX

EXHIBIT NO.	
2.1	Asset Purchase Agreement, dated as of September 16, 1998, by and between Green Manufacturing, Inc., an Ohio corporation, and the Registrant (Incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K dated September 16, 1998). Pursuant to Item 601(b)(2) of Regulation S-K, the Registrant agrees to furnish supplementally a copy of any exhibit or schedule omitted from

the Asset Purchase Agreement to the Commission upon request.

3.1 Restated Certificate of Incorporation of the Registrant.

3.2 Amended By-laws of the Registrant (Incorporated by reference to Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999).

4.1 Rights Agreement, dated as of August 23, 1994, between the Registrant and American Stock Transfer & Trust Company, as Rights Agent (Incorporated by reference to Exhibit 1 to the Registrant's Registration Statement on Form 8-A dated August 24, 1994).

4.2 Amendment to Rights Agreement, dated as of April 11, 1997, between the Registrant and American Stock Transfer & Trust Company, as Rights Agent (Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated April 11, 1997).

4.3 Credit Agreement, dated as of July 23, 1998, by and among the Registrant, Florida Pneumatic Manufacturing Corporation, a Florida corporation, Embassy Industries, Inc., a New York corporation, and European American Bank, a New York banking corporation (Incorporated by reference to Exhibit 4.3 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1998).

4.4 Amendment No. 1 to Credit Agreement, dated as of September 16, 1998, by and among the Registrant, Florida Pneumatic Manufacturing Corporation, a Florida corporation, Embassy Industries, Inc., a New York corporation, Green Manufacturing, Inc., a Delaware corporation, and European American Bank, a New York banking corporation (Incorporated by reference to Exhibit 4.4 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1998).

4.5 Amendment No. 2 to Credit Agreement, dated as of July 28, 1999, by and among the Registrant, Florida Pneumatic Manufacturing Corporation, a Florida corporation, Embassy Industries, Inc., a New York corporation, Green Manufacturing, Inc., a Delaware corporation, and European American Bank, a New York banking corporation (Incorporated by reference to Exhibit 4.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999).

4.6 Certain instruments defining the rights of holders of the long-term debt securities of the Registrant are omitted pursuant to Section (b)(4)(iii)(A) of Item 601 of Regulation S-K. The Registrant agrees to furnish supplementally copies of these instruments to the Commission upon request.

EXHIBIT INDEX

(CONTINUED)
EXHIBIT
NO.

10.1 Amended and Restated Employment Agreement, dated as of May 28, 1997, between the Registrant and Richard A. Horowitz (Incorporated by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1998).

10.2 Consulting Agreement, effective as of November 1, 1998, between the Registrant and Sidney Horowitz (Incorporated by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1998).

10.3 1992 Incentive Stock Option Plan of the Registrant, as amended and restated as of March 13, 1997 (Incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1998).

21 Subsidiaries of the Registrant.

23 Consent of the Registrant's Independent Certified Public Accountants.

27 Financial Data Schedules (submitted to the Securities and Exchange Commission in electronic format).

P & F INDUSTRIES, INC.

EXHIBIT 3.1

RESTATED CERTIFICATE OF INCORPORATION

OF

P & F INDUSTRIES, INC.

It is hereby certified that:

1. (a) The present name of the corporation (herein- after called the "corporation") is "P & F Industries, Inc."

(b) The name under which the corporation was originally incorporated is "Plastics & Fibers, Inc."; and the date of filing the original certificate of incorporation of the corporation with the Secretary of State of the State of Delaware is April 19, 1963.

2. The provisions of the certificate of incorporation of the corporation as heretofore amended and/or supplemented, are hereby restated and integrated into the single instrument which is hereinafter set forth, and which is entitled Restated Certificate of Incorporation of P & F INDUSTRIES, INC. without any further amendment and without any discrepancy between the provisions of the certificate of incorporation as heretofore amended and supplemented and the provisions of the said single instrument hereinafter set forth.

3. The restatement of the restated certificate of incorporation herein certified has been duly adopted by the board of directors in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware. The capital of the corporation will not be reduced under or by reason of this Restated Certificate of Incorporation.

4. The certificate of incorporation of the corporation, as restated herein, shall upon the effective date of this Restated Certificate of Incorporation, read as follows:

"Restated Certificate of Incorporation

-of-

P & F INDUSTRIES, INC."

We, the undersigned, for the purpose of associating to establish a corporation for the transaction of the business and the promotion and conduct of the objects and purposes hereinafter stated, under the provisions and subject to the requirements of the laws of the State of Delaware (particularly Chapter 1, Title 8 of the 1953 Delaware Code and the acts amendatory thereof and supplemental thereto, and known as the "General Corporation Law of the State of Delaware"), do make and file this Certificate of Incorporation in writing and do hereby certify as follows, to wit:

FIRST: The name of the Corporation (hereinafter called the "Corporation") is P & F INDUSTRIES, INC.

SECOND: The respective names of the County and of the City within the County in which the principal office of the corporation is to be located in the State of Delaware are the County of Kent and the City of Dover. The name of the resident agent of the corporation is The Prentice- Hall Corporation System, Inc. The street and number of said principal office and the address by street and number of said resident agent is 229 South State Street, Dover, Delaware.

THIRD: The nature of the business of the corporation and the objects or purposes to be transacted, promoted or carried on by it are as follows:

To manufacture, process and distribute at wholesale or retail, or otherwise, products made of metals, plastics and fibers, including, among other things, pipes, fittings, valves, pumps, boilers, gauges, controls and any and all kinds of machinery and equipment used or useful in heating, cooling, treating, processing, conditioning and conveying air, gases, fluids and materials, and building and construction materials and equipment.

To design, construct and deal in machinery, tools, dies and equipment as well as mills and plants for the manufacture or processing of any of the foregoing products.

To acquire by purchase, subscription, contract or otherwise, and to invest in, hold for investment or otherwise, to pledge and otherwise realize upon and to sell, contract to sell and dispose of all forms of securities, real and personal property, including, but not by way of limitations shares, stocks, bonds, debentures, notes, warrants, rights, options, certificates of deposit, mortgages, evidences of indebtedness, certificates of indebtedness and certificates of interest issued or created, or to be issued or created in any and all parts of the world by corporations, associations, partnerships, trustees, syndicates, individuals, governments, states, municipalities and other political and governmental divisions and subdivisions, or by any combinations, organizations or entities whatsoever, irrespective of their form or the name by which they may be described, and all trust, participation, and other certificates of, and receipts evidencing interest in any such securities; to exercise any and all rights, powers and privileges of individual ownership or interest in respect of any and all such securities, real and personal property, or evidences of interest therein, including the right to vote thereon and to consent and otherwise act with respect thereto; to do any and all acts and things for the preservation, protection, improvement and enhancement in value of

any and all such securities, or evidences of interest therein, and to aid by loan, subsidy, guaranty or otherwise those issuing, creating or responsible for any bonds or other evidences of indebtedness or stock or certificates of interest therein, or other securities owned or hold by this corporation or by any corporation in which this corporation may have an interest as stockholder or otherwise, or those developing, promoting or otherwise operating on any real estate owned or held by this corporation; to acquire and become interested in any such securities or evidences of interest therein, as aforesaid, by original subscription, participation in syndicates or otherwise and irrespective of whether or not such securities or evidences of interest therein be fully paid or subject to further payments; to make payment thereon as called for in advance of calls or otherwise.

To acquire by purchase, exchange, concession, easement, contract, lease or otherwise, to hold, own, use, control, manage, improve, maintain and develop, to mortgage, pledge, grant, sell, convey, exchange, assign, divide, lease, sublease, or otherwise encumber and dispose of, and to deal and trade in, real estate improved or unimproved, lands, leaseholds, options, concessions, easements, tenements, hereditaments and interests in real, mixed, and personal property, of every kind and description wheresoever situated, and any and all rights therein.

To manufacture, process, purchase, sell and generally to trade and deal in and with goods, wares and merchandise of every kind, nature and description, and to engage and participate in any mercantile, industrial or trading business of any kind or character whatsoever.

To apply for, register, obtain, purchase, lease, take licenses in respect of or otherwise acquire, and to hold, own, use, operate, develop, enjoy, turn to account, grant licenses and immunities in respect of, manufacture under and to introduce, sell, assign, mortgage, pledge or otherwise dispose of, and, in any manner deal with and contract with reference to:

(a) inventions, devices, formulae, processes and any improvements and modifications thereof;

(b) Letters patent, patent rights, patented processes, copyrights, designs, and similar rights, trade-marks, trade symbols and other indications of origin and ownership granted by or recognized under the laws of the United States of America or of any state or subdivision thereof, or of any foreign country or subdivision thereof, and all rights connected therewith or appertaining thereunto;

(c) Franchises, licenses, grants and concessions.

To make, enter into, perform and carry out contracts of every kind and description with any person, firm, association, corporation or government or subdivision thereof.

To acquire by purchase, exchange or otherwise, all, or any part of, or any interest in, the properties, assets, business and good will of any one or more persons, firms, associations or corporations heretofore or hereafter engaged in any business for which a corporation may now or hereafter be organized under the laws of the State of Delaware; to pay for the same in cash, property or its own or other securities; to hold, operate, reorganize, liquidate, sell or in any manner dispose of the whole or any part thereof; and in connection therewith, to assume or guarantee performance of any liabilities, obligations or contracts of such persons, firms, associations or corporations, and to conduct the whole or any part of any business thus acquired.

To lend its uninvested funds from time to time to such extent, to such persons, firms, associations, corporations, governments or subdivisions thereof, and on such terms and on such security, if any, as the Board of Directors of the corporation may determine.

To endorse or guarantee the payment of principal, interest or dividends upon, and to guarantee the performance of sinking fund or other obligations of, any securities, and to guarantee in any way permitted by law the performance of any of the contracts or other undertakings in which the corporation may otherwise be or become interested, of any person, firm, association, corporation, government or subdivision thereof, or of any other combination, organization or entity whatsoever.

To borrow money for any of the purposes of the corporation, from time to time, and without limit as to amount; from time to time to issue and sell its own securities in such amounts, on such terms and conditions, for such purposes and for such prices, now or hereafter permitted by the laws of the State of Delaware and by this Certificate of Incorporation, as the Board of Directors of the corporation may determine; and to secure such securities by mortgage upon, or the pledge of, or the conveyance or assignment in trust of, the whole or any part of the properties, assets, business and good will of the corporation, then owned or thereafter acquired.

To draw, make, accept, endorse, discount, execute, and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures, and other negotiable or transferable instruments and evidences of indebtedness whether secured by mortgage or otherwise, as well as to secure the same by mortgage or otherwise, so far as may be permitted by the laws of the State of Delaware.

To purchase, hold, cancel, reissue, sell, exchange, transfer or otherwise deal in its own securities from time to time to such an extent and in such manner and upon such terms as the Board of Directors of the corporation shall determine; provided that the corporation shall not use its funds or property for the purchase of its own shares of capital stock when such use would cause any impairment of its capital, except to the extent permitted by law; and provided further that shares of its own capital stock belonging to the corporation shall not be voted upon directly or indirectly.

To organize or cause to be organized under the laws of the State of Delaware, or of any other State of the United States of America, or of the District of Columbia, or of any territory, dependency, colony or possession of the United States of America, or of any foreign country, a corporation or corporations for the purpose of transacting, promoting or carrying on any or all of the objects or purposes for which corporations may be organized, and to dissolve, wind up, liquidate, merge or consolidate any such corporation or corporations or to cause the same to be dissolved, wound up, liquidated, merged or consolidated.

To conduct its business in any and all of its branches and maintain offices both within and without the State of

Delaware, in any and all States of the United States of America, in the District of Columbia, in any or all territories, dependencies, colonies or possessions of the United States of America, and in foreign countries.

To carry out all or any part of the foregoing objects and purposes in any and all parts of the world and to conduct business in all or any of its branches as principal, factor, agent, contractor or otherwise, either alone or through or in conjunction with any corporations, associations, partnerships, firms, trustees, syndicates, individuals, organizations and other entities located in or organized under the laws of any part of the world, and, in carrying out, conducting or performing its business and attaining or furthering any of its objects and purposes, to maintain offices, branches and agencies in any part of the world, to make and perform any contracts and to do any acts and things, and to carry on any business, and to exercise any powers suitable, convenient or proper for the accomplishment of any of the objects and purposes herein specified or which at any time may appear conducive to or expedient for the accomplishment of any of such objects and purposes and which might be engaged in or carried on by a corporation formed under the General Corporation Law and to have and exercise all of the powers conferred by the laws of the State of Delaware upon corporations formed under the General Corporation Law.

The foregoing provisions of this Article THIRD shall be construed both as purposes and powers and each an independent purpose and power. The foregoing enumeration of specific purposes and powers shall not be held to limit or restrict in any manner the purposes and powers of the corporation, and the purposes and powers herein specified shall, except when otherwise provided in this Article THIRD, be in no wise limited or restricted by reference to, or inference from, the terms of any provision of this or any other Article of this Certificate of Incorporation; provided, that the corporation shall not carry on any business or exercise any power in the State of Delaware or in any state, territory, or country which under the laws thereof the corporation may not lawfully carry on or exercise.

FOURTH: The total number of shares that may be issued by the Corporation is 11,020,000, of which 7,000,000 shares of the par value of $1 each shall be Class A Common Stock, 2,000,000 shares of the par value of $1 each shall be Class B Common Stock, 2,000,000 shares of the par value of $10 each shall be Preferred Stock, and 20,000 shares of the par value of $10 each shall be Prior Preferred Stock. Any and all shares issued, for which the full consideration has been paid or delivered, shall be deemed fully paid stock and the holders of such shares shall not be liable for any further call or assessment or any payment thereon.

The designations, preferences, privileges and voting powers of the shares of the Prior Preferred Stock and the restrictions or qualifications thereof are as follows:

The holders of Prior Preferred Stock shall be entitled to receive out of any funds of this Corporation at the time legally available for the declaration of dividends, dividends at the rate of five percent (5%) per annum of the par value thereof, and no more, payable in cash annually or at such intervals as the Board of Directors may from time to time determine, when and as declared by the Board of Directors. Such dividends shall accrue from the date of issuance of the respective Prior Preferred Stock and shall accrued from day to day, whether or not earned or declared. Such dividends shall be payable before any dividends shall be declared or paid upon or set apart for the Common or Preferred Stock and shall be cumulative, so that if in any year or years dividends upon the outstanding Prior Preferred Stock at the rate of five percent (5%) per annum of the par value thereof shall not have been paid thereon or declared and set apart therefor, the amount of the deficiency shall be fully paid or declared and set apart for payment, but without interest, before any distribution whether by way of dividend or otherwise, shall be declared or paid upon, or set apart for, the Common or Preferred Stock.

In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the shares of Prior Preferred Stock shall be entitled to receive out of the assets of this Corporation (whether from capital or surplus or both) $10 per share before any distribution shall be made to the holders of Common or Preferred Stock and thereafter the holders of the share of Prior Preferred Stock shall not be entitled to share in the assets of the Corporation remaining after such payment. If, upon such liquidation, dissolution or winding up of the Corporation, the assets of the Corporation shall be insufficient to permit the payment in full to the holders of Prior Preferred Stock, then the entire assets of the Corporation shall be distributed ratably among the holders of the shares of Prior Preferred Stock. The foregoing provisions of this paragraph shall not, however, be deemed to require the distribution of assets among the holders of shares of Prior Preferred Stock in the event of a consolidation, merger, lease or sale which does not in fact result in the liquidation, dissolution or winding up of the enterprise.

The Corporation, at the option of the Board of Directors, may redeem the whole or from time to time may redeem any part of the Prior Preferred Stock on any dividend date by paying in cash therefore Eleven Dollars ($11) per share, and, in addition to the aforementioned amount, an amount in cash equal to all dividends on preferred stock unpaid and accumulated as provided in this Article FOURTH, whether earned or declared or not, to and including the date fixed for redemption, such sum being hereinafter sometimes referred to as the redemption price. In case of the redemption of a part only of the outstanding Prior Preferred Stock, this Corporation shall designate by lot, in such manner as the Board of Directors may determine, the shares to be redeemed, or shall effect such redemption pro rata. Less than all of the Prior Preferred Stock at any time outstanding may not be redeemed until all dividends accrued and in arrears upon all Prior Preferred Stock outstanding shall have been paid for all past dividend periods, and until full dividends for the then current dividend period on all Prior Preferred Stock then outstanding, other than the shares to be redeemed, shall have been paid or declared and the full amount thereof set apart for payment. At least thirty (30) days' previous notice by mail, postage prepaid, shall be given to the holders of record of the Prior Preferred Stock to be redeemed, such noticed to be addressed to each such shareholder at his post-office address as shown by the records of this Corporation. On or after the date fixed for redemption and stated in such notice, each holder of Prior Preferred Stock called for redemption shall surrender his certificate evidencing such shares to this Corporation at the place designated in such notice and shall thereupon be entitled to receive payment of the redemption price. In case less than all the shares represented by any such surrendered certificate are redeemed, a new certificate shall be issued representing the unredeemed shares. If such notice of redemption shall have been duly given, and if on the date fixed for redemption funds necessary for the redemption shall be available therefor, then, notwithstanding that the certificates evidencing any Prior Preferred Stock so called for redemption shall not have been surrendered, the dividends with respect to the shares so called for redemption shall cease to accrue after the date fixed for redemption and all rights with respect to the share so called for redemption shall forthwith after such date cease and determine, except only the right of the holders to receive the redemption price without interest upon surrender of their certificates therefor.

If on or prior to any date fixed for redemption of Prior Preferred Stock, this Corporation deposits with any bank or trust company in the City of New York, State of New York, or in the City of Dover, State of Delaware, as a trust fund a sum sufficient to redeem on the date fixed for redemption thereof, the shares called for redemption, with irrevocable instructions and authority to the bank or trust company to give the notice of redemption thereof if such notice shall not previously have been given by this Corporation, or to complete the giving of such notice if theretofore commenced, and to pay on and after the date fixed for redemption or prior thereto the redemption price of the shares to their respective holders upon the surrender of their share certificates, then from and after the date of the deposit (although prior to the date fixed for redemption), the shares so called shall be deemed to be redeemed and dividends on those shares shall cease to accrue after the date fixed for redemption. The deposit shall be deemed to constitute full payment of the shares to their holders and from and after the date of the deposit the shares shall be deemed to be no longer outstanding, and the holders thereof shall cease to be shareholders with respect to such shares, and shall have no rights with respect thereto except the right to receive from the bank or trust company payment of redemption price of the shares without interest, upon the surrender of their certificates therefor.

Any moneys deposited by the Corporation pursuant to this paragraph and unclaimed at the end of six years from the date fixed for redemption shall be repaid to the Corporation upon its request expressed in a resolution of its Board of Directors.

Except as otherwise provided by law or by this Certificate of Incorporation, the holders of Prior Preferred Stock shall not be entitled to notice of any shareholders meeting, or to vote upon the election of directors or upon any question affecting the management or affairs of this Corporation.

If at any time two (2) or more annual dividends (whether consecutive or not) on the Prior Preferred Stock shall be in default, in whole or in part, the holders of Prior Preferred Stock as a class shall be entitled to elect the smallest number of directors which will constitute a majority of the authorized number of directors. At such time as all dividends accrued on the outstanding Prior Preferred Stock have been paid or declared and set apart for payment, the rights of the holders of Prior Preferred Stock to vote as provided in this paragraph shall cease, subject to renewal from time to time upon the same terms and conditions.

At any time after the voting power to elect a majority of the Board of Directors shall have become vested in the holders of Prior Preferred Stock as provided in this paragraph, the secretary of this Corporation may, and upon the request of the record holders of at least ten percent (10%) of the Prior Preferred Stock then outstanding addressed to him at the principal office of this Corporation, shall call a special meeting of stockholders for the election of directors, to be held at the place and upon the notice provided in the By-Laws of the Corporation for the holding of annual meetings. If such meeting shall not be so called within ten (10) days after personal service of the request, or within fifteen (15) days after mailing of the same by registered mail within the United States of America then the record holders of at least ten percent (10%) of the Prior Preferred Stock then outstanding may designate in writing one of their number to call such meeting, and the person so designated may call such meeting at the place and upon the notice above provided, and for that purpose, shall have access to stock books of the Corporation. At any meeting so called or at any annual meeting held while the holders of the Prior Preferred Stock have the voting power to elect a majority of the Board of Directors, the holders of a majority of the then outstanding Prior Preferred Stock present in person or by proxy shall be sufficient to constitute a quorum for the election of directors as herein provided. The terms of office of all persons who are directors of the Corporation at the time of such meeting shall terminate upon the election at such meeting by the holders of the Prior Preferred Stock of the number of directors they are entitled to elect, and the persons so elected as directors by the holders of Prior Preferred Stock, together with such persons, if any, as may be elected as directors by the holders of the Common and/or Preferred Stock, shall constitute the duly elected directors of this Corporation. In the event the holders of the Common and/or Preferred Stock fail to elect the number of directors which they are entitled to elect at such meeting, additional directors may be appointed by the directors elected by the holders of the Prior Preferred Stock.

Whenever the holders of the Prior Preferred Stock shall be divested of such voting power as hereinabove in this paragraph provided, the term of office of all persons who are at the time directors of the Corporation shall terminate upon the election of their successors.

As long as any Prior Preferred Stock is outstanding, the Corporation shall not, without the approval (by vote or written consent, as provided by law) of the holders of two-thirds of the outstanding Prior Preferred Stock:

1. Amend or repeal any provision of, or add any provision to the Corporation's Certificate of Incorporation (which term shall include certificates of determination of preferences, and any future agreements of consolidation or merger) if such action would alter or change the preferences, rights, privileges or powers of, or the restrictions provided for the benefit of any Prior Preferred Stock so as to affect such Prior Preferred Stock adversely; or

2. Authorize or create shares of any class of stock having any

preference or priority as to dividends or assets superior to or on a parity with any such preference or priority of the Prior Preferred Stock, or authorize or create shares of stock of any class or any bonds, debentures, notes or other obligations convertible into or exchangeable for, or having optional rights to purchase, any shares of stock of the Corporation having any such preference or priority; or

3. Reclassify any Common Stock, or any other shares of stock hereafter created junior to the Prior Preferred Stock as to dividends or assets into Prior Preferred Stock or into shares having any preference or priority as to dividends or assets superior to or on a parity with that of the Prior Preferred Stock; or

4. Sell, lease, convey, exchange, transfer or otherwise dispose of all or substantially all of the property and assets of the Corporation.

The Preferred Stock shall have the following voting powers, designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof:

1. Except as otherwise provided herein, shares of Common Stock and Preferred Stock shall be equal in all respects.

2. The Preferred Stock may be issued from time to time in one or more series, each of such series to have such voting powers (full or limited or without voting powers), designation, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof as are stated and expressed herein, or in a resolution or resolutions providing for the issue of such series adopted by the Board of Directors as hereinafter provided.

3. Authority is hereby granted to the Board of Directors to create one or more series of Preferred Stock and, with respect to each series, to fix by resolution or resolutions providing for the issue of such series;

(a) the number of shares to constitute each such series and the distinctive designation thereof;

(b) the dividend rate on the shares of such series, the dividend payment dates, the periods in respect of which dividends are payable ("dividend periods"), whether such dividends shall be cumulative, and, if cumulative, the date or dates from which dividends shall accumulate and the medium in which such dividends shall be payable, including whether or not such dividends shall be payable in Common Stock of the Corporation;

(c) whether or not the shares of such series shall be redeemable, on what terms, including the redemption prices which the shares of such series shall be entitled to receive upon the redemption thereof;

(d) whether or not the shares of such series shall be subject to the operation of retirement or sinking funds to be applied to the purchase or redemption of such shares for retirement and, if such retirement or sinking fund or funds be established, the annual amount thereof and the terms and provisions relative to the operation thereof;

(e) whether or not the shares of such series shall be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock of the corporation and the conversion price or prices or rate or rates, or the rate or rates at which such exchange may be made, with such adjustment, if any, as shall be stated and expressed or provided in such resolution or resolutions;

(f) the preference, if any, and the amounts thereof, which the shares of such series shall be entitled to receive upon the voluntary and involuntary dissolution of the operation;

(g) the voting power, if any, of the shares of such series; and

(h) such other terms, conditions, special rights and protective provisions as to the Board of Directors may seem advisable.

Notwithstanding the fixing of the number of shares constituting a particular series upon the issuance thereof, the Board of Directors may at any time thereafter authorize the issuance of additional shares of the same series.

4. No dividend shall be declared and set apart for payment on any series of Preferred Stock in respect of any dividend period unless there shall likewise be or have been paid, or declared and set apart for payment, on all shares of Preferred Stock of each other series entitled to cumulative dividends at the time outstanding which ranks equally as to dividends with the series in question, dividends ratably in accordance with the sums which would be payable on the said shares through the end of the last preceding dividend period if all dividends were declared and paid in full.

5. If upon any dissolution of the Corporation, the assets of the Corporation distributable among the holders of any one or more series of Preferred Stock which are (i) entitled to a preference over the holders of the Common Stock upon such dissolution, and (ii) rank equally in connection with any such distribution, shall be insufficient to pay in full the preferential amount to which the holders of such shares shall be entitled, then such assets, or the proceeds thereof, shall be distributed among the holders of each such series of the Preferred Stock ratably in accordance with the sums which would be payable on such distribution if all sums payable were discharged in full.

Except as otherwise provided by law or by this Certificate of Incorporation or by the resolutions of the Board of Directors providing for the issuance of Preferred Stock, the holders of Class A Common Stock shall have the sole right to notice of and to vote at meetings of stockholders. No holder of Class B Common Stock shall have any right to vote except as otherwise provided by law or by this Certificate of Incorporation.

In case there shall be presented to the holders of Class A Common Stock for their approval any proposal to:

(a) effect a merger or consolidation of the Corporation;

(b) dissolve the Corporation;

(c) sell, lease or exchange all or substantially all of the property and assets of the Corporation, then the holders of Class B Common Stock shall have the right to vote on such proposal, voting together with the holders of Class A Common Stock as a single class.

When and as dividends are declared, whether payable in cash, in property or in shares of stock of the Corporation, the holders of Class B Common Stock and the holders of Class A Common Stock shall be entitled to share equally, share for share, in such dividends, except that if dividends are declared which are payable in shares of Class B Common Stock or Class A Common Stock, dividends shall be declared which are payable at the same rate in both classes of stock and the dividends payable in shares of Class B Common Stock may be payable to holders of that class of stock and the dividends payable in shares of Class A Common Stock may be payable to holders of that class of stock.

If the Corporation shall in any manner subdivide or combine the outstanding shares of one class of Common Stock, the outstanding shares of the other class of Common Stock shall be proportionately subdivided or combined.

All shares of Class B Common Stock shall be identical and shall entitle the holders thereof to the same rights and privileges.

No holder of any of the shares of the stock of the Corporation of any class shall be entitled as of right to purchase or subscribe for any unissued stock of any class or any additional shares of any class to be issued by reason of any increase of the authorized capital stock of the Corporation of any class, or bonds, certificates of indebtedness, debentures or other securities convertible into stock of the Corporation, or carrying any right to purchase stock of any class but any such unissued stock or such additional authorized issue of any stock or of other securities convertible into stock, or carrying any right to purchase stock, may be issued and disposed of pursuant to resolution of the Board of Directors to such persons, firms, corporations or associations and upon such terms as may be deemed advisable by the Board of Directors in the exercise of its discretion.

FIFTH: The minimum amount of capital with which the corporation will commence business is One Thousand Dollars.

SIXTH: The names and places of residence of each of the incorporators are as follows:

NAME	PLACE OF RESIDENCE
Grace Rossler	New York, New York
Joy L. Dekle	New York, New York
Grace X. Bahler	New York, New York

SEVENTH: The corporation is to have perpetual existence.

EIGHTH: The private property of the stockholders of the corporation shall not be subject to the payment of corporate debts to any extent whatever.

NINTH: For the management of the business and for the conduct of the affairs of the corporation, and in further definition, limitation and regulation of the powers of the corporation and of its directors and stockholders, it is further provided:

1. The number of directors of the corporation shall be as specified in the By-Laws of the corporation but such number may from time to time be increased or decreased in such manner as may be prescribed by the By-Laws. In no event shall the number of directors be less than three. The election of directors need not be by ballot. Directors need not be stockholders.

2. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized and empowered:

(a) To make, alter, amend, and repeal By-Laws, subject to the power of the stockholders to alter or repeal the By-Laws made by the Board of Directors

(b) Subject to the applicable provisions of the By-Laws then in effect, to determine, from time to time, whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the corporation or any of them shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any account or book or document of the corporation, except as conferred by the laws of the State of Delaware unless and until authorized so to do by resolution of the Board of Directors or of the stockholders of the corporation.

(c) Without the assent or vote of the stockholders, to authorize and issue obligations of the corporation, secured or unsecured, to include therein such provisions as to redeemability, convertibility or otherwise, as the Board of Directors, in its sole discretion, may determine, and to authorize the mortgaging or pledging, as security therefor, of any property of the corporation, real or personal, including after-acquired property.

(d) To establish bonus, profit-sharing or other types of incentive or compensation plans for the employees (including officers and directors) of the corporation and to fix the amount of profits to be distributed or shared and to determine the persons to participate in any such plans and the amounts of their respective participations.

In addition to the powers and authorities hereinbefore or by statute expressly conferred upon it, the Board of Directors may exercise all such powers and do all such acts and things as may be exercised or done by the corporation, subject, nevertheless, to the provisions of the laws of the State of Delaware, of the Certificate of Incorporation and of the By-Laws of the corporation.

3. Any director or any officer elected or appointed by the stockholders or by the Board of Directors may be removed at any time in such manner as shall be provided in the By-Laws of the corporation.

4. In the absence of fraud, no contract or other transaction between the corporation and any other corporation, and no act of the corporation, shall in any way be affected or invalidated by the fact that any of the directors of the corporation are pecuniarily or otherwise interested in, or are directors or officers of, such other corporation; and, in the absence of fraud, any director, individually, or any firm of which any director may be a member, may be a party to, or may be pecuniarily or otherwise interested in, any contract or transaction of the corporation; provided, in any case, that the fact that he or such firm is so interested shall be disclosed or shall have been known to the Board of Directors or a majority thereof; and any director of the corporation who is also a director or officer of any such other corporation, or who is also interested, may be counted in determining the existence of a quorum at any meeting of the Board of Directors of the corporation which shall authorize any such contract, act or transaction and may vote thereat to authorize any such contract, act or transaction, with like force and effect as if he were not such director or officer of such other corporation, or not so interested.

5. Any contract, act or transaction of the corporation or of the directors may be ratified by a vote of a majority of the shares having voting powers at any meeting of stockholders, or at any special meeting called for such purpose, and such ratification shall, so far as permitted by law and by this Certificate of Incorporation, be as valid and as binding as though ratified by every stockholder of the corporation.

TENTH: From time to time any of the provisions of this Certificate of Incorporation may be amended, altered or repealed, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted in the manner and at the time prescribed by said laws, and all rights at any time conferred upon the stockholders of the corporation by this Certificate of Incorporation are granted subject to the provisions of this Article TENTH.

ELEVENTH: No director shall be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director provided that this provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under section 174 of the General Corporation Law of Delaware, as such section may be amended from time to time, or (iv) for any transaction from which the director derived an improper personal benefit.

Executed at Farmingdale, New York on May 26, 1999.

Joseph A. Molino
Vice President

P & F INDUSTRIES, INC.

EXHIBIT 21

Subsidiaries of the Registrant

Embassy Industries, Inc., a New York Corporation

d/b/a Embassy Industries, Inc.
Franklin Manufacturing Corporation

Florida Pneumatic Manufacturing Corporation, a Florida Corporation

d/b/a Florida Pneumatic Manufacturing Corporation
Universal Tool
Fuji Air Tools
Pipemaster
Berkley Tool

Green Manufacturing, Inc. a Delaware Corporation

d/b/a Green Manufacturing, Inc.

P & F INDUSTRIES, INC.

EXHIBIT 23

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

P & F Industries, Inc.
Farmingdale, New York

We hereby consent to the incorporation by reference in the Form S-8 Registration Statement filed on February 18, 1997 of our report dated March 7, 2000, relating to the consolidated financial statements and schedule of P & F Industries, Inc. and subsidiaries appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

We also consent to the reference to us under the caption "Experts" in the Form S-8 Registration Statement.

/s/ BDO Seidman, LLP

BDO Seidman, LLP

New York, New York
March 7, 2000

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