

Item 1.02. Termination of a Material Definitive Agreement.

On January 25, 2006, the P&F Industries, Inc. (the "Company") terminated its Executive Incentive Bonus Plan (the "Executive Incentive Bonus Plan"), subject to the payment of awards for fiscal 2005 which have not yet been determined. The Executive Incentive Bonus Plan previously was filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

The Executive Incentive Bonus Plan was terminated because the benefit provided thereunder is intended to be superseded by the benefit under a new bonus plan which the Company intends to submit to stockholders for approval at the Company's next annual meeting.

The Executive Incentive Bonus Plan provided for the payment of a cash bonus to the Company's Chief Executive Officer, Vice President of Finance and other selected key executives based upon a percentage of the Company's pre-tax profits and determined through a formula and other conditions as set forth therein.

SIGNATURES

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

P & F INDUSTRIES, INC.

Date: January 31, 2006

/s/Joseph A. Molino, Jr.

Joseph A. Molino, Jr.
Vice President,
Chief Operating Officer and
Chief Financial Officer