

MAGAL SECURITY SYSTEMS LTD  
Form SC 13D/A  
January 28, 2011

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

**SCHEDULE 13D**

**Under the Securities Exchange Act of 1934  
(Amendment No. 1 )\***

Magal Security Systems Ltd.

(Name of Issuer)

Ordinary Shares, NIS 0.1 Par Value

(Title of Class of Securities)

M6786D104

(CUSIP Number)

Phil Frohlich

1924 South Utica, Suite #1120

Tulsa, Oklahoma 74104-6429

(918) 747-3412

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

- with copies to -

Eliot D. Raffkind

Akin, Gump, Strauss, Hauer & Feld, L.L.P.

1700 Pacific Avenue, Suite 4100

Dallas, Texas 75201-4618

(214) 969-2800

January 26, 2011

(Date of Event Which Requires Filing of this Statement)

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

**Note:** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

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

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



CUSIP No. M6786D104

NAMES OF REPORTING PERSONS

1

PRESCOTT GROUP CAPITAL MANAGEMENT, L.L.C.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4

WC

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6

Oklahoma

SOLE VOTING POWER

7

NUMBER OF 524,927

SHARED VOTING POWER

SHARES BENEFICIALLY OWNED BY 8

0

SOLE DISPOSITIVE POWER

EACH REPORTING 9

PERSON 524,927

WITH SHARED DISPOSITIVE POWER

10

0

11

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

524,927

12

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

13

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

4.9%

14

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IA

CUSIP No. M6786D104

NAMES OF REPORTING PERSONS

1

PRESCOTT GROUP AGGRESSIVE SMALL CAP, L.P.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4

WC

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6

Oklahoma

SOLE VOTING POWER

7

NUMBER OF 0

SHARED VOTING POWER

SHARES BENEFICIALLY OWNED BY 8

524,927

SOLE DISPOSITIVE POWER

EACH REPORTING 9

PERSON 0

WITH SHARED DISPOSITIVE POWER

10

524,927

11

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

524,927

12

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

13

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

4.9%

14

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN

CUSIP No. M6786D104

NAMES OF REPORTING PERSONS

1

PRESCOTT GROUP AGGRESSIVE SMALL CAP II, L.P.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4

WC

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6

Oklahoma

SOLE VOTING POWER

7

NUMBER OF 0

SHARED VOTING POWER

SHARES BENEFICIALLY OWNED BY 8

524,927

SOLE DISPOSITIVE POWER

EACH REPORTING 9

PERSON 0

WITH SHARED DISPOSITIVE POWER

10

524,927

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

524,927

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

4.9%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN



CUSIP No. M6786D104

NAMES OF REPORTING PERSONS

1

PHIL FROHLICH

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4

PF

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6

U.S. CITIZEN

SOLE VOTING POWER

7

NUMBER OF 524,927

SHARED VOTING POWER

SHARES BENEFICIALLY OWNED BY 8

0

SOLE DISPOSITIVE POWER

EACH REPORTING 9

PERSON 524,927

WITH SHARED DISPOSITIVE POWER

10

0

11

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

524,927

12

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

13

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

4.9%

14

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IN

**SCHEDULE 13D/A**

This Amendment No. 1 to the Schedule 13D (this Amendment) is being filed on behalf of Prescott Group Capital Management, L.L.C., an Oklahoma limited liability company ( Prescott Capital ), Prescott Group Aggressive Small Cap, L.P., an Oklahoma limited partnership ( Prescott Small Cap ), Prescott Group Aggressive Small Cap II, L.P., an Oklahoma limited partnership ( Prescott Small Cap II ) and, together with Prescott Small Cap, the Small Cap Funds ), and Mr. Phil Frohlich, the principal of Prescott Capital, relating to Ordinary Shares, NIS 0.1 Par Value (the Ordinary Shares ), of Magal Security Systems Ltd., an Israeli company (the Issuer ).

This Amendment relates to the Ordinary Shares purchased by the Small Cap Funds through the account of Prescott Group Aggressive Small Cap Master Fund, G.P., an Oklahoma general partnership ( Prescott Master Fund ), of which the Small Cap Funds are the general partners. Prescott Capital serves as the general partner of the Small Cap Funds and may direct the Small Cap Funds, the general partners of Prescott Master Fund, to direct the vote and disposition of the 524,927 Ordinary Shares held by the Prescott Master Fund. As the principal of Prescott Capital, Mr. Frohlich may direct the vote and disposition of the 524,927 Ordinary Shares held by Prescott Master Fund.

The Ordinary Shares held by the Reporting Persons (as defined below) reported on this Amendment were previously reported on a Schedule 13G/A filed with the Securities Exchange Commission on February 9, 2009. This Amendment is being filed to report that the Reporting Persons no longer own 5% of the outstanding Ordinary Shares of the Issuer.

**Item 1. Security and Issuer**

**Securities acquired:** Ordinary Shares, NIS 0.1 Par Value (the Ordinary Shares ).

**Issuer:** Magal Security Systems Ltd.  
P.O. Box 70, Industrial Zone  
Yehud 56100, Israel

**Item 2. Identity and Background**

(a) This Amendment is jointly filed by Prescott Capital, Prescott Small Cap, Prescott Small Cap II and Mr. Phil Frohlich. Because Mr. Frohlich is the managing member of Prescott Capital, which is the general partner of the Small Cap Funds (with Mr. Frohlich and Prescott Capital hereinafter referred to as the Controlling Persons ), the Controlling Persons may be deemed, pursuant to Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the Act ), to be the beneficial owners of all of the Ordinary Shares held by the Small Cap Funds. The Reporting Persons (as hereinafter defined) are filing this Amendment jointly, as they may be considered a group under Section 13(d)(3) of the Act. However, neither the fact of this filing nor anything contained herein shall be deemed to be an admission by the Reporting Persons that such a group exists.

(b) The principal place of business for each of the Reporting Persons is 1924 South Utica, Suite #1120, Tulsa, Oklahoma 74104.

(c) The principal occupation of Mr. Frohlich is serving as the managing member of Prescott Capital. The principal business of Prescott Capital is acting as the general partner of the Small Cap Funds. The principal business of the Small Cap Funds is investing in securities.

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

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

(f) Prescott Capital and the Small Cap Funds are organized under the laws of the State of Oklahoma. Mr. Frohlich is a citizen of the United States of America.

**Item 3. Source and Amount of Funds**

As of January 28, 2011, the Small Cap Funds had invested \$4,762,405 (inclusive of brokerage commissions) in Ordinary Shares of the Issuer. The source of these funds was the working capital of the Small Cap Funds.

**Item 4. Purpose of the Transaction**

The Small Cap Funds (together with Phil Frohlich and Prescott Capital, the Reporting Persons ) purchased the Ordinary Shares based on the belief that such securities, when purchased, were undervalued and represented an attractive investment opportunity. Although the Reporting Persons have no specific plan or proposal to acquire or dispose of the Ordinary Shares, consistent with their investment purpose, the Reporting Persons at any time and from time to time may acquire additional Ordinary Shares or dispose of any or all of their Ordinary Shares depending upon an ongoing evaluation of the investment in the Ordinary Shares, prevailing market conditions, other investment opportunities, liquidity requirements of the Reporting Persons and/or other investment considerations.

The purpose of the acquisition of the Ordinary Shares was for investment, and the acquisitions of the Ordinary Shares were made in the ordinary course of business and were not made for the purpose of acquiring control of the Issuer.

Also, consistent with the investment purpose, the Reporting Persons may engage in communications with one or more shareholders of the Issuer, one or more officers of the Issuer and/or one or more members of the board of directors of the Issuer and/or one or more representatives or regulators of the Issuer regarding the Issuer, including, but not limited to, its operations. The Reporting Persons may discuss ideas that, if effected, may result in any of the following: the acquisition by persons of additional Ordinary Shares of the Issuer, an extraordinary corporate transaction involving the Issuer and/or changes in the board of directors or management of the Issuer.

Except to the extent the foregoing may be deemed a plan or proposal, the Reporting Persons have no plans or proposals which relate to, or could result in, any of the matters referred to in paragraphs (a) through (j), inclusive, of the instructions to Item 4 of Schedule 13D. The Reporting Persons may, at any time and from time to time, review or reconsider their position and/or change their purpose and/or formulate plans or proposals with respect thereto.

**Item 5. Interest in Securities of the Issuer**

(a) The aggregate percentage of Ordinary Shares reported to be owned by the Reporting Persons is based upon 10,546,548 Ordinary Shares outstanding, which is the total number of Ordinary Shares outstanding as of December 21, 2010, as reported in the Issuer's Form F-1 filed with the Securities and Exchange Commission on December 21, 2010.

As of January 28, 2011, the Small Cap Funds beneficially owned 524,927 Ordinary Shares, representing approximately 4.9% of the issued and outstanding Ordinary Shares of the Issuer.

Prescott Capital, as the general partner of the Small Cap Funds, may also be deemed to beneficially own the 524,927 Ordinary Shares held by the Small Cap Funds, representing approximately 4.9% of the issued and outstanding Ordinary Shares of the Issuer.

In addition, Mr. Frohlich, as managing member of Prescott Capital, the general partner of the Small Cap Funds, may also be deemed to beneficially own the 524,927 Ordinary Shares beneficially owned by the Small Cap Funds, representing approximately 4.9% of the issued and outstanding Ordinary Shares of the Issuer.

Prescott Capital and Mr. Frohlich disclaim beneficial ownership of the Ordinary Shares held by the Small Cap Funds except to the extent of their pecuniary interest therein.

(b) By virtue of his position with Prescott Capital and the Small Cap Funds, Mr. Frohlich has the sole power to vote and dispose of the Ordinary Shares owned by the Small Cap Funds reported in this Amendment.

The filing of this Amendment shall not be construed as admission that Prescott Capital or Mr. Frohlich is, for the purposes of Section 13(d) or 13(g) of the Act, the beneficial owner of any of the 524,927 Ordinary Shares owned by the Small Cap Funds. Pursuant to Rule 13d-4, Prescott Capital and Mr. Frohlich disclaim all such beneficial ownership.

(c) Annex A attached hereto lists all transactions in the Ordinary Shares during the past sixty (60) days by the Reporting Persons. The transactions in the Ordinary Shares were effected in the open market.

(d) No person other than the Reporting Persons is known to have the right to receive, or the power to direct the receipt of dividends from, or proceeds from the sale of, the Ordinary Shares.

(e) As of January 26, 2011, the Reporting Persons ceased to be the beneficial owner of five percent (5%) or more of the Ordinary Shares of the Issuer.

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

Other than as described herein, there are no contracts, arrangements, understandings or relationships among the Reporting Persons, or between the Reporting Persons and any other person, with respect to the securities of the Issuer.

**Item 7. Material to be Filed as Exhibits**

Exhibit 1 Joint Filing Agreement by and among Prescott Group Capital Management, L.L.C., Prescott Group Aggressive Small Cap, L.P., Prescott Group Aggressive Small Cap II, L.P. and Phil Frohlich dated January 28, 2011.

**Signatures**

After reasonable inquiry and to the best of their knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 28, 2011

Prescott Group Capital Management, L.L.C.

By: /s/ Phil Frohlich  
Phil Frohlich, Managing Member

Prescott Group Aggressive Small Cap, L.P.

By: Prescott Group Capital Management,  
L.L.C., its general partner

By: /s/ Phil Frohlich  
Phil Frohlich, Managing Member

Prescott Group Aggressive Small Cap II, L.P.

By: Prescott Group Capital Management,  
L.L.C., its general partner

By: /s/ Phil Frohlich  
Phil Frohlich, Managing Member

Phil Frohlich

By: /s/ Phil Frohlich  
Phil Frohlich