

NATIONAL HOLDINGS CORP
Form PRE 14A
March 04, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

- x Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)2))
- o Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to Rule 14(a)-12

NATIONAL HOLDINGS CORPORATION
(Name of Registrant as Specified in Charter)

Payment of filing fee (check the appropriate box):

x No fee required

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

NATIONAL HOLDINGS CORPORATION

Notice of Annual Meeting of Stockholders
To Be Held Friday, April 15, 2011 at 10:00 A.M. EST

To the Stockholders:

The Annual Meeting of Stockholders (the "Annual Meeting") of National Holdings Corporation (the "Company") will be held on Friday, April 15, 2011 at 10:00 A.M. EST at the Company's offices, located at 120 Broadway, 27th Floor New York, New York 10271, for the following purposes:

1. To elect two (2) Class III directors to serve until the 2014 Annual Meeting of Stockholders and until their successors are elected and qualified;
2. To approve an amendment (the "Amendment") to the Company's certificate of incorporation (the "Certificate") to increase the amount of authorized shares of common stock, \$0.02 par value per share (the "Common Stock") from 50,000,000 shares to 150,000,000, and to increase the amount of authorized shares of preferred stock, \$0.01 par value per share (the "Preferred Stock") from 200,000 to 10,000,000; and
3. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Owners of record at the close of business on March 11, 2011, will be entitled to vote at the Annual Meeting or at any adjournments or postponements thereof. A complete list of the stockholders entitled to vote at the Annual Meeting will be made available for inspection by any stockholder of record at the offices of the Company during market hours from March 11, 2011, through the time of the Annual Meeting.

Your vote is very important. For this reason, our Board of Directors is soliciting your proxy to vote your shares of Common Stock at the meeting. The entire cost of soliciting proxies will be borne by the Company. The cost of solicitation will include the cost of supplying necessary additional copies of the solicitation materials and the Company's 2010 Annual Report to Stockholders (the "Annual Report") to beneficial owners of shares held of record by brokers, dealers, banks, trustees, and their nominees, including the reasonable expenses of such record holders for completing the mailing of such materials and Annual Report to such beneficial owners.

In voting at the Annual Meeting, each stockholder of record on the Record Date shall be entitled to one vote on all matters. Holders of a majority of the outstanding shares of Common Stock, including holders of our Preferred Stock who vote with the Common Stock, must be represented in person or by proxy in order to achieve a quorum to vote on all matters.

All stockholders are cordially invited to attend the Annual Meeting in person. We are also providing proxy material access to our stockholders via the Internet. See "Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on April 15, 2011." Please give the proxy materials your careful attention.

You may vote by signing, voting and returning that proxy card in the envelope provided. If you attend the Annual Meeting, you may vote in person even if you have previously returned your proxy card. Please review the instructions for each voting option described in this Proxy Statement. Your prompt cooperation will be greatly appreciated.

The Proxy Statement, the attached Notice of Meeting, the enclosed proxy card and the Annual Report to Stockholders are being mailed to stockholders on or about March 15, 2011.

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS PROXY STATEMENT, AND, IF GIVEN OR MADE, SUCH INFORMATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED AND THE DELIVERY OF THIS PROXY STATEMENT SHALL, UNDER NO CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE OF THIS PROXY.

By Order of the Board of Directors

/s/ Alan B. Levin
Alan B. Levin
Secretary

Boca Raton, Florida
March 15, 2011

NATIONAL HOLDINGS CORPORATION
120 Broadway, 27th Floor
New York, New York 10271

PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS
To Be Held April 15, 2011

General

The enclosed proxy is solicited on behalf of the Board of Directors of National Holdings Corporation, a Delaware corporation (the “Company”), for use at the Annual Meeting of Stockholders to be held on April 15, 2011 (the “Annual Meeting”), and any adjournment or postponement thereof. The Annual Meeting will be held at 10:00 A.M. (local time) at the Company’s offices, located at 120 Broadway, 27th Floor New York, New York 10271. This Proxy Statement, the enclosed proxy card and the Company’s Annual Report for the fiscal year ended September 30, 2010, are being mailed on or about March 15, 2011, to stockholders entitled to vote at the meeting.

Record Date and Voting Shares

The close of business on March 11, 2011 has been fixed as the record date (the “Record Date”) for determining the stockholders of record entitled to notice of and to vote at the Annual Meeting. At the close of business on the Record Date, there were outstanding and entitled to vote 19,909,204 shares of Common Stock, \$.02 par value (the “Common Stock”) and 46,050 shares of Series A Convertible Preferred Stock, \$.01 par value (the “Series A Preferred Stock”), 34,169 shares of Series C Convertible Preferred Stock, \$.01 par value (the “Series C Preferred Stock”) and 60,000 shares of Series D Convertible Preferred Stock, \$.01 par value (the “Series D Preferred Stock”). Each share of Series A Preferred Stock is convertible into 80 shares of Common Stock. Each share of Series C and D Preferred Stock is convertible into 100 shares of Common Stock. The holder of each share of Series A Preferred Stock is entitled to the number of votes equal to the number of shares of Common Stock into which such share of Series A Preferred Stock could be converted at the Record Date. The holder of each share of Series C and Series D Preferred Stock is entitled to the number of votes equal to the number of shares of Common Stock into which such share of Series C and D Preferred Stock could be converted, less one share, at the Record Date. Accordingly, as of the Record Date, there were 32,915,799 shares entitled to vote, consisting of 19,909,204 shares of Common Stock outstanding, 3,684,000 shares of Common Stock entitled to vote underlying the Series A Preferred Stock, 3,382,525 shares of Common Stock entitled to vote underlying the Series C Preferred Stock, and 5,940,000 shares of Common Stock entitled to vote underlying the Series D Preferred Stock. Each share of Common Stock entitles the holder thereof to one vote upon any proposal submitted for a vote at the Annual Meeting.

Directors are elected by a plurality of the votes, which means that the nominee who receives the largest number of properly executed votes will be elected as a director. Shares that are represented by proxies that are marked “withhold authority” for the election of the director nominee will not be counted in determining the number of votes cast for that person. The amendment of the Company’s Certificate of Incorporation requires the vote by a majority of the issued and outstanding shares entitled to vote thereon. Any other matters properly considered at the meeting will be determined by a majority of the votes cast at the Annual Meeting.

Voting of Proxies

Shares of Common Stock represented by proxies which are properly executed, duly returned and not revoked, will be voted in accordance with the instructions contained therein. Except as discussed below with regard to shares held in “street name” by a bank or broker, if no instruction is indicated on the proxy, the shares of Common Stock represented

thereby will be voted: (i) FOR the election of the Class III Directors for a term ending in 2014; (ii) FOR the amendment (the "Amendment") to the Company's certificate of incorporation (the "Certificate") to increase the amount of authorized shares of Common Stock from 50,000,000 shares to 150,000,000, and to increase the amount of authorized shares of preferred stock, \$0.01 par value per share (the "Preferred Stock") from 200,000 to 10,000,000; and (iii) at the discretion of the person or persons voting the proxy, with respect to any other matter that may properly be brought before the Annual Meeting. The execution of a proxy will in no way affect a stockholder's right to attend the Annual Meeting and vote in person. Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business.

Pursuant to the rules of the New York Stock Exchange (“NYSE”), brokers do not have discretion to vote the shares of customers who fail to provide voting instructions on non-routine proposals, and both the proposal to elect directors and the proposal to amend our charter constitute non-routine matters. If the shares you own are held in “street name” by a bank or brokerage firm, your bank or brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. In order to vote your shares, you will need to follow the directions your bank or brokerage firm provides to you. Accordingly, if you do not give instructions to your bank or brokerage firm with respect to the election of directors and the Amendment, your shares will be treated as “broker non-votes” on these particular matters. Broker non-votes do not count as votes cast on such a proposal. Under Section 216 of the Delaware General Corporation Law, on matters other than the election of directors, an action of the stockholders generally requires the affirmative vote of a majority of shares present in person or represented by proxy at the meeting and entitled to vote on the matter. Accordingly, an abstention on any matter other than the election of directors will have the same effect as a vote against that matter.

Your broker will not be able to vote your shares with respect to the election of directors or the Amendment if you have not provided instructions to your broker. We strongly encourage you to submit your proxy card and exercise your right to vote as a stockholder. The Company believes that the tabulation procedures to be followed by the Inspector of Elections are consistent with the general requirements of Delaware law concerning voting of shares and determination of a quorum.

Revocation of Proxies

You may revoke or change your proxy at any time before the Annual Meeting by filing with the Secretary of the Company, at 1200 North Federal Highway, Suite 400, Boca Raton, FL 33432, a notice of revocation or another signed proxy with a later date. You may also revoke your proxy by attending the Annual Meeting and voting in person.

If any stockholder is unable to attend the Annual Meeting, such stockholder may vote by proxy. If a proxy is properly executed and returned to the Company in time to be voted at the Annual Meeting, it will be voted as specified in the proxy, unless it is properly revoked prior thereto. Votes cast in person or by proxy at the Annual Meeting will be tabulated by the Inspector of Elections appointed for the meeting and will determine whether or not a quorum is present. The holders of a majority of the shares of stock entitled to vote at the meeting, present in person or represented by proxy shall constitute a quorum for the transaction of business.

Solicitation

The Company will bear the entire cost of solicitation, including the preparation, assembly, printing and mailing of this Proxy Statement, and any additional solicitation materials furnished to the stockholders. The original solicitation of proxies by mail may be supplemented by a solicitation by telephone, telegram or other means by directors, officers or employees of the Company. No additional compensation will be paid to these individuals for any such services.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on April 15, 2011

We are providing proxy material access to our stockholders via the Internet. Accordingly, these can be accessed at <http://www.nationalsecurities.com/aboutsecfilings.php>. The proxy materials include a copy of this proxy statement, a copy of our annual report on Form 10-K for the fiscal year ended September 30, 2010, and a copy of the form of proxy included herein.

Stockholder Proposals for 2012 Annual Meeting

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Any stockholder who intends to present a proposal at the Company's 2012 Annual Meeting of Stockholders must ensure that the proposal is received by the Corporate Secretary at 1200 North Federal Highway, Suite 400, Boca Raton, FL 33432:

- not later than November 16, 2011, if the proposal is submitted for inclusion in our proxy materials for that meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); or

- on or before February 9, 2012, if the proposal is submitted for the 2012 annual meeting pursuant to the Company's by-laws, in which case the notice of the proposal must meet certain requirements set forth in our by-laws.
- on or after October 17, 2011, and on or before November 16, 2011, if the proposal is submitted for inclusion in our proxy materials for the purpose of nominating a person or persons to the Board of Directors at the 2012 annual meeting.

Dissenters' Right of Appraisal

Under DGCL § 262(b) and (c), stockholders are not entitled to dissenters' rights on any proposal referred to herein.

Householding of Proxy Materials

The Securities and Exchange Commission (the "SEC") has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for stockholders and cost savings for companies. The Company and some brokers household proxy materials, delivering a single proxy statement to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker or the Company that they or the Company will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, or if you are receiving multiple copies of the proxy statement and wish to receive only one, please notify your broker if your shares are held in a brokerage account or the Company if you hold Common Stock directly. Requests in writing should be addressed to: National Holdings Corporation, 1200 North Federal Highway, Suite 400, Boca Raton, FL 33432, Attention: Secretary. Requests may also be made by calling the Secretary at (561) 981-1007.

Certain Beneficial Owners

The following table sets forth certain information, as of March 11, 2011, concerning the beneficial ownership of our common stock by:

- each person we know to be the beneficial owner of more than 5% of our common stock;
 - each of our current directors;
 - each of our named executive officers;
- all current directors and named executive officers as a group.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Note	Percentage of Class
5% Stockholders			
	1,249,454	(2)	5.96%
Triage Partners LLC 90 Park Avenue, 39th Floor New York, NY 10016			
	33,421,010	(3)	17.12%
Bedford Oak Advisors, LLC 100 South Bedford Road Mt. Kisco, NY 10549			
Current Directors and Named Executive Officers			
	5,333,333	(4)	21.13%
Michael Weiss – Non Executive Chairman of the Board and Director			
	1,979,793	(5)	9.07%
Mark Goldwasser – Chief Executive Officer and Director			
	2,134,578	(6)	10.06%
Leonard J. Sokolow – Vice Chairman, President and Director			
	1,725,569	(7)	8.12%
Christopher C. Dewey – Vice Chairman and Director			
	7,474,598	(8)	29.52%
Marshall S. Geller – Director			
	30,000	(9)	0.15%
Robert W. Lautz, Jr. – Director			
	1,364,781	(10)	6.42%

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Frank Plimpton – Director	3,416,798	(11)	14.65%
Paul S. Coviello – Director	58,000	(12)	0.29%
Jorge A. Ortega – Director	155,500	(13)	0.78%
Alan B. Levin – Chief Financial Officer and Secretary	-		0.00%
Mark Roth – Chief Operating Officer and General Counsel	23,672,950		52.45%
All executive officers and directors of the Company as a group (eleven persons)			

- (1) All securities are beneficially owned directly by the persons listed on the table (except as otherwise indicated).
 (2) Includes 1,050,480 shares issuable upon conversion of 13,131 shares of Series A Preferred Stock.

- (3) Includes shares owned directly and indirectly as provided in information filed with the SEC in a Schedule 13G filed February 2, 2010 and a Form 4 filed January 10, 2011 and includes 75,000 shares issuable upon exercise of warrants. Harvey Eisen holds voting and investment power over these securities.
- (4) Michael Weiss accepted his nomination to the Board of Directors and to serve as Chairman of the Board on January 19, 2011. Includes (i) 1,333,333 shares issuable upon exercise of vested warrants, and (ii) 4,000,000 shares issuable upon conversion of 40,000 shares of Series D Preferred Stock owned indirectly through Opus Point Partners, LLC and related private investment funds controlled by it. Mr. Weiss is the managing member of Opus Point Partners. Does not include 2,666,667 shares issuable upon exercise of unvested warrants held by Opus Point Partners and its affiliated funds. Michael S. Weiss has investment and voting control of the securities held by the Opus Point entities. Mr. Weiss disclaims beneficial ownership of the securities owned by Opus Point Partners and its affiliated funds.
- (5) Includes (i) 1,050,400 shares issuable upon conversion of 13,130 shares of Series A Preferred Stock owned indirectly through One Clark LLC, (ii) 20,425 shares owned by direct family members, and (iii) 857,500 shares issuable upon exercise of vested stock options.
- (6) Includes (i) 31,110 shares held by or on behalf of Mr. Sokolow's sons, (ii) 800,513 shares held by Mr. Sokolow and his wife as joint tenants, (iii) 1,030,000 shares issuable upon exercise of vested stock options, (iv) 201,041 shares issuable upon conversion of 2,010 shares of Series C Preferred Stock, and (v) 71,914 shares issuable upon exercise of vested warrants. Does not include 143,827 shares issuable upon exercise of unvested warrants or 320,000 shares issuable upon exercise of unvested stock options. Mr. Sokolow disclaims beneficial ownership of the shares held by his sons.
- (7) Includes (i) 25,000 shares owned by Mr. Dewey's daughters, (ii) 629,792 shares issuable upon exercise of vested warrants, (iii) 502,603 shares issuable upon conversion of 5,026 shares of Series C Preferred Stock, and (iv) 220,000 shares issuable upon exercise of vested stock options. Does not include 359,586 shares issuable upon exercise of unvested warrants. Mr. Dewey disclaims beneficial ownership of the securities owned by his daughters.
- (8) Includes (i) 2,004,083 shares of Common Stock, 278,085 shares issuable upon exercise of vested warrants and 602,630 shares issuable upon conversion of 6,026 shares of Series C Preferred Stock owned indirectly through St. Cloud Capital Partners, L.P., (ii) 1,093,750 shares issuable upon exercise of vested warrants and 3,375,000 shares issuable upon conversion of notes owned indirectly through St. Cloud Capital Partners II, L.P. and (iii) 60,000 shares issuable upon exercise of vested stock options. Does not include (i) 431,170 shares issuable upon exercise of unvested warrants owned indirectly through St. Cloud Capital Partners, L.P. or (ii) 250,000 shares issuable upon exercise of unvested warrants owned indirectly through St. Cloud Capital Partners II, L.P. Mr. Geller disclaims beneficial ownership of the securities owned by St. Cloud Capital Partners, L.P. and St. Cloud Capital Partners II, L.P.
- (9) Includes 30,000 shares issuable upon exercise of vested stock options.
- (10) Includes 979,840 shares issuable upon conversion of 12,248 shares of Series A Preferred Stock, 2,823,100 shares issuable upon exercise of vested stock options, 3,375,000 shares issuable upon conversion of convertible notes and 1,386,250 shares issuable upon exercise of warrants.
- (11) Includes 140,000 shares issuable upon exercise of vested stock options.
- (12) Includes 58,000 shares issuable upon exercise of vested stock options.
- (13) Includes 140,000 shares issuable upon exercise of vested stock options.

PROPOSAL 1

ELECTION OF DIRECTORS

Our Board of Directors currently consists of nine (9) members and is divided into three (3) classes, one class of which is elected at each Annual Meeting of Stockholders to hold office for a three-year term and until successors of such class have been elected and qualified. The nominees to serve as Class I Directors of the Board of Directors are set forth below and each has consented to being named in this proxy statement and has agreed to serve if elected. In the event that a nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the present Board of Directors to fill the vacancy. As of the date of this Proxy Statement, the Board of Directors is not aware of any nominee who is unable or will decline to serve as a director.

Each stockholder will be entitled to one (1) vote for each share of Common Stock held as of the Record Date. Shares represented by your proxy will be voted in accordance with your direction as to the election as a director of the person listed below as a nominee. Except for shares held in street name, in the absence of direction, the shares represented by your proxy will be voted FOR such election. Directors are elected by a plurality of the votes, which means that the nominee who receives the largest number of properly executed votes will be elected as a director.

Nominees for Director

Name	Age	Director Since	Class and Year In Which Term Will Expire
Marshall S. Geller (1)(3)	71	2006	Class I, 2011
Paul J. Coviello	57	2010	Class I, 2011

Directors
Continuing in
Office

Name	Age	Director Since	Class and Year In Which Term Will Expire
Jorge A. Ortega (1)	47	2008	Class II, 2012
Frank S. Plimpton	56	2010	Class II, 2012
Mark Goldwasser (1)	52	2001	Class III, 2013
Leonard J. Sokolow (2)	54	2008	Class III, 2013

Robert W. Lutz, Jr. (2)	62	2008	Class III, 2013
Michael Weiss	44	2011	Class III, 2013

-
- (1) Member of Corporate Governance Committee
(2) Member of Audit Committee
(3) Member of Compensation Committee

Set forth below is the principal occupations of each director during the past five (5) years.

Mar