

NATIONAL HOLDINGS CORP
Form 10-Q
August 14, 2012

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended June 30, 2012

Commission File Number 001-12629

NATIONAL HOLDINGS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-4128138
(I.R.S. Employer
Identification No.)

120 Broadway, 27th Floor, New York, NY 10271
(Address including zip code of principal executive offices)
Registrant's telephone number, including area code: (212) 417-8000

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one).

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

As of August 10, 2012 there were 26,488,530 shares of the registrant's common stock outstanding.

NATIONAL HOLDINGS CORPORATION
FORM 10-Q
QUARTERLY PERIOD ENDED JUNE 30, 2012

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FORWARD-LOOKING STATEMENTS

The following information provides cautionary statements under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the Reform Act). We identify important factors that could cause our actual results to differ materially from those projected in forward-looking statements we make in this report or in other documents that reference this report. All statements that express or involve discussions as to: expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, identified through the use of words or phrases such as we or our management believes, expects, anticipates or hopes and words or phrases such as will result, are expected to, will continue, is anticipated, estimated, projection and outlook, and words of similar import) are not statements of historical facts and may be forward-looking. These forward-looking statements are based largely on our expectations and are subject to a number of risks and uncertainties including, but not limited to, economic, competitive, regulatory, growth strategies, available financing and other factors discussed elsewhere in this report and in the documents filed by us with the Securities and Exchange Commission ("SEC"). Many of these factors are beyond our control. Actual results could differ materially from the forward-looking statements we make in this report or in other documents that reference this report. In light of these risks and uncertainties, there can be no assurance that the results anticipated in the forward-looking information contained in this report or other documents that reference this report will, in fact, occur.

These forward-looking statements involve estimates, assumptions and uncertainties, and, accordingly, actual results could differ materially from those expressed in the forward-looking statements. These uncertainties include, among others, the following: (i) the inability of our broker-dealer operations to operate profitably in the face of intense competition from larger full service and discount brokers; (ii) a general decrease in merger and acquisition activities and our potential inability to receive success fees as a result of transactions not being completed; (iii) increased competition from business development portals; (iv) technological changes; (v) our potential inability to implement our growth strategy through acquisitions or joint ventures; and (vi) our potential inability to secure additional debt or equity financing.

Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for our management to predict all of such factors, nor can our management assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

PART I. FINANCIAL INFORMATION
ITEM I. FINANCIAL STATEMENTS

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NATIONAL HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
ASSETS

| | June 30, 2012 (Unaudited) | September 30, 2011 |
|---|---------------------------------|-----------------------|
| Current Assets | | |
| Cash | \$6,564,000 | \$6,698,000 |
| Deposit with clearing organizations | 1,107,000 | 1,157,000 |
| Receivables from broker dealers and clearing organizations | 2,910,000 | 2,714,000 |
| Other receivables, net of allowance for uncollectible accounts of \$419,000 and \$310,000, respectively | 969,000 | 299,000 |
| Advances to registered representatives - Current portion | 418,000 | 719,000 |
| Securities owned: marketable – at market value | 654,000 | 454,000 |
| Securities owned: nonmarketable – at fair value | 216,000 | 24,000 |
| Other assets | 581,000 | 647,000 |
| Total Current Assets | 13,419,000 | 12,712,000 |
| Advances to registered representatives - Long term portion | 446,000 | 233,000 |
| Fixed assets, net | 742,000 | 974,000 |
| Intangible assets, net | 621,000 | 1,087,000 |
| Investment in unconsolidated joint venture | - | 1,051,000 |
| Other assets | 283,000 | 304,000 |
| Total Assets | \$15,511,000 | \$16,361,000 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current Liabilities | | |
| Accounts payable, accrued expenses and other liabilities | \$10,279,000 | \$10,754,000 |
| Payable to broker dealers and clearing organizations | 148,000 | 139,000 |
| Securities sold, but not yet purchased, at market | 62,000 | 2,000 |
| Convertible notes payable, net of debt discount of \$- and \$247,000, respectively | 7,000,000 | 5,753,000 |
| Total Current Liabilities | 17,489,000 | 16,648,000 |
| Accrued expenses and other liabilities - Long term portion | 1,132,000 | 1,078,000 |
| Total Liabilities, before subordinated borrowings and other liabilities | 18,621,000 | 17,726,000 |
| Subordinated borrowings | 10,000 | 100,000 |
| Total Liabilities | 18,631,000 | 17,826,000 |
| National Holdings Corporation Stockholders' Deficit | | |
| Series A 9% cumulative convertible preferred stock, \$.01 par value, 50,000 shares authorized; -0- and 46,050 shares issued and outstanding (liquidation preference: \$4,605,000) at June 30, 2012 and September 30, 2011, respectively | - | - |
| Series C and D, convertible preferred stock, \$.01 par value, 10,000,000 shares authorized, 94,167 issued and outstanding | 6,156,000 | 6,156,000 |
| Series E, convertible preferred stock, \$.01 par value, 200,000 shares authorized, none issued and outstanding | - | - |

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| | | |
|--|---------------|---------------|
| Common stock, \$.02 par value, 150,000,000 shares authorized; 26,088,530 and 17,276,704 shares issued and outstanding at June 30,2012 and September 30, 2011, respectively | 522,000 | 409,000 |
| Additional paid-in capital | 46,128,000 | 45,066,000 |
| Accumulated deficit | (55,952,000) | (53,128,000) |
| Total National Holdings Corporation Stockholders' Deficit | (3,146,000) | (1,497,000) |
| Non Controlling Interest | 26,000 | 32,000 |
| Total Liabilities and Stockholders' Deficit | \$ 15,511,000 | \$ 16,361,000 |

The accompanying notes are an integral part of these unaudited consolidated financial statements.

NATIONAL HOLDINGS CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

| | Three-month Period Ended | | Nine-month Period Ended | |
|----------------------------|--------------------------|---------------|-------------------------|---------------|
| | June 30, | | June 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| Revenues | | | | |
| Commissions | \$ 18,328,000 | \$ 20,392,000 | \$ 51,927,000 | \$ 67,608,000 |
| Net dealer inventory gains | 4,280,000 | 3,650,000 | 11,129,000 | 11,241,000 |
| Investment banking | 3,897,000 | 3,124,000 | 12,884,000 | 6,395,000 |