

NATIONAL HOLDINGS CORP  
Form 10-Q  
August 14, 2013

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, 2013 Commission File Number 001-12629

**NATIONAL HOLDINGS CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware      36-4128138  
(State or other jurisdiction of      (I.R.S. Employer  
incorporation or organization)      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.

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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 12, 2013 there were 88,416,988 shares of the registrant's common stock outstanding.

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**NATIONAL HOLDINGS CORPORATION**

**FORM 10-Q**

**QUARTERLY PERIOD ENDED JUNE 30, 2013**

**INDEX**

<b>PART I – FINANCIAL INFORMATION</b>	4
Item 1 – Financial Statements	4
Unaudited Consolidated Statements of Financial Condition as of June 30, 2013 and September 30, 2012	4
Unaudited Consolidated Statements of Operations for the Three and Nine months ended June 30, 2013 and 2012	5
Unaudited Consolidated Statements of Changes in Stockholders Equity (Deficit)	6
Unaudited Consolidated Statements of Cash Flows for the Nine months ended June 30, 2013 and 2012	7
Notes to Unaudited Consolidated Financial Statements	8
Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3 – Quantitative & Qualitative Disclosures About Market Risk	31
Item 4 – Controls and Procedures	32
<b>PART II – OTHER INFORMATION</b>	
Item 1 – Legal Proceedings	34
Item 1A – Risk Factors	34
Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds	34
Item 3 – Defaults Upon Senior Securities	34
Item 4 – Mine Safety Disclosures	34
Item 5 – Other Information	34
Item 6 – Exhibits	34



## FORWARD-LOOKING STATEMENTS

The following information provides cautionary statements under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. 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. 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, except as required by law. 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. Except as may be required by law, we undertake no obligation to update or alter these forward-looking statements, whether as a result of new information, future events or otherwise.

**PART I. FINANCIAL INFORMATION****ITEM I. FINANCIAL STATEMENTS****NATIONAL HOLDINGS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****ASSETS**

	<b>June 30,</b>	<b>September</b>
	2013	30,
	<b>(Unaudited)</b>	<b>(Audited)</b>
	2012	2012
<b>Current Assets</b>		
Cash and cash equivalents	\$ 14,696,000	\$ 7,934,000
Deposit with clearing organizations	1,107,000	1,107,000
Receivables from broker-dealers and clearing organizations	3,617,000	3,650,000
Other receivables, net of allowance for uncollectible accounts	842,000	147,000
Advances to registered representatives - Current portion	490,000	249,000
Securities owned: marketable – at market value	618,000	696,000
Securities owned: non-marketable – at fair value	297,000	56,000
Other assets	787,000	520,000
<b>Total Current Assets</b>	<b>22,454,000</b>	<b>14,359,000</b>
Advances to registered representatives - Long term portion	366,000	641,000
Fixed assets, net	431,000	662,000
Intangible assets, net	0	466,000
Other assets - Long term portion	180,000	461,000
<b>Total Assets</b>	<b>\$23,431,000</b>	<b>\$16,589,000</b>

**LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)****Current Liabilities**

Accounts payable, accrued expenses and other liabilities	\$ 11,483,000	\$ 11,297,000
Payable to broker-dealers and clearing organizations	13,000	119,000
Securities sold, but not yet purchased, at market	11,000	1,000
Convertible notes payable	-	6,800,000
Subordinated borrowings - Related party	-	1,000,000
<b>Total Current Liabilities</b>	<b>11,507,000</b>	<b>19,217,000</b>

Accrued expenses and other liabilities - Long term portion	179,000	263,000
<b>Total Liabilities</b>	<b>11,686,000</b>	<b>19,480,000</b>

**National Holdings Corporation Stockholders' Equity (Deficit)**

Series C and D, convertible preferred stock, \$0.01 par value, 10,000,000 shares authorized, 0 issued and outstanding at June 30, 2013 and 94,169 at September 30,	-	6,156,000
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2012

Common stock, \$.02 par value, 150,000,000 shares authorized; 89,016,988 and 26,567,193 shares issued and outstanding at June 30, 2013 and September 30, 2012	1,780,000	531,000
Additional paid-in capital	64,466,000	46,184,000
Accumulated deficit	(54,522,000)	(55,780,000)
<b>Total National Holdings Corporation Stockholders' Equity (Deficit)</b>	<b>11,724,000</b>	<b>(2,909,000 )</b>
<b>Non Controlling Interest</b>	<b>21,000</b>	<b>18,000</b>
<b>Total Stockholders' Equity (Deficit)</b>	<b>11,745,000</b>	<b>(2,891,000 )</b>
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	<b>\$23,431,000</b>	<b>\$16,589,000</b>

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, 2013	2012	June 30, 2013	2012
<b>Revenues</b>				
Commissions	\$ 19,799,000	\$ 18,328,000	\$ 56,608,000	\$ 51,927,000
Net dealer inventory gains	3,649,000	4,280,000	10,561,000	11,129,000
Investment banking	4,105,000	3,897,000	8,494,000	12,884,000
Interest and dividends	880,000	772,000	2,930,000	2,138,000
Transfer fees and clearing services	1,810,000	1,658,000	5,850,000	5,629,000
Investment advisory fees and other income	2,421,000	2,155,000	7,614,000	5,990,000
<b>Total Revenues</b>	<b>32,664,000</b>	<b>31,090,000</b>	<b>92,057,000</b>	<b>89,697,000</b>
<b>Operating Expenses</b>				
Commissions, compensation and fees	28,242,000	26,473,000	79,407,000	78,885,000
Clearing fees	552,000	421,000	1,549,000	1,256,000
Communications	1,174,000	1,157,000	3,437,000	3,519,000
Occupancy, equipment and other administrative costs	663,000	972,000	2,417,000	3,178,000
Professional fees	781,000	803,000	2,316,000	1,979,000
Interest	10,000	213,000	240,000	764,000
Taxes, licenses, registration	437,000	381,000	1,214,000	1,182,000
<b>Total Operating Expenses</b>	<b>31,859,000</b>	<b>30,420,000</b>	<b>90,580,000</b>	<b>90,763,000</b>
<b>Net Income (Loss) from Operations</b>	<b>805,000</b>	<b>670,000</b>	<b>1,477,000</b>	<b>(1,066,000 )</b>
<b>Other Expenses</b>				
Loss on disposition of unconsolidated joint venture	-	-	-	(1,051,000 )
Loss on investment in unaffiliated entity	-	-	(162,000 )	-
Income tax expense - Current	-	-	(60,000 )	-
<b>Total Other Expenses</b>	-	-	(222,000 )	(1,051,000 )
<b>Net income (loss) before non-controlling interest</b>	<b>805,000</b>	<b>670,000</b>	<b>1,255,000</b>	<b>(2,117,000 )</b>
Non-controlling interest	-	9,000	(3,000 )	(8,000 )
<b>Net income (loss)</b>	<b>805,000</b>	<b>661,000</b>	<b>1,258,000</b>	<b>(2,109,000 )</b>
Preferred stock dividends	-	-	-	(93,000 )

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<b>Net income (loss) attributable to common stockholders</b>	<b>\$805,000</b>	<b>\$661,000</b>	<b>\$1,258,000</b>	<b>\$(2,202,000 )</b>
Net Income (Loss) Per Common Share				
Net income (loss) attributable to common stockholders: Basic	\$0.01	\$0.03	\$0.02	\$(0.09 )
Net income (loss) attributable to common stockholders: Diluted	\$0.01	\$0.02	\$0.02	\$(0.09 )
Weighted average number of shares outstanding: Basic	89,016,988	26,088,530	62,580,749	24,597,181
Weighted average number of shares outstanding: Diluted	89,016,988	45,380,222	66,596,691	24,597,181

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

## NATIONAL HOLDINGS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

## YEAR ENDED SEPTEMBER 30, 2012 and NINE MONTHS ENDED JUNE 30, 2013

	Preferred Stock C		Preferred Stock D		Common Stock		Additional	Accumulated	Total
	Shares	\$	Shares	\$	Shares	\$	Paid-in Capital	Deficit	Stockholders' Equity (Deficit)
BALANCE, September 30, 2011	34,169	\$ 2,551,000	60,000	\$ 3,605,000	20,488,642	\$ 409,000	\$ 45,066,000	\$(53,128,000)	\$(1,497,000)
Issuance of Series A Preferred Dividends	-	-	-	-	-	-	715,000	(715,000)	-
Issuance of shares of common stock pursuant to the conversion of Series A Preferred Stock	-	-	-	-	4,141,826	83,000	(83,000)	-	-
Fair value of stock options	-	-	-	-	-	-	10,000	-	10,000
Issuance of shares of common stock pursuant to satisfy certain liabilities	-	-	-	-	1,967,042	39,000	476,000	-	515,000
Net loss	-	-	-	-	-	-	-	(1,937,000)	(1,937,000)
BALANCE, September	34,169	\$ 2,551,000	60,000	\$ 3,605,000	26,597,510	\$ 531,000	\$ 46,184,000	\$(55,780,000)	\$(2,900,000)

30, 2012

Issuance of shares of common stock pursuant to the conversion of Series C Preferred Stock	(34,169)	(2,551,000)	-	-	3,416,692	68,000	2,483,000	-	-
Issuance of shares of common stock pursuant to the conversion of Series D Preferred Stock	-	-	(60,000)	(3,605,000)	6,000,000	120,000	3,485,000	-	-
Issuance of shares of common stock pursuant to the conversion of Series E Convertible Preferred Debt	-	-	-	-	-	-	-	-	-