

NATIONAL HOLDINGS CORP
Form DEF 14A
January 28, 2010

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:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)2))
- x 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:

- o Fee paid previously with preliminary materials.
- o 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 Shareholders
To Be Held Tuesday, March 16, 2010 at 9:00 A.M.

To the Shareholders:

The Annual Meeting of Shareholders of National Holdings Corporation will be held on March 16, 2010 at 9:00 A.M. at the Company's offices, located at 1200 North Federal Highway, Suite 400, Boca Raton, FL 33432, for the following purposes:

1. To elect three (3) Class III directors to serve until the 2013 Annual Meeting of Shareholders and until their successors are elected and qualified;
2. To ratify the appointment of Sherb & Co., LLP as independent public accountants for the fiscal year ending September 30, 2010; 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 January 22, 2010 will be entitled to vote at the Annual Meeting or at any adjournments or postponements thereof. A complete list of the shareholders entitled to vote at the Annual Meeting will be made available for inspection by any shareholder of record at the offices of the Company during market hours from March 5, 2010 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 2009 Annual Report to Shareholders (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 shareholder 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 must be represented in person or by proxy in order to achieve a quorum to vote on all matters other than the election of directors. The Proxy Statement, the attached Notice of Meeting, the enclosed proxy card and the Annual Report to Shareholders are being mailed to shareholders on or about January 28, 2010.

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.

Important Notice regarding the Availability of Proxy Materials for our Shareholders Meeting to be held on March 16, 2010. The Proxy Statement and a copy of our Annual Report on Form 10-K for the year ended September 30, 2009 are available at www.nationalsecurities.com under About National / Annual Meeting. This website does not have "cookies" that identify visitors to the site.

By Order of the Board of Directors

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

Boca Raton, Florida
January 28, 2010

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

PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS
To Be Held March 16, 2010

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 Shareholders to be held on March 16, 2010, and any adjournment or postponement thereof. The Annual Meeting will be held at 9:00 A.M. (local time) at the Company's offices, located at 1200 North Federal Highway, Suite 400, Boca Raton, FL 33432. This Proxy Statement, the enclosed proxy card and the Company's Annual Report for the fiscal year ended September 30, 2009 are being mailed on or about January 28, 2010 to shareholders entitled to vote at the meeting.

Record Date and Voting Shares

The close of business on January 22, 2010 has been fixed as the record date (the "Record Date") for determining the shareholders 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 17,151,704 shares of Common Stock, \$.02 par value (the "Common Stock") and 42,957 shares of Series A Convertible Preferred Stock, \$.01 par value (the "Series A Preferred Stock"). Each share of Series A Preferred Stock is convertible into Common Stock at the current conversion price of \$1.25 per share. 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. Accordingly, as of the Record Date, there were 20,588,264 shares entitled to vote, consisting of 17,151,704 shares of Common Stock outstanding and 3,436,560 shares of Common Stock issuable upon conversion of the Series A 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. Any other matters properly considered at the meeting will be determined by a majority of the votes cast.

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. 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 2013; (ii) FOR the ratification of the appointment of Sherb & Co., LLP as our independent public accountants for the year ending September 30, 2010; 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 Meeting. The execution of a Proxy will in no way affect a shareholder's right to attend the 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 a recent amendment of the rules of the New York Stock Exchange ("NYSE"), brokers no longer have the discretion to vote the shares of customers who fail to provide voting instructions on the proposal to elect directors but they still have the discretion to vote such shares on the proposals to ratify the Audit Committee's appointment of Sherb

& Co, LLP to serve as the Company's registered independent public accounting firm for fiscal 2010. 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, or if your bank or brokerage firm does not exercise its discretionary authority with respect to the ratification of the appointment of our independent registered public accounting firm, 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.

Because of a change in NYSE rules, we note that, unlike at our previous annual general meetings, your broker will not be able to vote your shares with respect to the election of directors 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 shareholder. 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 shareholder is unable to attend the Annual Meeting, such shareholder 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, the proxy and any additional solicitation materials furnished to the shareholders. Copies of solicitation materials will be furnished to brokerage houses, fiduciaries and custodians holding shares in their names that are beneficially owned by others so that they may forward this solicitation material to such beneficial owners. In addition, the Company shall reimburse such persons for their costs in forwarding the solicitation materials to such beneficial owners. 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. Except as described above, the Company does not presently intend to solicit proxies other than by mail.

Shareholder Proposals for 2011 Annual Meeting

Any shareholder who intends to present a proposal at the Company's 2011 Annual Meeting of Shareholders 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 September 29, 2010, 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; or
- on or after December 16, 2010, and on or before December 29, 2010, if the proposal is submitted at the 2011 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.

Dissenters' Right of Appraisal

Under Delaware law, shareholders 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 shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as “householding,” potentially provides extra convenience for shareholders and cost savings for companies. The Company and some brokers household proxy materials, delivering a single proxy statement to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. 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.

Security Ownership of Certain Beneficial Owners and Management

Certain Beneficial Owners

The following table sets forth certain information with respect to persons known by the management of the Company to own beneficially more than five percent (5%) of the voting securities of the Company as of January 28, 2010:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percentage of Class
Marshall S. Geller c/o St. Cloud Capital Partners, L.P. 10866 Wilshire Boulevard, Suite 1450 Los Angeles, CA 90024	6,651,383 (2)	30.60%
Mark Goldwasser 120 Broadway, 27th Floor New York, NY 10271	2,011,858 (3)	10.54%
Leonard J. Sokolow 1200 North Federal Highway, Suite 400 Boca Raton, FL 33432	1,751,623 (4)	9.69%
Triage Partners LLC 90 Park Avenue, 39th Floor New York, NY 10016	1,178,894 (5)	6.50%
Strategic Turnaround Equity Partners, LP c/o Galloway Capital Management, LLC 720 Fifth Avenue, 10th Floor New York, NY 10019	880,625 (6)	5.13%
Bedford Oak Advisors, LLC	2,659,141 (7)	15.22%

100 South Bedford Road
Mt. Kisco, NY 10549

DellaCamera Capital Management,
LLC

200 Park Avenue, Suite 3300

New York, NY 10166	988,142 (8)	5.69%
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Timothy E. Mahoney

68 Cayman Place

Palm Beach Gardens, FL	963,201 (9)	5.55%
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(1) All securities are beneficially owned directly by the persons listed on the table (except as otherwise indicated).

(2) Includes (i) 2,004,083 shares of common stock and 317,500 shares issuable upon exercise of warrants owned indirectly through St. Cloud Capital Partners, L.P., (ii) 843,750 shares issuable upon exercise of warrants and 3,375,000 shares issuable upon conversion of notes owned indirectly through St. Cloud Capital Partners II, L.P. and (ii) 50,000 shares issuable upon exercise of vested stock options. Mr. Geller disclaims beneficial ownership of the securities owned by St. Cloud Capital Partners, L.P. and St. Cloud Capital Partners II, L.P.

- (3) Includes 979,840 shares issuable upon conversion of 12,248 shares of Series A Preferred Stock owned indirectly through One Clark LLC, 20,425 shares owned by direct family members and 960,125 shares issuable upon exercise of vested stock options.
- (4) Includes 31,110 shares held by or on behalf of Mr. Sokolow's sons, 1,763 shares held by Mr. Sokolow and his wife as joint tenants and 920,000 shares issuable upon exercise of vested stock options. Mr. Sokolow disclaims beneficial ownership of the shares held by his sons.
- (5) Includes 979,920 shares issuable upon conversion of 12,249 shares of Series A Preferred Stock.
- (6) Includes shares owned directly and indirectly as provided in information filed with the SEC in a Schedule 13D/A filed September 12, 2007.
- (7) Includes shares owned directly and indirectly as provided in information filed with the SEC in Schedules 13G filed November 17, 2009 and January 4, 2011 and a Form 4 filed January 4, 2010 and includes 87,500 shares issuable upon exercise of warrants. Harvey Eisen holds voting and investment power over these securities.
- (8) Includes shares owned directly and indirectly as provided in information filed with the SEC in a Schedule 13G filed on February 17, 2009, and includes 225,920 shares issuable upon conversion of 2,824 shares of Series A preferred stock.
- (9) Includes 210,000 shares issuable upon exercise of vested stock options and 304,500 shares of common stock issued in the name of Highland Group Holdings, Inc.

Security Ownership of Management

The following information is furnished as of January 28, 2010 as to each class of equity securities of the Company beneficially owned by all directors and named executive officers of the Company:

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Mark Goldwasser – Chairman, Chief Executive Officer and Director	2,011,858 (1)	10.54%
Leonard J. Sokolow – Vice Chairman, President and Director	1,751,623 (2)	9.69%
Christopher C. Dewey – Vice Chairman and Director	833,174 (3)	4.74%
Marshall S. Geller – Director	6,651,383 (4)	30.60%
Robert W. Lautz, Jr. – Director	20,000 (5)	0.12%
Charles R. Modica – Director	48,000 (6)	0.28%
Jorge A. Ortega – Director	48,000 (6)	0.28%
Alan B. Levin – Chief Financial Officer and Secretary	184,900 (7)	1.07%
Brian Friedman – Executive Vice President	183,750 (8)	1.06%
Jonathan C. Rich – Executive Vice President	110,600 (9)	0.64%
William L. Groeneveld – President of vFinance Investments and Equity Station, and Head Trader at vFinance Investments	120,225 (10)	0.70%
All executive officers and directors of the Company as a group (eleven persons)	11,963,513 (11)	46.48%

- (1) Includes 979,840 shares issuable upon conversion of 12,248 shares of Series A Preferred Stock owned indirectly through One Clark LLC, 20,425 shares owned by direct family members and 960,125 shares issuable upon exercise of vested stock options.
- (2) Includes 31,110 shares held by or on behalf of Mr. Sokolow's sons, 1,763 shares held by Mr. Sokolow and his wife as joint tenants and 920,000 shares issuable upon exercise of vested stock options. Mr. Sokolow disclaims beneficial ownership of the shares held by his sons.
- (3) Includes 25,000 shares owned by Mr. Dewey's daughters, 225,000 shares issuable upon exercise of warrants and 210,000 shares issuable upon exercise of vested stock options. Mr. Dewey disclaims beneficial ownership of the securities owned by his daughters.
- (4) Includes (i) 2,004,083 shares of common stock and 317,500 shares issuable upon exercise of warrants owned indirectly through St. Cloud Capital Partners, L.P., (ii) 843,750 shares issuable upon exercise of warrants and 3,375,000 shares issuable upon conversion of notes owned indirectly through St. Cloud Capital Partners II, L.P. and (ii) 50,000 shares issuable upon exercise of vested stock options. Mr. Geller disclaims beneficial ownership of the securities owned by St. Cloud Capital Partners, L.P. and St. Cloud Capital Partners II, L.P.
- (5) Includes 20,000 shares issuable upon exercise of vested stock options.
- (6) Includes 48,000 shares issuable upon exercise of vested stock options.
- (7) Includes 169,400 shares issuable upon exercise of vested stock options.
- (8) Includes 173,750 shares issuable upon exercise of vested stock options.
- (9) Includes 110,600 shares issuable upon exercise of vested stock options.
- (10) Includes 113,225 shares issuable upon exercise of vested stock options.
- (11) 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.

PROPOSAL 1

ELECTION OF DIRECTORS

Our Board of Directors currently consists of seven (7) members and is divided into three (3) classes, one class of which is elected at each Annual Meeting of Shareholders to hold office for a three-year term and until successors of such class have been elected and qualified. A majority of the Board of Directors is comprised of independent directors. The nominees to serve as Class III 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. The proxy holders intend to vote all proxies received by them in the accompanying form for the nominees for director listed below. 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. In the event that additional persons are nominated for election as a director, the proxy holders intend to vote all proxies received by them for the nominees listed below. 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 shareholder 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. 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
Mark Goldwasser (1)	51	2001	