

QUALSTAR CORP
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June 06, 2012

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

SCHEDULE 14A

Proxy Statement pursuant to Section 14(a) of the
Securities Exchange Act of 1934

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
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QUALSTAR CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

3990-B Heritage Oak Court
Simi Valley, California 93063

SPECIAL MEETING OF SHAREHOLDERS
To be Held at 10:00 A.M. Local Time on June 20, 2012

PROXY STATEMENT OF QUALSTAR CORPORATION

June 6, 2012

Dear Fellow Qualstar Shareholder:

A special meeting of the shareholders of Qualstar Corporation will be held on June 20, 2012 at 10:00 a.m., local time, at our headquarters located at 3990-B Heritage Oak Court, Simi Valley, California 93063.

The meeting has been called at the request of BKF Capital Group, Inc. and Steven N. Bronson, its controlling shareholder, who, together, own a total of approximately 17% of Qualstar's shares, in an effort by them to take over Qualstar for what we believe are their own short-term financial interests. They propose to accomplish their take-over of Qualstar by asking shareholders to vote:

- to remove all of the current members of Qualstar's Board, including Lawrence Firestone, who was recently appointed as Qualstar's CEO to implement new growth initiatives designed to return your Company to sustained profitability and, thereby, enhance the value of your investment in Qualstar; and
- to elect as Qualstar's directors, in addition to Bronson, four of his hand-picked nominees, none of whom, to our knowledge, has ever owned any Qualstar shares and at least two of whom have been employed by or were on the boards of companies that Bronson controls and, therefore, we believe, are not likely to put the interests of Qualstar's shareholders ahead of Bronson's interests.

Steven Bronson has stated that, if BKF succeeds in getting you to support its proposal to remove our current Board members and replace them with Bronson's nominees, Bronson and his nominees will take action to distribute the majority of Qualstar's cash (including proceeds from the sale of marketable securities) to shareholders. We believe that such a sizable distribution of cash would leave Qualstar without the financial resources it needs:

Øto make investments in the development and marketing of new products and to take advantage of opportunities to make strategic acquisitions in order to grow our profitable power supply product business, as well as our tape library business, and

Øat the same time, maintain a strong balance sheet and the liquidity we believe we need to assure our existing customers and prospective new customers that Qualstar will be able to provide them with quality products and a high level of service and, thereby, increase our sales.

We believe that if we are to achieve sustainable profitability, it is imperative that we invest in the growth of our business and at the same time maintain the financial strength to retain existing and attract new customers for our products. However, it will be difficult to achieve both of these imperatives, if Bronson takes control of Qualstar and distributes a sizable amount of Qualstar's cash.

Bronson also is proposing to divest Qualstar's tape library business. We believe that doing so would also be a mistake, because we expect market demand for tape libraries will continue for many years to come. As a result, if Bronson is able to take over Qualstar and take action to divest our tape library business, we believe that will deprive Qualstar of a source of revenues that is important to our efforts to grow our business and achieve sustainable profitability in the

future.

Bronson's statements that Qualstar should distribute at least a majority of Qualstar's cash, as well as divest our tape library business, leads us to believe that his primary purpose for launching his proxy contest is to realize a quick and opportunistic gain by distributing Qualstar's cash and that he does not want to do the hard work or make the investments required to grow Qualstar's business and create long-term value for Qualstar's other shareholders.

By contrast, the goals of your Board of Directors and management, who own in the aggregate approximately 29% of Qualstar's shares, are to return Qualstar to profitability and grow its business in order to enhance shareholder value for all of our shareholders, not only in the short-term, but also for the longer-term. We believe that these goals can be achieved if you vote AGAINST Bronson's proposal and, thereby, enable Lawrence Firestone, the Company's new CEO, and our management team to implement growth initiatives and build shareholder value at the Company. Moreover, we believe that Qualstar's current directors bring a valuable blend of industry knowledge as well as strategic and operational expertise that will be important to Qualstar's future success.

Your Board believes that the steps we are initiating and are committed to taking at Qualstar will protect and enhance shareholder value both now and in the future. At the same time, we are receptive to new ideas and are willing to pursue new initiatives. We believe, however, that an abrupt change in Qualstar's Board or its strategic direction would only jeopardize Qualstar's growth opportunities and put shareholder value at risk.

AS A RESULT, WE UNANIMOUSLY OPPOSE BRONSON'S EFFORTS TO TAKE OVER YOUR COMPANY.

Your vote is extremely important. We urge you NOT to sign or return any gold proxy card that you may receive from Bronson and BKF. Instead, whether or not you've returned a gold proxy card, we urge you to vote your shares AGAINST their proposal to remove Lawrence Firestone and the other directors and to replace them with Bronson's nominees, by using the WHITE proxy card, TODAY, to vote AGAINST BKF's proposal to remove the current Board of Directors. You may vote by telephone or over the internet by following the voting instructions on the WHITE proxy card, or by signing and dating the WHITE proxy card, marked AGAINST that proposal, and returning it in the postage prepaid return envelope provided. Only your latest-dated proxy counts.

If you have any questions or need assistance voting your shares, please contact MacKenzie Partners, Inc., our proxy solicitor, at (800) 322-2885 or (212) 929-5500 (call collect) or at proxy@mackenziepartners.com.

Thank you for your continuing support of Qualstar and our efforts to increase shareholder value for all of our shareholders.

Sincerely,

William J. Lawrence D.
Gervais Firestone
Stanley Carl W.
W. Corker Gromada
Robert A. Robert E.
Meyer Rich

3990-B Heritage Oak Court
Simi Valley, California 93063

SPECIAL MEETING OF SHAREHOLDERS
To be Held June 20, 2012

PROXY STATEMENT OF QUALSTAR CORPORATION

PLEASE SIGN, DATE AND MAIL THE ENCLOSED WHITE PROXY CARD TODAY

A special meeting of the shareholders of Qualstar Corporation (“Qualstar” or the “Company”) is to be held on June 20, 2012 at 10:00 a.m., local time, at our headquarters located at 3990-B Heritage Oak Court, Simi Valley, California 93063.

The special meeting was requested by BKF Capital Group, Inc., which we refer to as BKF, and its controlling shareholder, Steven N. Bronson, to consider and vote on the following proposals made by them:

1. To remove all current members of our Board of Directors;
2. To approve a resolution to fix the authorized number of directors of Qualstar at five directors; and
3. To elect five persons nominated by BKF to fill any vacancies created on our Board if the first proposal above is approved.

The record date for the special meeting is May 23, 2012 and, as of that date, the holders of 12,253,117 shares of our common stock were entitled to notice of and to vote at the special meeting.

Your Board of Directors and management team, including William J. Gervais, our outgoing President and CEO, who is retiring effective June 15, 2012, and Lawrence D. Firestone, our new President and CEO, who own, in total, approximately 29% of Qualstar’s shares, are unanimously opposed to the proposal of Bronson and BKF (proposal 1) to remove the current members of the Board of Directors because your Board of Directors and management believe, for the reasons described in this proxy statement, that proposal 1 is not in the best interests of Qualstar’s shareholders.

Consequently, our Board of Directors is soliciting proxies AGAINST the first Bronson/BKF proposal and unanimously recommends that you vote AGAINST that proposal.

We are not taking a position on proposal 2, because effective on Mr. Gervais’ retirement on June 15, 2012, the authorized number of directors will be fixed by our Board at five directors; and we are not taking a position on proposal 3 because that proposal will not have any effect if Qualstar’s shareholders join us in defeating proposal 1.

Your vote is extremely important. You may attend the special meeting and vote in person, or you may vote by submitting a proxy for the special meeting. Whether or not you plan to attend the special meeting, we request that you submit a proxy TODAY, voting “AGAINST” the first proposal described in this proxy statement, by telephone or over the internet or by signing, dating and returning the enclosed WHITE proxy card in the postage-prepaid envelope provided. Instructions for voting by telephone or over the internet can be found on the enclosed WHITE proxy card.

WE URGE YOU NOT TO SIGN OR RETURN ANY GOLD PROXY CARD
THAT MAY BE SENT TO YOU BY BRONSON OR BKF.

If you attend the special meeting and wish to change your proxy vote, you may do so automatically by voting in person at the special meeting. You may also revoke any previously returned proxy by sending another later-dated proxy for the special meeting. If you have previously returned a gold proxy card sent to you by BKF, we urge you to sign, date and return the enclosed WHITE proxy card marked "AGAINST" the first proposal above seeking to remove all current members of our Board of Directors. Only your latest-dated proxy counts.

We appreciate your continued support.

FOR THE BOARD OF DIRECTORS

Nidhi H. Andalon
Secretary

IMPORTANT NOTICE Regarding the Availability of Proxy Materials for the Special Meeting of Shareholders to be held on June 20, 2012: This Proxy Statement is available on Qualstar's website at www.qualstar.com

YOUR VOTE IS IMPORTANT, no matter how many or how few shares of common stock you own. We urge you to vote the enclosed WHITE proxy card, today, AGAINST BKF's proposal to remove our current Board members. You can vote by telephone, over the internet or by marking your WHITE proxy card AGAINST the first proposal and then dating, signing and returning that WHITE proxy card in the enclosed postage prepaid return envelope. Instructions for voting by telephone or over the internet can be found on your WHITE proxy card.

Since only your latest dated proxy card will count, we urge you NOT to return any gold proxy card you receive from or on behalf of BKF or Bronson.

Even if you have already returned a gold proxy card, you can revoke that earlier vote simply by voting the enclosed WHITE proxy card AGAINST the proposal to remove Qualstar's current directors. Also, please be sure that the latest dated proxy card you return is the WHITE proxy card.

If you have any questions or need assistance voting your shares, please contact MacKenzie Partners, Inc., our proxy solicitor, at (800) 322-2885 or (212) 929-5500 (call collect) or at proxy@mackenziepartners.com.

This proxy statement is dated June 6, 2012 and is first being mailed to shareholders on or about June 6, 2012.

REASONS OUR BOARD OF DIRECTORS OPPOSES THE PROPOSAL OF BRONSON AND BKF TO REMOVE AND REPLACE THE MEMBERS OF OUR BOARD

Our Board of Directors believes that replacing our Board members with Steven Bronson and his other nominees is not in the best interests of our shareholders for a number of reasons.

Bronson has stated that, if he succeeds in getting you to support BKF's proposal to remove our current Board members and replace them with Bronson and his four nominees, Bronson and his other nominees will take action to distribute the majority of Qualstar's cash (including the proceeds from the sale of marketable securities) to shareholders, as well as to divest Qualstar's tape library business.

Bronson Proposal to Distribute Qualstar's Cash. Although, on first reading, the idea of distributing most of Qualstar's cash may sound attractive, we believe, for the reasons that follow, that such a large cash distribution would disadvantage our long standing shareholders and weaken Qualstar, putting Qualstar's future success and the value of our shareholders' investment at risk:

- We believe Bronson's purpose in seeking to remove the current board members and replace them with Bronson and his four other nominees is to enable Bronson to distribute a substantial amount of our cash so that BKF will be able to realize a quick and opportunistic return on its investment in Qualstar's shares, even if that reduces shareholder value over the longer term.

- Such a large cash distribution, we believe, would leave Qualstar without sufficient financial resources that it needs to grow its business and remain competitive in what is still a difficult and uncertain economy. Moreover, the goal of Qualstar's directors is and always has been to increase shareholder value for the long term. To accomplish that goal, we believe Qualstar needs to retain its cash resources in order:

- oTo invest in new products and extend our product lines;

- oTo capture market share from our competitors by investing in and implementing new marketing programs and, if necessary, through price competition;

- oTo hire additional management personnel to support the growth of our business;

- oTo fund opportunistic strategic acquisitions of complementary businesses; and

- oTo provide for unanticipated contingencies that could occur in the future.

Moreover, in our experience, particularly during periods of economic difficulties and uncertainties, customers prefer to purchase products from financially strong and liquid manufacturers, like Qualstar, in order to protect themselves against supply chain interruptions. As a result, we think it is important for Qualstar to maintain a strong balance sheet and substantial liquidity to provide our customers with confidence that we will continue to have the financial strength and resources to continue to improve and expand our product offerings, to provide the high level of service that our customers have come to expect from us, and to be able to weather difficult economic conditions.

Therefore, we believe that Bronson's proposal to distribute a majority of Qualstar's cash in a single lump sum, would leave Qualstar vulnerable to adverse market and economic conditions, make it more difficult for Qualstar to grow its business and remain competitive and, for those reasons, would reduce shareholder value.

Bronson's unwillingness to acknowledge that his proposals could well have these kinds of consequences for Qualstar and its shareholders leads us to believe that his primary purpose for launching his proxy contest is to realize a quick and opportunistic gain by distributing Qualstar's cash and that he does not want to do the hard work or make the investments required to grow Qualstar's business and create long-term value for Qualstar's other shareholders.

Bronson's Proposal to Divest Qualstar's Tape Library Business. We believe that it would also be a mistake, as Bronson and BKF propose, to divest our tape library business. We expect market demand for tape libraries will continue for many years to come. The following are a few of the actions we have taken and intend to take to increase our sales of tape libraries:

- During the past year we have released two new models of our mid-size RLS rack mountable tape libraries, the RLS 8350 and the RLS 8500 Series. These two new models offer increased storage capacity and enhanced features compared to our legacy RLS 8000 Series, which will be phased out. Our new RLS models have been favorably received by our customers and we expect sales of these new tape libraries to increase our overall sales of tape libraries.
- We have also developed and will soon release a new feature that will allow our new RLS 8350 and RLS 8500 Series tape libraries to share tape cartridges between vertically stacked libraries. This feature, not available on any of our previous libraries, will allow customers to start with one library and subsequently expand useable tape cartridge capacity as their data storage needs grow. We believe that this new feature will stimulate sales of our new RLS 8350 and RLS 8500 Series tape libraries.
- We continue to invest in our XLS enterprise class of tape libraries to develop new models and product enhancements.
- Our previous director of North American sales resigned in February 2011 and that position has remained open since then. Once Mr. Firestone joins us as our new CEO on June 1, 2012, one of his first tasks will be to hire a new director of North American sales, with a proven track record, to manage and strengthen our sales organization.
- Our Board, under the leadership of Mr. Firestone, intends to conduct a thorough review of all aspects of both our tape library and power supply businesses and implement appropriate additional measures to increase sales while controlling costs.

Our power supply business has increased sales from \$1.3 million in the fiscal year ended June 30, 2005 to \$8.5 million in the fiscal year ended June 30, 2011, and has been profitable in each fiscal year since 2008. We intend to continue to improve and refresh our existing products, develop new power supply products and invest additional financial resources to expand and grow our power supply business.

Our Board also intends to seek out and consider opportunities to grow Qualstar's business not only by expanding our current product lines, but also through strategic acquisitions of other businesses or product lines that will be complementary to our existing businesses and enable us to leverage our existing expertise and resources, in order to grow our sales and improve the profitability of our operations. Although we have no agreements or understandings with respect to any acquisitions, we believe it is important to conserve Qualstar's cash resources so that we will be in a position to pursue acquisition and new business opportunities when they become available, as well as to grow our existing businesses.

For the foregoing reasons, our Board of Directors and management unanimously recommend that our shareholders vote AGAINST Bronson's and BKF's proposal to remove the current members of our Board and replace them with Bronson and his other nominees, none of whom, it appears, has had experience managing data storage or power supply businesses similar to Qualstar's.

Information Regarding Qualstar's Tape Library Business

Qualstar's revenue from its tape library business declined from \$12.3 million in the fiscal year ended June 30, 2009 to \$9.9 million in the fiscal year ended June 30, 2011, by approximately 10.1% per year. During this period, our tape library business incurred a loss before taxes of \$2.6 million in fiscal 2009; however, Qualstar succeeded in reducing the loss before taxes by nearly 38% to \$1.6 million in fiscal 2011.

During this three-year period, Qualstar's tape library product lines were undergoing transition on several different fronts simultaneously. The 17 year old TLS family of tape libraries reached end-of-life manufacturing and sales cycles, the 12 year old RLS rack mountable product line was being replaced by our newer RLS 8350 and 8500 Series of products, and our enterprise class XLS family of tape libraries was downsizing as a result of the availability from our suppliers of the new LTO-5 format of tape drives, which have twice the data capacity compared to the previous LTO-4 format tape drives.

We believe the prospects for the tape library market are favorable, driven by the new data retention requirements resulting from new laws and regulations and by the growing needs of both businesses and government agencies, both in the United States and other countries, to keep larger and larger volumes of business and other information for longer and longer periods of time. Just within the United States, for example, legislation such as HIPAA and the Dodd-Frank Act of 2010, and E-Discovery requirements in federal and state courts, plus proposed legislation such as the Protecting Children from Internet Pornographers Act of 2011, are or will be imposing additional data retention burdens on private businesses and government agencies. Since the total cost of ownership of a tape library system is significantly lower than the total cost of ownership of a hard disc drive system with similar data capacity, we believe that many organizations will choose tape libraries for storing such data. Moreover, with the addition of our new tape library products, we will be more competitive, in relation to other tape library manufacturers, which we believe will enable us to capture a greater share of the tape library market and, thereby, increase our sales.

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

The following questions and answers are intended to address briefly some commonly asked questions regarding the matters being considered at the special meeting of shareholders. We urge you to read the remainder of this proxy statement carefully because the information in this section does not provide all information that might be important to

you. Please refer to the more detailed information contained elsewhere in this proxy statement, the appendices to this proxy statement and any documents referred to in this proxy statement, which you should read carefully. In this proxy statement, the terms “Qualstar,” the “Company,” “we,” “our,” “ours,” and “us” refer to Qualstar Corporation.

Q: Why am I receiving this proxy statement?

A: The special meeting described in this proxy statement was requested by Bronson and BKF to consider and vote upon proposals which, if approved at the special meeting, would give Steven Bronson and BKF control of Qualstar.

As discussed elsewhere in this proxy statement, we believe that Bronson is seeking to take control of Qualstar to enable him to realize a quick and opportunistic gain for himself, rather than seeking to create permanent shareholder value for Qualstar’s other shareholders.

Q: How does Qualstar’s Board of Directors recommend that I vote?

A: The members of the Board of Directors and management, including William J. Gervais and Lawrence D. Firestone, the outgoing and incoming CEOs of the Company, unanimously recommend that shareholders vote AGAINST Bronson’s and BKF’s first proposal to remove Qualstar’s current directors.

The Board of Directors is not taking any position and is not soliciting proxies with respect to either the second proposal or the third proposal made by Bronson and BKF. The second proposal, which seeks to reduce the size of the Board from six to five directors, is no longer relevant because our Board will reduce the authorized number of directors to five directors effective upon Mr. Gervais’ retirement on June 15, 2012. We are not taking a position on proposal 3 because Bronson’s nominees can only be elected at the special meeting to fill vacancies on the Board and, if Qualstar’s shareholders join us in defeating proposal 1, there will be no Board vacancies to fill. If you return the WHITE proxy card and do not attend the special meeting in person you will not be able to vote with respect to the third proposal.

Q: When and where is the special meeting?

A: The special meeting is scheduled to be held at 10:00 a.m., local time, on June 20, 2012 at our headquarters located at 3990-B Heritage Oak Court, Simi Valley, California 93063. Directions to this location are available at <http://www.qualstar.com/146028.html>.

Q: Who can vote at the special meeting?

A: Shareholders of record as of May 23, 2012, the record date, are entitled to receive notice of and to vote at the special meeting.

Q: What is the required quorum for the special meeting?

A: The holders of a majority of our outstanding shares of common stock as of the record date must be present in person or by proxy at the special meeting in order to conduct business at the meeting. This is called a quorum. On May 23, 2012, the record date, 12,253,117 shares of our common stock were outstanding.

Q: What are the methods by which I can vote my shares at the special meeting?

A: You may attend the special meeting and vote your shares in person; but whether or not you intend to attend the special meeting, we urge that you vote the WHITE proxy card TODAY by any of the following methods:

- By telephone or over the internet, by following the instructions that are on the WHITE proxy card; or
- By marking your vote AGAINST proposal 1 on the proxy card, or leaving the proxy card blank and then signing, dating and returning the WHITE proxy card in the postage prepaid return envelope that is enclosed with this proxy statement.

If you vote by one of these methods, your shares will be voted in accordance with the specific voting instructions on the WHITE proxy card. Any WHITE proxy cards that we receive which are signed by shareholders but which lack specific instructions will be voted AGAINST proposal 1.

We strongly urge you NOT to sign or return any gold proxy card sent to you by Bronson or BKF.

Q: What do I need to do if I choose to attend and vote my shares, in person, at the special meeting?

A: If you chose to attend and vote in person at the special meeting, please bring the enclosed WHITE proxy card or proof of identification to the meeting. However, if your shares are held for you in a brokerage account or at a bank or in the name of a nominee holder, to vote in person at the special meeting you must request a legal proxy from your broker, bank or nominee holder and bring that proxy with you in order to vote in person at the special meeting.

Q: If my shares are held for me in a brokerage account or by a bank or other nominee holder, how can I vote my shares?

A: If your shares are held for you in a brokerage account or by a bank or other nominee holder, your shares are held in "street name". In that case you will receive a voting instruction card, which will be similar to the enclosed proxy and will be WHITE in color. In order to assure that your votes will count at the special meeting, as soon as you receive that voting instruction card, please complete that card by indicating your vote AGAINST proposal 1 and then signing, dating and returning it in the postage prepaid return envelope enclosed with your voting instruction card.

The voting instruction card will also contain instructions on how you can vote your shares by telephone or over the internet. If you vote by one of these methods, you do not need to return your voting instruction card.

If you plan to attend and want to vote your shares at the special meeting, however, you will need to bring a legal proxy to the meeting. You can obtain a legal proxy by calling your broker, bank or nominee holder to request such a proxy.

If you have any questions or need assistance voting your shares, please contact MacKenzie Partners, Inc., our proxy solicitor, at (800) 322-2885 or (212) 929-5500 (call collect) or at proxy@mackenziepartners.com.

Q: How many votes do I have?

A: Each shareholder is entitled to cast a number of votes at the special meeting equal to the number of shares that the shareholder owned on May 23, 2012, the record date for the special meeting.

Q: What vote is required to approve proposal 1?

A: The affirmative vote of the holders of a majority of the outstanding shares entitled to vote at the special meeting is required to approve proposal 1.&#