

QUALSTAR CORP
Form 10-Q
November 14, 2007

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

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

For the Quarterly Period Ended September 30, 2007

OR

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

For the Transition Period From to

Commission file number 000-30083

QUALSTAR CORPORATION

CALIFORNIA
(State of incorporation)

95-3927330
(I.R.S. Employer Identification No.)

**3990-B Heritage Oak Court, Simi Valley, CA 93063
(805) 583-7744**

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer Non-accelerated filer

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

Total shares of common stock without par value outstanding at October 31, 2007 is 12,253,117.



QUALSTAR CORPORATION
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007
INDEX

PART I — FINANCIAL INFORMATION

Item 1.	<u>Financial Statements</u>	
	· <u>Consolidated Condensed Balance Sheets — September 30, 2007(unaudited) and June 30, 2007</u>	1
	· <u>Consolidated Condensed Statements of Operations — Three months ended September 30, 2007 and 2006 (unaudited)</u>	2
	· <u>Consolidated Condensed Statements of Cash Flows — Three months ended September 30, 2007 and 2006 (unaudited)</u>	3
	· <u>Consolidated Condensed Statement of Changes in Shareholders' Equity — Three months ended September 30, 2007</u>	4
	· <u>Notes to Interim Consolidated Condensed Financial Statements</u>	5
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	10
Item 3.	<u>Qualitative and Quantitative Disclosures About Market Risk</u>	15
Item 4T.	<u>Controls and Procedures</u>	15
	PART II — OTHER INFORMATION	
Item 6.	<u>Exhibits</u>	15
	<u>Signatures</u>	16

Table of Contents**PART I — FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

QUALSTAR CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands)

	September 30, 2007 (Unaudited)	June 30, 2007 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,602	\$ 7,697
Marketable securities, short-term	8,377	9,574
Receivables, net of allowances of \$129 as of September 30, 2007, and \$170 at June 30, 2007	3,231	3,462
Inventories, net	5,707	5,928
Prepaid expenses and other current assets	767	576
Prepaid income taxes	134	137
Total current assets	26,818	27,374
Property and equipment, net	590	601
Marketable securities, long-term	16,703	15,994
Other assets	94	94
Total assets	\$ 44,205	\$ 44,063
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,127	\$ 654
Accrued payroll and related liabilities	299	455
Other accrued liabilities	1,008	1,113
Total current liabilities	2,434	2,222
Other long term liabilities	45	—
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 5,000 shares authorized; no shares issued	—	—
Common stock, no par value; 50,000 shares authorized, 12,253 shares issued and outstanding as of September 30, 2007 and June 30, 2007	18,626	18,593
Accumulated other comprehensive income (loss)	39	(55)
Retained earnings	23,061	23,303
Total shareholders' equity	41,726	41,841
Total liabilities and shareholders' equity	\$ 44,205	\$ 44,063

See the accompanying notes to these interim consolidated condensed financial statements.

Table of Contents

QUALSTAR CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Unaudited) (In thousands, except per share data)

	Three Months Ended	
	September 30,	
	2007	2006
Net Revenues	\$ 5,332	\$ 4,659
Cost of goods sold	3,708	3,357
Gross profit	1,624	1,302
Operating expenses:		
Research and development	728	750
Sales and marketing	759	768
General and administrative	739	744
Total operating expenses	2,226	2,262
Loss from operations	(602)	(960)
Investment Income	413	381
Loss before income taxes	(189)	(579)
Provision for income taxes	17	—
Net loss	\$ (206)	\$ (579)
Loss per share:		
Basic	\$ (0.02)	\$ (0.05)
Diluted	\$ (0.02)	\$ (0.05)
Shares used to compute loss per share:		
Basic	12,253	12,253
Diluted	12,253	