

QUALSTAR CORP
Form PRRN14A
May 31, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

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
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a--12

QUALSTAR CORPORATION
(Name of Registrant as Specified in Its Charter)

BKF Capital Group, Inc.
Steven N. Bronson
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- 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:

PRELIMINARY COPY – SUBJECT TO COMPLETION
SPECIAL MEETING OF SHAREHOLDERS OF
QUALSTAR CORPORATION
JUNE 20, 2012

PROXY STATEMENT OF BKF CAPITAL GROUP, INC.

[__], 2012

Dear Fellow Qualstar Shareholder:

BKF Capital Group, Inc., together with its principal shareholder Steven N. Bronson, is the beneficial owner of an aggregate of 2,292,220 shares of Qualstar Corporation's common stock, no par value, which represents approximately 18.7% of the Company's outstanding shares. On April 30, 2012, we requested that the Company call a special meeting of shareholders for the purpose of replacing the current Board. On May 18, 2012, the Company announced that, in response to our request, it was calling a Special Meeting of shareholders to be held on Wednesday, June 20, 2012.

We are seeking your support at the Special Meeting to remove the Company's five incumbent Board members (not including William Gervais, who has resigned as a director and officer of the Company effective June 15, 2012), to fix the Board of Directors at five members and to elect the five persons that we have nominated. In our view, Qualstar's current Board has not taken the steps necessary to preserve and enhance shareholder value. We say this because the price of Qualstar's shares is 66% lower today than it was ten years ago, on a dividend adjusted basis, and the Company has lost money every year since 2004. In our view, the Board should long ago either have fixed or disposed of its unprofitable Tape Library business, and should have focused its resources and attention on its profitable Power Supply business. We also believe that the Company has substantial excess cash which should have been distributed to shareholders.

BKF believes that its Nominees possess the financial, managerial, operational, manufacturing and technology-related industry experience necessary to work as a Board of Directors towards enhancing shareholder value. We believe our Nominees will bring to the Company's Board significant experience in implementing operational improvements, growing sales and analyzing operations and strategy. As a major shareholder, BKF shares the interests of all Qualstar shareholders in increasing shareholder value.

We ask you to carefully consider the information contained in the attached Proxy Statement and then support our efforts by signing, dating and returning the enclosed GOLD proxy card today. The attached Proxy Statement and the enclosed GOLD proxy card are first being furnished to the Company's shareholders on or about [__], 2012.

Your vote is extremely important. We urge you NOT to sign the white proxy card that may be sent to you by Qualstar. Whether or not you plan to attend the Special Meeting, we request that you submit a proxy voting "FOR" all of the proposals described in this proxy statement. If you are a record holder, you may vote by signing, dating and returning the enclosed GOLD proxy card in the postage-paid envelope provided. Otherwise, you must follow the enclosed instructions of your broker or other custodian on how to vote.

If you have any questions or require any assistance with your vote, please contact Phoenix Advisory Partners, which is assisting us as proxy solicitor, at their address and toll-free numbers listed below.

We look forward to honest, open and transparent dialogue with our fellow shareholders as BKF attempts to create permanent shareholder value. Thank you for your support,

Greg S. Heller
Senior Vice President, BKF Capital Group, Inc.

If you have any questions, require assistance in voting your shares,
or need additional copies of BKF's Proxy Statement, please contact—

PHOENIX ADVISORY PARTNERS
110 WALL STREET
27TH FLOOR
NEW YORK, NY 10005

CALL TOLL FREE: (877) 478-5038
BANKS AND BROKERS CALL COLLECT: (212) 493-3910

SPECIAL MEETING OF SHAREHOLDERS OF
QUALSTAR CORPORATION
JUNE 20, 2012

PROXY STATEMENT OF BKF CAPITAL GROUP, INC.

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

BKF Capital Group, Inc., together with its principal shareholder Steven N. Bronson, is the beneficial owner of an aggregate of 2,292,220 common stock, no par value per share, of Qualstar Corporation, a California corporation, representing approximately 18.7% of the outstanding shares of common stock the Company.

We are seeking your support for the election of BKF's five Nominees named in this Proxy Statement to the board of directors of Qualstar and certain other matters set forth below at a Special Meeting of shareholders of the Company to be held at the Company's headquarters located at 3990-B Heritage Oak Court, Simi Valley, California 93063, at 10:00 a.m. PDT on Wednesday, June 20, 2012. This proxy statement and the enclosed GOLD proxy card are first being furnished to the Company's shareholders on or about [___], 2012.

We are soliciting proxies for the following purposes:

To remove the Company's five current directors (not including William Gervais, who has resigned as a director and officer of the Company effective June 15, 2012) and any other person serving as director of the Company at the time of the Special Meeting.

In accordance with the Company's bylaws, to fix the size of the Board at five members, until changed in accordance with the bylaws.

To elect our five Nominees to the Board.

BKF and Mr. Bronson intend to vote all of their shares of common stock in favor of the BKF Nominees and the other proposals set forth in this Proxy Statement.

The Company has set the record date for determining shareholders entitled to notice of and to vote at the Special Meeting as —May 23, 2012. Shareholders of record at the close of business on the record date will be entitled to vote at the Special Meeting. According to the Company's proxy statement for its 2012 annual meeting, as of February 10, 2012, the record date for that meeting, there were 12,253,117 Qualstar shares issued and outstanding and entitled to vote at the Special Meeting.

THIS SOLICITATION IS BEING MADE BY BKF AND NOT ON BEHALF OF THE BOARD OF DIRECTORS OR MANAGEMENT OF QUALSTAR. BKF IS NOT AWARE OF ANY OTHER MATTERS TO BE BROUGHT BEFORE THE SPECIAL MEETING OTHER THAN THE PROPOSALS SET FORTH IN THIS PROXY STATEMENT. SHOULD OTHER MATTERS WHICH THE PARTICIPANTS ARE NOT AWARE OF BE BROUGHT BEFORE THE SPECIAL MEETING, THE PERSONS NAMED AS PROXIES IN THE ENCLOSED GOLD PROXY CARD WILL VOTE ON SUCH MATTERS IN THEIR DISCRETION.

BKF URGES YOU TO SIGN, DATE AND RETURN THE GOLD PROXY CARD IN FAVOR OF THE ELECTION OF ITS NOMINEES AND THE OTHER PROPOSALS SET FORTH IN THIS PROXY STATEMENT.

IMPORTANT

Your vote is important, no matter how many or how few shares of common stock you own. We urge you to sign, date and return the enclosed GOLD proxy card today to vote FOR the election of the BKF Nominees and the other proposals set forth in this Proxy Statement.

If your Qualstar shares are registered in your own name, please sign and date the enclosed GOLD proxy card and return it to BKF Capital Group, Inc., c/o Phoenix Advisory Partners, in the enclosed envelope today.

If your Qualstar shares are held in a brokerage account or by a bank or other custodian, you are considered the beneficial owner of the Qualstar shares, and these proxy materials, together with a voting form, are being forwarded to you by your broker, bank or other custodian. As a beneficial owner, you must instruct your broker, bank or other custodian how to vote. Your broker, bank or other custodian cannot vote your Qualstar shares on your behalf without your instructions.

Depending upon your broker, bank or other custodian, you may be able to vote either by toll-free telephone or by the Internet. Please refer to the enclosed voting form for instructions on how to vote electronically. You may also vote by signing, dating and returning the enclosed voting form.

Since only your latest dated proxy card will presumptively count, we urge you NOT to return any white proxy card you receive from the Company. Even if you return the white management proxy card marked "withhold" as a protest against the incumbent directors, it could revoke any proxy card you may have previously sent to BKF. Remember, you can vote for our Nominees only on our GOLD proxy card. So please make certain that the latest dated proxy card you return is the GOLD proxy card.

If you have any questions, require assistance in voting your shares, or need additional copies of BKF's Proxy Statement, please contact—

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NEW YORK, NY 10005

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**IMPORTANT NOTICE REGARDING THE AVAILABILITY
OF PROXY MATERIALS FOR THE SPECIAL
MEETING OF SHAREHOLDERS TO BE HELD
ON JUNE 20, 2012:**

This proxy statement and proxy card is available to shareholders
at www.bkfcapital.com

BACKGROUND TO THE SOLICITATION

We made our first investment in the Qualstar shares in October 2010, and on December 17, 2010, BKF acquired 1,500,000 Qualstar shares in a privately negotiated transaction with one of the Company's co-founders. Since that time, we have continued to acquire shares on the open market from time to time.

On February 15, 2012, we sent a letter to Qualstar's current Board, in which we expressed our disappointment with the Company's performance. We also suggested three actions that we thought the board should consider to maximize shareholder value, indicated our willingness to engage in discussions with the Board and invited the Board engage us in a dialogue on the merits of our proposals. The three actions we suggested were to divest the unprofitable Tape Library business; distribute excess cash from the sale of marketable securities to shareholders; and focus Qualstar's resources on the generally profitable Power Supply business.

On February 24, 2012, the Company responded with a brief note. The Company thanked us for our observations and suggestions, indicated the Board would carefully consider them, but did not offer to engage in substantive dialog.

On February 28, 2012, we released an open letter to Qualstar shareholders urging them to withhold their votes for the incumbent directors at the Annual Shareholders Meeting to be held on March 21, 2012. In our letter, we said that this would send a strong message to the Board that the status quo was unacceptable. In the letter we also stated that, at the time, we were not seeking to effect a change of control of the Company.

On March 27, 2012, the Company issued a press release announcing that William J. Gervais, Chief Executive Officer, President and a member of the Board of Directors, had notified the Board of Directors, on March 21, 2012, that he would retire from the Company, and resign as a director and officer, effective as of June 15, 2012.

The press release also reported the voting results for the 2012 Annual Shareholders Meeting. While all six members of the Board were re-elected, three members, Stanley W. Corker, Robert A. Meyer and Robert E. Rich, failed to receive a majority of the votes.

On April 30, 2012, we sent a letter to the Company as a holder of more than 10% of the Qualstar shares, in accordance with the Company's bylaws and California corporation law, demanding that the Company convene a special shareholders meeting on June 20, 2012 for the purposes set forth in this Proxy Statement.

In that letter, we said that we were very concerned with the retirement of Mr. Gervais, the Company's co-founder and largest shareholder, because the remaining members of the Board had little or no equity interest in the Company, and did not have confidence in the Board's selecting a successor CEO.

On May 9, the Company announced that its Board had appointed Lawrence D. Firestone to the position of CEO to succeed Mr. Gervais. Mr. Firestone is one of the existing directors of the Company whom BKF is seeking to replace.

Subsequent to BKF's demand for the Special Meeting, representatives of BKF have had conversations with Company representatives concerning the Special Meeting. The parties discussed a consensual delay in convening the Special Meeting and interim standstill arrangements. The parties did not reach any agreement on these matters.

FREQUENTLY ASKED QUESTIONS ABOUT
BKF AND THIS SOLICITATION

Who is BKF Capital Group? BKF Capital Group, Inc., founded in 1954, is a publicly traded company focused on value investment opportunities primarily in the small-cap and middle market sectors. Steven N. Bronson beneficially owns approximately 48.3% of the issued and outstanding shares of BKF. With its ownership together with Mr. Bronson of approximately 18.7% of the Company's outstanding shares, BKF is the Company's largest institutional holder and the largest holder after Mr. Gervais, the Company's co-founder and retiring chief executive officer.

Why is BKF seeking to replace Qualstar's current Board? BKF believes that Qualstar's shares are undervalued. The share price for the Company's common stock on May 16, 2012 was \$1.97, approximately 14% below the book value of the shares of \$2.30 at December 31, 2011, based on the Company's Quarterly Report on Form 10-Q for the quarter then ended. The share price has experienced a ten-year decline of approximately 68% from its share price at the end of April 2002 of \$5.75, adjusted for dividends. Based on the stock performance graph included in the Company's Annual Report on Form 10-K for the year ended June 30, 2011, Qualstar's shares have underperformed the NASDAQ Composite Index and the Company's peer group over the last five years. We believe that the current Board has not done enough to preserve and enhance shareholder value and that the BKF Nominees have the breadth and depth of experience to formulate a strategy that will maximize value for all Company shareholders. Also, with the retirement of Mr. Gervais, the Company's co-founder and largest shareholder, we do not have confidence in the remaining directors, who have a very small equity stake in the Company.

What is the BKF platform? In addition to the goal of generally enhancing shareholder value, BKF anticipates that, if elected, its Nominees will take the steps suggested to the current Board by BKF in its letter of February 15, 2012, as well as other value enhancing initiatives, subject to the exercise of their fiduciary duties at the time. These steps include—

Thorough evaluation of the Company's operations, liquidity requirements, manufacturing activity, research and development activity, sales and marketing activity, and selling, general and administrative expenses, with a view to restoring the Company to profitability after years of net losses;

Divestiture of the Company's unprofitable Tape Libraries business, if it cannot be returned to profitability in a reasonable time frame or at all;

Distribution to shareholders of excess cash; in this regard, the Company has reported cash and marketable securities of approximately \$21.4 million at December 31, 2011 out of total assets of \$30.9 million, which BKF believes is considerably in excess of the cash needed by the Company to fund its operations; and

Focusing Qualstar's resources on its generally profitable Power Supply business.

Why does BKF believe that its Nominees are highly qualified to lead the Company? We believe that our Nominees are highly qualified to identify and implement operational strategies and strategic alternatives in order to maximize shareholder value, as demonstrated by their business and professional experience.

Steven N. Bronson has over 27 years of investment and business experience. Since October 2008, he has been the Chairman and CEO of BKF, which seeks to generate value opportunities through a creative approach to investing in undervalued companies. Since 1996, Mr. Bronson has been Chairman and CEO of Catalyst Financial, an investment banking firm focused on private and public, emerging growth and middle market companies. He is also the current Chairman and CEO of Interlink Electronics, Inc., a small-cap publicly traded touch sensor technology company.

Edward J. Fred is the Chief Executive Officer and President of CPI Aerostructures, Inc., a publicly-traded aerospace company. In June 2005, Mr. Fred was recognized as the Ernst & Young “Entrepreneur of the Year” in the manufacturing category for the New York Metro region, and in 2009 he was named a national finalist for this award. Additionally, in 2005, CPI was named No. 99 on the Forbes magazine list of “200 Best-Run Small Companies” issue, and No. 47 on the Fortune Small Business issue of “Top 100 Fastest-Growing Small Companies.”

Sean M. Leder is currently Chief Executive Officer of The Leder Group, a family office focused on investments in real estate, equities and fixed income. Previously, Mr. Leder was an investment banker at Chase Manhattan Bank, where he worked on mergers and acquisitions, and at Merrill Lynch, where he worked on real estate investment banking.

David J. Wolenski is a vice president and a director of Electro-Mechanical Products, Inc., a privately-held company engaged in the manufacture of precision-machined components and thermal management systems for the semiconductor, laser, and medical device industries. Previously, he was Chief Executive Officer of OZO Automation, Inc., a publicly-traded company that produced robotic workstations for the electronics industry, and managed the sale of OZO's assets to JOT Automation of Olunsalo, Finland.

Peter Yu is the founder and Chief Executive Officer of CPA By Choice, which provides interim controllership and CFO services to small and midsized private and public companies and services clients in a variety of industries including telecommunications, manufacturing and real estate. He is also a founding member of Yu & Fleischer, LLC, a full service CPA firm that provides audit and tax services to small and midsize companies, and the founder of Staffing By Choice, a professional staffing and recruitment firm. Previously, he was a certified public accountant with the national accounting firm of Grant Thornton LLP.

We believe that the combined management, manufacturing, investment, finance and accounting expertise of the BKF Nominees in the small cap space, together with the substantial equity interest of Mr. Bronson in the Company as the representative of BKF, will give shareholders a Board that is qualified and incentivized to make value maximizing decisions on behalf of shareholders.

Is BKF seeking any disproportionate benefit if its Nominees are elected? No. BKF's interest in value creation for shareholders is fully aligned with all other Qualstar shareholders. BKF is not seeking any rights or benefits that are different than the rights of all other shareholders of the Company on a proportionate basis.

PROPOSAL NUMBER ONE REMOVAL OF ALL DIRECTORS

The Company currently has six members on its Board. Pursuant to the California Corporations Code, any or all of the Company's directors may be removed without cause by the affirmative vote of a majority of the outstanding Qualstar shares of the Company entitled to vote. Mr. Gervais has tendered his resignation effective as of June 15, 2012, so that as the date of the Special Meeting there will be five directors, unless the current Board acts to appoint additional directors.

In this "Proposal Number One", BKF is asking the Company's shareholders to vote for the removal of each of the Company's directors in office at the time of the Special Meeting, including the current directors and any other person appointed or elected as a director prior to the Special Meeting and in office at the time of the Special Meeting, such removal to be effective immediately upon the casting of the shareholder vote.

BKF is proposing to remove the current Board as an entirety. This is because under Section 303(a) of the California Corporations Code, unless the Board is removed as an entirety, no director can be removed if the votes cast against removal would be sufficient to elect the director if voted cumulatively, and the number of directors authorized at the time of the director's most recent election were then being elected. Six directors were authorized at the Company's last annual meeting. Thus, unless the entire Board is removed, the vote of 14.29% (1/7) of the outstanding shares would be sufficient to defeat removal, because that is the percentage of the outstanding shares which, when voted cumulatively with six directors authorized for election, can ensure the election of one director. Qualstar has indicated in its preliminary proxy materials for the Special Election that holders of 29% of the outstanding shares intend to vote

against the proposal to remove directors. Unless the Board is removed as an entirety, it would not be mathematically possible for BKF's proxy contest to succeed.

BKF RECOMMENDS THAT YOU VOTE FOR THE REMOVAL OF ALL OF THE DIRECTORS SERVING AT THE TIME OF THE SPECIAL MEETING ON THE ENCLOSED GOLD PROXY CARD.

**PROPOSAL NUMBER TWO
A RESOLUTION TO ESTABLISH
THE SIZE OF THE BOARD OF DIRECTORS AT FIVE MEMBERS**

Pursuant to Article III, Section 2 of the Company's Bylaws, the size of the Board may be fixed by a resolution of shareholders. BKF is seeking approval to fix the number of directors of the Company at five. BKF believes that a board of five directors is appropriate for a public company of Qualstar's size.

Accordingly, BKF is asking the Company's shareholders to approve the following resolution:

RESOLVED: That the exact number of authorized directors of the Company shall be fixed at five (5) but the range of authorized directors shall remain unchanged at not less than five (5) nor more than nine (9) directors, until such amounts are changed as provided in Article III, Section 2 of the Bylaws.

BKF RECOMMENDS THAT YOU VOTE FOR THE RESOLUTION TO FIX THE SIZE OF THE BOARD AT FIVE DIRECTORS ON THE ENCLOSED GOLD PROXY CARD.

PROPOSAL NUMBER THREE
ELECTION OF DIRECTORS

Upon the approval of Proposal Numbers One and Two, above, there will exist five vacancies on the Company's Board, which may be filled by the affirmative vote of a majority of the shares represented and voting at the meeting. For the reasons stated above, BKF is seeking your support at the Special Meeting to elect the five BKF Nominees to the Board, as set forth below.

The Nominees

The following information sets forth the name, age, business address, present principal occupation, and material occupations, positions, offices, or employments for the past five years of each of the BKF Nominees. This information has been furnished to BKF by the Nominees. Each of the BKF Nominees is a citizen of the United States.

Nominee:	Age	Business Address
Steven N. Bronson	46	225 N.E. Mizner Park Blvd. Suite 400 Boca Raton, FL 33432
Edward J. Fred	53	91 Heartland Blvd. Edgewood, NY 11717
Sean M. Leder	41	4755 Technology Way, Suite 203 Boca Raton, FL 33431
David J. Wolenski	50	1100 West Louisiana Ave. Denver, CO 80223
Peter Yu	41	7975 NW 154th St. Suite 380 Miami Lakes, FL 33016

Steven N. Bronson. Mr. Bronson has over 27 years of business and entrepreneurial experience. In the last 21 years, Mr. Bronson has been the founding principal of two brokerage firms, and through his investing and investment banking activity, has taken executive positions in several companies. Mr. Bronson has been Chairman and Chief Executive Officer since October 2008 of BKF, a publicly-traded company seeking to generate value through a creative approach to investing in undervalued companies. In July 2010 he became Chairman and Chief Executive, and in July 2011 he became President of Interlink Electronics, Inc., a global leader in the design of patented Force-Sensing Resistor™ (FSR™) technology and a pioneer in printed electronics. Since 1996, Mr. Bronson has served as the Chairman of Catalyst Financial, an investment banking firm that advises private and public, emerging growth and middle market companies. Also since 1996, Mr. Bronson has served as the Chairman, CEO, and President of Ridgfield Acquisition Corp. and 4Net Software Inc., each of which are publicly-traded companies. In addition, Mr. Bronson served as Chairman and Chief Executive Officer of Mikron Infrared Instruments, Inc., from August 1998 to May 1999, which he successfully restructured, by, among other things, recruiting and hiring a qualified senior management team that successfully grew the business and sold it in 2007. Mr. Bronson's nearly thirty years of experience with investment banking and operations will bring to the Board strong and effective knowledge of corporate governance, executive management and finance. In addition, as a representative of BKF, the Company's largest institutional investor, he will

add a strongly focused shareholder perspective to the Board.

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Edward J. Fred. Since 2003, Mr. Fred has been the Chief Executive Officer and President of CPI Aerostructures, Inc., a publicly-held aerospace company listed on the NYSE Amex Stock Exchange. Previously, since 1995, Mr. Fred held various other executive positions at CPI, including Controller, Secretary, Executive Vice President and Chief Financial Officer. Since July 2010, Mr. Fred has served as a director of Interlink Electronics, Inc. In June 2005, Mr. Fred was recognized as the Ernst & Young “Entrepreneur of the Year” in the manufacturing category for the New York Metro region, and in 2009 he was named a national finalist for this award. Additionally, in 2005 CPI was named No. 99 on the Forbes magazine list of “200 Best-Run Small Companies” issue, and No. 47 on the Fortune Small Business issue of “Top 100 Fastest-Growing Small Companies.” Previously, Mr. Fred spent ten years working for the international division of Grumman Aerospace Corporation, eventually becoming its Controller. Mr. Fred will bring to the Board extensive experience in public company oversight, risk management, strategic initiatives and financing arrangements. In particular, the Board should benefit from Mr. Fred’s entrepreneurial and management background, as it works, after years of losses, to restore the Company to profitability. Mr. Fred is a director and member of the Compensation Committee of Interlink Electronics, Inc.

Sean M. Leder. Mr. Leder has been the Chief Executive Officer of The Leder Group, a family office focused on investments in real estate, equities and fixed income, since 1995. Also, since December 2011, he has served as Manager of Leder Holdings, LLC, a privately-held diversified holding company with investments in equities, fixed income and real estate, and since 1995 has owned and operated Leder Realty & Management, Inc., a property management company. Previously, Mr. Leder was an investment banker at Chase Manhattan Bank, where he worked on mergers and acquisitions, and at Merrill Lynch, where he worked on the real estate investment banking team. Mr. Leder will bring to the Board a strong background in finance, accounting, debt and equity financing, credit analysis and distressed investment. Mr. Leder’s experience with investment and financing should be particularly valuable, as the Board explores strategic alternatives to enhance lagging shareholder value.

David J. Wolenski. Mr. Wolenski has served since November 2002, as a vice president of Electro-Mechanical Products, Inc., a privately-held company engaged in the manufacture of precision-machined components and thermal management systems for the semiconductor, laser, and medical device industries. He has been a director of that company since August 2000. From 1996 to 2000, Mr. Wolenski was Chief Executive Officer of OZO Automation, Inc., a publicly-traded company that produced robotic workstations for the electronics industry, which was sold in 2000 to JOT Automation of Olunsalo, Finland. From 1983 to 1996, Mr. Wolenski held various management positions with Johns Manville Corporation, a worldwide leader in fiberglass insulations. Mr. Wolenski will bring to the Company’s Board experience in technology, manufacturing and strategic initiatives. BKF believes that Mr. Wolenski’s experience in the manufacture of sophisticated electronic devices will be particularly important as the Board redirects the primary focus of the Company to its power supply business, as BKF believes it should.

Peter Yu. Mr. Yu is the Chief Executive Officer of CPA By Choice, a company that he founded in November 2002 and which provides interim controllership and CFO services to small and midsize private and public companies and services clients in a variety of industries including telecommunications, manufacturing and real estate. He has also been a founding member since April 2006 of Yu & Fleischer, LLC, a full service CPA firm that provides audit and tax services to small and midsize companies, and the owner of Staffing By Choice, a professional staffing and recruitment firm which he founded in January 2011. Previously, he was a certified public accountant with the national accounting firm of Grant Thornton LLP. Mr. Yu will bring to the Company’s Board financial, accounting and executive management expertise. In addition, BKF believes that Mr. Yu is qualified to serve as an audit committee financial expert.

We believe each of the BKF Nominees satisfies the current “independent director” standards established by rules of The Nasdaq Stock Market, Inc. and none has any material relationship with Qualstar that we believe would compromise their independence.

Except for Mr. Bronson, none of BKF's Nominees currently beneficially owns any Qualstar shares or has engaged in any transactions in securities of the Company in the last two years. As of the date of this Proxy Statement, Mr. Bronson owns 57,700 Qualstar shares, and may be deemed to own the 2,234,520 Qualstar shares owned by BKF, which together represent approximately 18.7% of the issued and outstanding Qualstar shares. A chart showing the transactions of BKF and Mr. Bronson in the Qualstar shares in the last two years is annexed to this Proxy Statement. Each of the BKF Nominees other than Mr. Bronson disclaims beneficial ownership of the Qualstar shares of the Company that are beneficially owned by BKF.

Section 16(a) Beneficial Ownership Reporting Compliance

To BKF's knowledge after due inquiry, no BKF Nominee has failed to file reports related to Qualstar with respect to its most recent fiscal year that are required by Section 16(a) of the Securities Exchange Act.

In 2010, in the normal course of his real estate investment activity, Mr. Leder became the manager of the general partner of Daniels Industrial Condo, Ltd., a Florida limited partnership involved in the development of a certain parcel of Florida real property in which his real estate company had been invested since 2005. This investment suffered during the recent real estate downturn. In 2011, after the company had paid down the majority of an outstanding construction loan, the lender and the equity investors agreed to a settlement of the remaining balance, pursuant to which a receiver was appointed for the real property and the property was sold for the benefit of the lender.

BKF and each of the BKF Nominees has entered into a Nominee Agreement, pursuant to which the Nominee agreed to be nominated by BKF to the Company's Board, and to serve if elected, and BKF agreed to indemnify each of the BKF Nominees against any and all losses, liabilities, judgments, claims, causes of action, costs and expenses (including fees and disbursements of legal counsel) incurred or suffered by each of them in any way, directly or indirectly, related to or connected with their nomination as a director of the Company. BKF filed a copy of the form of the Nominee Agreement as an exhibit to its Schedule 13D with respect to the Qualstar shares. Other than this, there are no arrangements or understandings between BKF and any of the BKF Nominees or any other person or persons pursuant to which they are being nominated to the BKF Board.