

QUALSTAR CORP  
Form DEFC14A  
June 04, 2013

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check

the appropriate box:

Revised 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 Under Rule 14a-12

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

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

Copy to:

Keith E. Gottfried, Esq.  
Alston & Bird LLP  
The Atlantic Building  
950 F. Street, N.W.  
Washington, DC 20004-1404  
(202) 239-3679

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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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June 4, 2013

Dear Shareholder:

You are cordially invited to attend the 2013 Annual Meeting of Shareholders of Qualstar Corporation, a California corporation (“Qualstar,” the “Company,” or “we”), to be held on June 28, 2013, at the corporate offices of Qualstar, located at 3990-B Heritage Oak Court, Simi Valley, California 93063, beginning at 9:30 a.m. Pacific Time (including any adjournment, postponement, continuation or rescheduling thereof, the “2013 Annual Meeting”). At this meeting you will be asked to vote on each of the five proposals set forth in the attached Notice of 2013 Annual Meeting and Proxy Statement, which contains detailed information about each proposal and other matters related to the 2013 Annual Meeting.

We have received a letter from BKF Capital Group, Inc., a company controlled by Steven N. Bronson (collectively, the “BKF Capital Group”), which owns approximately 18.7% of Qualstar’s common stock, expressing their intention to nominate their own slate of nominees for election as directors at the 2013 Annual Meeting in opposition to the five director candidates we have nominated. While Qualstar does not know whether the BKF Capital Group will in fact solicit proxies or nominate persons for election as directors at the 2013 Annual Meeting, please be advised that, on May 29, 2013, the BKF Capital Group filed a preliminary proxy statement with the SEC with respect to its solicitation of proxies for the election of five nominees to your Board of Directors in opposition to the nominees recommended by your Board. Accordingly, you may receive an opposing proxy statement and proxy card and letters or other proxy solicitation materials from the BKF Capital Group. We are not responsible for the accuracy of any information provided by or relating to the BKF Capital Group contained in any proxy solicitation materials filed or disseminated by, or on behalf of, the BKF Capital Group or any other statements that they may otherwise make.

Your Board of Directors has not approved or endorsed any of the BKF Capital Group’s nominees for election as directors and strongly urges you NOT to sign or return any proxy card that the BKF Capital Group may send to you. Even a “WITHHOLD” vote with respect to the BKF Capital Group’s nominees on its proxy card will cancel any previously submitted WHITE proxy card. If you do sign a proxy card sent to you by the BKF Capital Group, however, you have the right to change your vote by using the enclosed WHITE proxy card. Only the latest dated proxy card you vote will be counted.

**YOUR BOARD OF DIRECTORS STRONGLY URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD OR VOTING INSTRUCTION CARD THAT YOU MAY RECEIVE FROM THE BKF CAPITAL GROUP, EVEN AS A PROTEST VOTE AGAINST THE BKF CAPITAL GROUP OR THE BKF CAPITAL GROUP’S NOMINEES.**

We believe that the five (5) nominees proposed by your Board, with their breadth of relevant and diverse experience, represents the best interests of our shareholders and should be elected. Accordingly, your Board of Directors unanimously recommends that you vote FOR the following five (5) nominees: Allen H. Alley, Chester Baffa, Lawrence D. Firestone, Gerald J. Laber and Daniel C. Molhoek, using the enclosed WHITE proxy card. Your VOTE is important to the future of Qualstar. We appreciate your support and look forward to seeing you at the 2013 Annual Meeting. Whether or not you plan to attend the 2013 Annual Meeting, please vote your shares using the Internet, the phone, or by mail by returning the WHITE proxy card enclosed.

If you have any questions or require any assistance with voting your shares, please contact our proxy solicitor: MacKenzie Partners, Inc., toll-free at (800) 322-2885.

It is important that your shares be represented. Therefore, even if you presently plan to attend the 2013 Annual Meeting, please complete, sign and date and promptly return the enclosed proxy card in the envelope provided. If you do attend the 2013 Annual Meeting and wish to vote in person, you may withdraw your proxy at that time.

I look forward to seeing you at the 2013 Annual Meeting.

Sincerely,  
Lawrence D. Firestone  
Chief Executive Officer and President

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QUALSTAR CORPORATION  
3990-B Heritage Oak Court  
Simi Valley, California 93063

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NOTICE OF THE 2013 ANNUAL MEETING OF SHAREHOLDERS  
To be held on Friday, June 28, 2013

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NOTICE IS HEREBY GIVEN that the 2013 Annual Meeting of Shareholders (including any adjournment, postponement, continuation or rescheduling thereof, the "2013 Annual Meeting") of Qualstar Corporation ("Qualstar," the "Company," or "we") will be held at the corporate offices of Qualstar, located at 3990-B Heritage Oak Court, Simi Valley, California 93063, on Friday, June 28, 2013, at 9:30 a.m. Pacific Time, for the following purposes:

1. To elect five directors to serve one year terms expiring at the 2014 Annual Meeting of Shareholders, or until their successors have been duly elected and qualified;
2. To ratify the adoption by the Board of Directors of the Rights Agreement, dated February 5, 2013, by and between Qualstar and Corporate Stock Transfer, Inc., as Rights Agent;
3. To authorize the Board of Directors to adjourn the 2013 Annual Meeting in the event the meeting is convened and a quorum is present but there are not sufficient votes to ratify the adoption of the Rights Agreement, in order to enable the Board to solicit additional proxies;
4. To approve amendment and restatement of the Qualstar Corporation 2008 Stock Incentive Plan;
5. To approve the appointment of SingerLewak LLP as the independent registered public accounting firm to audit our financial statements for the fiscal year ending June 30, 2013; and
6. To transact any other business as may properly come before the 2013 Annual Meeting and any adjournment thereof.

More information on all of these matters is included in the accompanying Proxy Statement. Shareholders of record at the close of business on May 20, 2013, are entitled to notice of, and to vote at, the 2013 Annual Meeting and any adjournment or postponement thereof. All shareholders are cordially invited to attend the 2013 Annual Meeting in person.

Your Board of Directors unanimously recommends that you vote FOR the Board's five (5) nominees: Allen H. Alley, Chester Baffa, Lawrence D. Firestone, Gerald J. Laber and Daniel C. Molhoek.

By Order of the Board of Directors

John D. Pirnot  
Secretary  
Simi Valley, California  
June 4, 2013

YOUR VOTE IS IMPORTANT. THEREFORE, WHETHER OR NOT YOU PLAN TO ATTEND THE 2013 ANNUAL MEETING YOU SHOULD COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD, AND RETURN IT IN THE PREAMBITED ENVELOPE PROVIDED. NO POSTAGE IS NECESSARY IF MAILED IN THE UNITED STATES.

IMPORTANT NOTICE regarding the availability of proxy materials for the 2013 Annual Meeting of Shareholders to be held on June 28, 2013: This Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended June 30, 2012 are available on Qualstar's website at [www.qualstar.com](http://www.qualstar.com).

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QUALSTAR CORPORATION  
3990-B Heritage Oak Court  
Simi Valley, California 93063

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PROXY STATEMENT

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2013 ANNUAL MEETING OF SHAREHOLDERS

To be held on Friday, June 28, 2013

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This Proxy Statement is being furnished by the Board of Directors (the “Board”) of Qualstar Corporation, a California corporation (“Qualstar,” the “Company,” or “we”), in connection with the solicitation of proxies for the 2013 Annual Meeting of Shareholders (including any adjournment, postponement, continuation or rescheduling thereof, the “2013 Annual Meeting”) to be held on Friday, June 28, 2013 at the corporate offices of Qualstar, located at 3990-B Heritage Oak Court, Simi Valley, California 93063, at 9:30 a.m. Pacific Time. This Proxy Statement contains important information about the business matters that will be voted on at the 2013 Annual Meeting.

GENERAL INFORMATION

Why am I receiving these materials?

We sent you this Proxy Statement because your Board is soliciting your proxy to vote at the 2013 Annual Meeting. This Proxy Statement summarizes the information you need to vote at the 2013 Annual Meeting. You do not need to attend the 2013 Annual Meeting to vote your shares of Qualstar’s common stock, no par value (the “Common Shares”). This Proxy Statement, the accompanying WHITE proxy card and our annual report on Form 10-K for the fiscal year ended June 30, 2012 are being made available to shareholders beginning on or about June 4, 2013. Please read this Proxy Statement, as it contains important information you need to know to vote at the 2013 Annual Meeting.

What proposals will be voted on at the 2013 Annual Meeting?

At the 2013 Annual Meeting, you will be asked to consider and vote upon the following matters:

- Election of five directors to each serve until the 2014 Annual Meeting of Shareholders and until their respective successors shall have been duly elected and qualified (Proposal 1);
- Ratification of the adoption by the Board of Directors of the Rights Agreement dated February 5, 2013 (Proposal 2);
- Authorization for the Board of Directors to adjourn the 2013 Annual Meeting in the event the meeting is convened and a quorum is present but there are not sufficient votes to ratify the adoption of the Rights Agreement, in order to enable the Board to solicit additional proxies (Proposal 3);
- Approval of the amendment and restatement of Qualstar Corporation 2008 Stock Incentive Plan (Proposal 4);
- Approval of the appointment of SingerLewak LLP as the independent registered public accounting firm for the

fiscal year ending June 30, 2013 (Proposal 5); and

- Any other matters, if any, as may properly be brought before the 2013 Annual Meeting and any postponement or adjournment of the 2013 Annual Meeting.



When and where will the 2013 Annual Meeting be held?

The 2013 Annual Meeting will be held on Friday, June 28, 2013, at 9:30 a.m. Pacific Time, at the corporate offices of Qualstar, located at 3990-B Heritage Oak Court, Simi Valley, California 93063.

Will there be a proxy contest for the election of directors at the 2013 Annual Meeting?

On January 18, 2013, we received a letter from the BKF Capital Group (“BKF Capital”), a company controlled by Steven N. Bronson (collectively, the “BKF Capital Group”), which owns approximately 18.7% of Qualstar’s common stock, expressing their intention to nominate their own slate of nominees for election as directors at the 2013 Annual Meeting, in opposition to the five director candidates we have nominated. While Qualstar does not know whether the BKF Capital Group will in fact solicit proxies or nominate persons for election as directors at the 2013 Annual Meeting, please be advised that, on May 29, 2013, the BKF Capital Group filed a preliminary proxy statement with the SEC with respect to its solicitation of proxies for the election of five nominees in opposition to the nominees recommended by your Board. Accordingly, you may receive an opposing proxy statement and proxy card and letters or other proxy solicitation materials from the BKF Capital Group. We are not responsible for the accuracy of any information provided by or relating to the BKF Capital Group contained in any proxy solicitation materials filed or disseminated by, or on behalf of, the BKF Capital Group or any other statements that they may otherwise make.

Your Board has not approved or endorsed the nominees of the BKF Capital Group and strongly urges you not to sign or return any proxy card that the BKF Capital Group may send to you and to discard any proxy materials and proxy cards that you may receive from the BKF Capital Group. We believe that the five nominees proposed by your Board, with their breadth of relevant and diverse experience, represent the best interests of our shareholders and that the Board’s five nominees should be elected. Your Board unanimously recommends that you vote FOR all the Board’s nominees (Allen H. Alley, Chester Baffa, Lawrence D. Firestone, Gerald J. Laber and Daniel C. Molhoek), using the enclosed WHITE proxy card or by voting by Internet or telephone as described in this proxy statement.

What do I do if I receive a proxy card from the BKF Capital Group?

**THE BOARD OF DIRECTORS STRONGLY URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD OR VOTING INSTRUCTION CARD THAT YOU MAY RECEIVE FROM THE BKF CAPITAL GROUP, EVEN AS A PROTEST VOTE AGAINST THE BKF CAPITAL GROUP OR THE BKF CAPITAL GROUP’S NOMINEES.**

Even a “WITHHOLD” vote with respect to the BKF Capital Group’s nominees on their proxy card will cancel any proxy previously given to Qualstar.

If you previously signed a proxy card sent to you by the BKF Capital Group, you can change or revoke that proxy and vote for the Board of Directors’ nominees by (i) visiting the website noted on the WHITE proxy card to submit your vote on the Internet, (ii) using the telephone number on the WHITE proxy card to submit your vote telephonically, (iii) signing, dating and returning the WHITE proxy card in the enclosed envelope to vote by mail, or (iv) attending the 2013 Annual Meeting to vote in person. Only your latest-dated proxy will be voted at the 2013 Annual Meeting.

If you need assistance changing or revoking your vote, please call Qualstar’s proxy solicitor, MacKenzie Partners, Inc., toll free at (800) 322-2885.

Who is entitled to vote at the 2013 Annual Meeting?

Your Board of Directors has fixed the close of business on May 20, 2013 as the record date for determining those shareholders entitled to notice of, and to vote on, all matters that may properly come before the 2013 Annual Meeting.

As of the record date, Qualstar had 12,253,117 outstanding shares of common stock entitled to notice of, and to vote at, the 2013 Annual Meeting. No other securities are entitled to vote at the 2013 Annual Meeting. Only shareholders of record on such date are entitled to notice of and to vote at the 2013 Annual Meeting and at any adjournment thereof.

What are the voting rights of shareholders?

Each shareholder of record is entitled to one vote for each share held as of the record date on all matters to come before the 2013 Annual Meeting and at any adjournment thereof. Under our Articles of Incorporation, shareholders do not have cumulative voting rights in the election of directors.

How many votes must be present to hold the 2013 Annual Meeting?

To conduct business at the 2013 Annual Meeting, a quorum must be present. The presence in person or by proxy of shareholders entitled to cast at least a majority of all votes entitled to be cast at the meeting shall constitute a quorum. We count proxies marked "withhold authority" as to any director nominee or "abstain" as to a particular proposal for purposes of determining the presence or absence of a quorum at the 2013 Annual Meeting for the transaction of business.

How do I vote my shares?

In addition to voting in person at the 2013 Annual Meeting or any postponement or adjournment thereof, you may vote by mail, Internet or telephone.

**Voting by Internet or Telephone.** If you are a registered shareholder (that is, if your stock is registered in your name), you may also vote by Internet or telephone by following the instructions included with your WHITE proxy card. You are encouraged to vote electronically by Internet or telephone. The procedures for each of these voting methods is set forth below.

**Vote by Internet.** Use the Internet to vote your proxy 24 hours a day, 7 days a week. Have your WHITE proxy card in hand when you log on. You will be prompted to enter your Control Number(s) which is located on your proxy card and then follow the directions given to obtain your records and create a voting instructions form.

**Vote by Telephone.** Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week. Have your WHITE proxy card in hand when you call. You will be prompted to enter your Control Number(s) which is located on your WHITE proxy card and then follow the directions given.

If you vote by Internet or telephone, you do not need to return your WHITE proxy card.

If your shares are held in “street name” (that is, if your stock is registered in the name of your broker, bank or other nominee), please check your proxy card or contact your broker, bank or other nominee to determine whether you will be able to vote by Internet or telephone.

If you need assistance in revoking your proxy or changing your vote, please call Qualstar’s proxy solicitor, MacKenzie Partners Inc., toll free at (800) 322-2885.

**Voting by Mail.** To vote by mail, please sign, date and return to Qualstar as soon as possible the enclosed WHITE proxy card. An envelope with postage paid, if mailed in the United States, is provided for this purpose. Properly executed proxies that are received in time and not subsequently revoked will be voted as instructed on the proxies. If you vote by Internet or by telephone as described above, you need not also mail a proxy to Qualstar.

**Voting at the 2013 Annual Meeting.** You may vote by ballot in person at the 2013 Annual Meeting. If you want to vote by ballot, and you hold your shares in street name (that is, through a bank or broker), you must obtain a power of attorney or other proxy authority from that organization and bring it to the 2013 Annual Meeting. Follow the instructions from your bank, broker or other agent or nominee included with these proxy materials, or contact your bank, broker or other agent or nominee to request a power of attorney or other proxy authority. Even if you plan to attend the 2013 Annual Meeting, you are encouraged to submit a WHITE proxy card or vote by Internet or telephone to ensure that your vote is received and counted. If you vote in person at the 2013 Annual Meeting, you will revoke any prior proxy you may have submitted.

How does the Board of Directors recommend that I vote?

Your Board of Directors unanimously recommends that you vote as follows:

o “FOR” each of the following five (5) nominees to the Board: Allen H. Alley, Chester Baffa, Lawrence D. Firestone, Gerald J. Laber and Daniel C. Molhoek (Proposal 1);

o

“FOR” the proposal to ratify the adoption by the Board of Directors of the Rights Agreement dated February 5, 2013 (Proposal 2);

o“FOR” the proposal to authorize the Board of Directors to adjourn the 2013 Annual Meeting in the event the meeting is convened and a quorum is present but there are not sufficient votes to ratify the adoption of the Rights Agreement, in order to enable the Board to solicit additional proxies (Proposal 3);

o“FOR” approval of amendment and restatement of Qualstar Corporation 2008 Stock Incentive Plan (Proposal 4); and

o“FOR” approval of the appointment of SingerLewak LLP as the independent registered public accounting firm for the fiscal year ending June 30, 2013 (Proposal 5).

What vote is required?

Directors are elected by a plurality of the votes cast for election of directors and only five directors may be elected at the 2013 Annual Meeting. The directors elected will be the five (5) nominees who receive the highest number of "FOR" votes cast at the 2013 Annual Meeting by shareholders present, in person, or by proxy, and entitled to vote. If a shareholder does not vote for the election of directors because the authority to vote is withheld, because a proxy is not returned, because the broker holding the shares does not vote, or because of some other reason, the shares will not count in determining the total number of votes for each nominee. WHITE Proxies signed and returned unmarked will be voted FOR the Board's five (5) nominees (Allen H. Alley, Chester Baffa, Lawrence D. Firestone, Gerald J. Laber and Daniel C. Molhoek). Please note that brokers may not vote on the election of directors in the absence of specific client instruction. Those who hold shares in a brokerage account are encouraged to provide voting instructions to their broker. Votes that are not returned, withheld or broker non-votes will have no effect on the outcome of the election. If any nominee is unable to act as director because of an unexpected occurrence, the proxy holders may vote the proxies for another person or the Board of Directors may reduce the number of directors to be elected.

For each of Proposal 2 (ratification of Rights Agreement), Proposal 3 (authorization to adjourn the 2013 Annual Meeting), Proposal 4 (amended and restated Stock Incentive Plan) and Proposal 5 (appointment of SingerLewak LLP), approval will require both: (i) the affirmative vote of a majority of the shares present in person or represented by proxy and voting on the proposal, and (ii) the affirmative vote of a majority of the quorum. For purposes of Proposals 2, 3, 4 and 5, abstentions and broker non-votes will not affect the outcome under clause (i), which recognizes only actual votes for or against the proposal. Abstentions and broker non-votes may affect the outcome under clause (ii) because abstentions and broker non-votes are counted for purposes of determining the quorum and have the effect of a vote against the proposal.

If I give a proxy, how will my shares be voted?

WHITE proxy cards received by us before the 2013 Annual Meeting that are properly executed and dated will be voted at the 2013 Annual Meeting in accordance with the instructions indicated on the proxy.

If you properly execute and date your WHITE proxy card but do not include voting instructions, your WHITE proxy card will be voted FOR the election of each of the following five (5) director nominees: Allen H. Alley, Chester Baffa, Lawrence D. Firestone, Gerald J. Laber and Daniel C. Molhoek, and FOR Proposals 2, 3, 4 and 5, and in accordance with the best judgment of the named proxies on any other matters that may come before the meeting. Unsigned proxies will not be voted.

If you vote using the website or the telephone number noted on the WHITE proxy card, you do not need to return ANY proxy card.

If the 2013 Annual Meeting is postponed or adjourned, a shareholder's proxy will remain valid and may be voted at the postponed or adjourned meeting. A shareholder still will be able to revoke the shareholder's proxy until it is voted.

What if other matters are voted on at the 2013 Annual Meeting?

With respect to any other matter that properly comes before the 2013 Annual Meeting, the proxy holders will vote the proxies in their discretion in accordance with their best judgment and in the manner they believe to be in the best interest of Qualstar. For example, if you do not give instructions on your WHITE proxy card or by Internet or telephone, and a nominee for Director listed on the WHITE proxy card withdraws before the election (which is not now anticipated), your shares will be voted by the proxy holders for any substitute nominee as may be nominated by the Board of Directors. The proxy holders consist of Lawrence D. Firestone and John D. Pirnot.

On the date we filed this Proxy Statement with the Securities and Exchange Commission, the Board did not know of any other matter to be brought before the 2013 Annual Meeting.

How will my shares be voted if I mark “Abstain” on my proxy card?

We will count a properly executed WHITE proxy card marked “Abstain” as present for purposes of determining whether a quorum is present, but the shares represented by that WHITE proxy card will not be voted at the 2013 Annual Meeting for the proposals so marked.

Will my shares be voted if I do not provide instructions to my broker or nominee?

When a matter to be voted on at a shareholders meeting is the subject of a contested solicitation, under NYSE rules, brokers no longer have discretion to vote shares that they hold in their name on behalf of a third party. Therefore, if you hold your shares in the name of your broker (sometimes called “street name” or “nominee name”) and you do not provide your broker with specific instructions regarding how to vote on any proposal to be voted on at the 2013 Annual Meeting, your broker will not be permitted to vote your shares on that proposal. This is called a “broker non-vote.” For example, if you provide your broker instructions on Proposal Nos. 1 and 2 but not on Proposal Nos. 3-5, the broker will vote on Proposal Nos. 1 and 2 as you direct but will not vote your shares on Proposal Nos. 3-5.

Please remember to give your broker specific instructions when returning your WHITE proxy card. If you previously returned a proxy card without specific instructions regarding how your shares are to be voted, please complete and return the enclosed WHITE proxy card to your broker with specific voting instructions.

Can I revoke my proxy or change my vote?

An executed proxy may be revoked at any time before its exercise by delivering to the Secretary of Qualstar a written notice of revocation or a duly executed proxy bearing a later date. Prior to the date of the 2013 Annual Meeting, any notice of revocation or subsequent proxy must be delivered to our Secretary at 3990-B Heritage Oak Court, Simi Valley, California 93063, the principal executive office of Qualstar. On the date of the 2013 Annual Meeting, such notice or subsequent proxy should be delivered in person at the 2013 Annual Meeting prior to the time of the vote. Accordingly, the execution of the enclosed proxy will not affect a shareholder's right to vote in person should such shareholder find it convenient to attend the 2013 Annual Meeting and desire to vote in person, so long as the shareholder has revoked his or her proxy prior to its exercise in accordance with these instructions. If you have instructed a broker to vote your shares, you must follow your broker's directions in order to change those instructions.

What does it mean if I receive more than one WHITE proxy card?

If you hold your shares in more than one account, you will receive a WHITE proxy card for each account. To ensure that all of your shares are voted, please vote using each WHITE proxy card you receive or, if you vote by Internet or telephone, you will need to enter each of your Control Numbers. Remember, you may vote by telephone or Internet or by signing, dating and returning the WHITE proxy card in the postage-paid envelope provided.

As previously noted, the BKF Capital Group has provided notice that it intends to nominate an opposition slate of nominees for election as directors at the 2013 Annual Meeting. As a result, you may receive proxy cards from both Qualstar and the BKF Capital Group. To ensure that shareholders have Qualstar's latest proxy information and materials to vote, the Board may conduct multiple mailings prior to the date of the 2013 Annual Meeting, each of which will include a WHITE proxy card. The Board encourages you to vote each WHITE proxy card you receive.

**THE BOARD STRONGLY URGES YOU TO REVOKE ANY PROXY CARD YOU MAY HAVE RETURNED WHICH YOU RECEIVED FROM THE BKF CAPITAL GROUP.** Even a vote "WITHHOLD" with respect to the BKF Capital Group's nominees on their proxy card will cancel any previously submitted WHITE proxy card.

**THE BOARD OF DIRECTORS STRONGLY URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD OR VOTING INSTRUCTION CARD THAT YOU MAY RECEIVE FROM THE BKF CAPITAL GROUP, EVEN AS A PROTEST VOTE AGAINST THE BKF CAPITAL GROUP OR THE BKF CAPITAL GROUP'S NOMINEES.**

Who will solicit proxies on behalf of the Board?

Proxies may be solicited on behalf of the Board, without additional compensation, by Qualstar's directors, officers and regular employees. Such persons are listed in Appendix I to this Proxy Statement. Additionally, the Board has retained MacKenzie Partners, Inc., a proxy solicitation firm, who may solicit proxies on the Board's behalf.

The original solicitation of proxies by mail may be supplemented by telephone, telegram, facsimile, electronic mail, and personal solicitation by our directors, officers or other regular employees (who will receive no additional compensation for such solicitation activities). You may also be solicited by advertisements in periodicals, press releases issued by us and postings on our corporate website. Unless expressly indicated otherwise, information contained on our corporate website is not part of this Proxy Statement.

Who will bear the cost of the solicitation of proxies?

The entire cost of soliciting proxies, including the costs of preparing, assembling, printing and mailing this Proxy Statement, the proxy card and any additional soliciting materials furnished to shareholders, will be borne by Qualstar. Copies of solicitation material will be furnished to banks, brokerage houses, dealers, banks, voting trustees, their respective nominees and other agents holding shares in their names, which are beneficially owned by others, so that they may forward this solicitation material, together with our Annual Report on Form 10-K for the fiscal year ended June 30, 2012, to beneficial owners. In addition, if asked, we will reimburse these persons for their reasonable expenses in forwarding these materials to the beneficial owners.

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Due to the possibility of a proxy contest, we have engaged MacKenzie Partners Inc. to solicit proxies from shareholders in connection with the 2013 Annual Meeting. MacKenzie Partners Inc. expects that approximately 3 of its employees will assist in the solicitation of proxies. We will pay MacKenzie Partners, Inc. an estimated fee of \$200,000 plus costs and expenses. In addition, MacKenzie Partners, Inc. and certain related persons will be indemnified against certain liabilities arising out of or in connection with the engagement.

Qualstar estimates that its additional expenses beyond those normally associated with soliciting proxies for the 2013 Annual Meeting as a result of the potential proxy contest (excluding salaries and wages of our regular employees and officers) will be \$500,000 in the aggregate, of which approximately \$75,000 has been spent to date. Such additional solicitation costs are expected to include the fees incurred to retain MacKenzie Partners as Qualstar's proxy solicitor, as discussed above (at last year's 2012 Annual Meeting, no proxy solicitor was deemed necessary), fees of outside counsel to advise Qualstar in connection with a possible contested solicitation of proxies, increased mailing costs, such as the costs of additional mailings of solicitation materials to shareholders, including printing costs, mailing costs and the reimbursement of reasonable expenses of banks, brokerage houses and other agents incurred in forwarding solicitation materials to beneficial owners, as described above, and the costs of retaining an independent inspector of election.

May I attend the 2013 Annual Meeting?

Admission to the 2013 Annual Meeting will be by admission ticket only. Family members are welcome to accompany you to the 2013 Annual Meeting. If you are a registered shareholder, the top half of the enclosed WHITE proxy card is your admission ticket. Neither voting instruction forms provided by your bank, broker or nominee nor proxy cards provided by the BKF Capital Group will serve as valid admission tickets. Upon arrival at the 2013 Annual Meeting, please present your admission ticket and photo identification at the registration desk. If you hold your shares in "street name" (that is, through a broker or other nominee), you may request an admission ticket by writing or phoning Qualstar; you will need to bring to the 2013 Annual Meeting a letter from the broker or other nominee confirming your beneficial ownership of Qualstar shares as of the Record Date in addition to photo identification. Qualstar reserves the right to deny admittance to anyone who cannot adequately show proof of share ownership as of the record date. No cameras, recording equipment, large bags, briefcases or packages will be permitted into the 2013 Annual Meeting.

What is Qualstar's Internet address?

Qualstar's Internet address is <http://www.Qualstar.com>. You can access this Proxy Statement and Qualstar's Annual Report on Form 10-K for the fiscal year ended June 30, 2012 at this Internet address. Qualstar's filings with the Securities and Exchange Commission (the "SEC") are available free of charge via a link from this address. Unless expressly indicated otherwise, information contained on our website is not part of this Proxy Statement. In addition, none of the information on the other websites listed in this Proxy Statement is part of this Proxy Statement. These website addresses are intended to be inactive textual references only.

Who can answer my questions?

If you have questions or require assistance in the voting of your shares, please call MacKenzie Partners, Inc., the firm assisting us in the solicitation of proxies:

105 Madison Avenue  
New York, New York 10016  
(212) 929-5500 (Call Collect)

Edgar Filing: QUALSTAR CORP - Form DEF14A

or

Call Toll-Free (800) 322-2885

How can I obtain additional copies of these materials or copies of other documents?

Complete copies of this proxy statement and our Annual Report on Form 10-K for the fiscal year ended June 30, 2012 are also available on our website at <http://www.Qualstar.com>. You may also contact MacKenzie Partners, Inc. for additional copies.