

QUALSTAR CORP
Form DEFA14A
June 12, 2012

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

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 Under Section 240.14a-12

QUALSTAR CORPORATION

(Name of Registrant as Specified in Its Charter)

N/A

(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:

N/A

(2) Aggregate number of securities to which transaction applies:

N/A

(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):

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

(3) Filing Party:
N/A

(4) Date Filed:
N/A

QUALSTAR BOARD URGES YOU TO ALLOW THE NEW MANAGEMENT TEAM TO COMPLETE THE
TURNAROUND AND NOT BREAK UP QUALSTAR

TURNAROUND SPECIALIST ENGAGED FULL TIME TO GROW YOUR QUALSTAR INVESTMENT
INVESTORS URGED TO REJECT BKF'S ATTEMPTS TO DESTROY SHAREHOLDER VALUE AND LIMIT
FUTURE UPSIDE FOR QUALSTAR

June 12, 2012

Dear Fellow Qualstar Shareholder:

We are pleased to announce that Larry Firestone, a 30-year veteran of restructuring, turning around and growing companies post turnaround is now fully engaged as Qualstar's CEO, effective June 1, 2012. The Qualstar Board, together with Mr. Firestone, is committed to driving long term value of the Company for the benefit of all Qualstar investors. As a result, Mr. Firestone and the management team are setting a new strategy that will enable the Company to return to sustainable and growing profitability.

The Board was unanimous in its choice of Mr. Firestone given his extremely relevant industry experience, and most importantly, his impressive success rate in turning around companies in situations similar to Qualstar. Among Mr. Firestone's notable achievements in this arena are:

- As the CFO of Xiotech, a private performance storage company, Larry held a lead role to turn this venture backed company profitable within one year after several years of losses.
- Grew Advanced Energy Industries from a market capitalization of \$500 million to over \$1.1 billion in two years, reduced operating expenses by over \$19 million annually, and installed a tax strategy that allowed Advanced Energy to reduce its cash taxes by over \$10 million. This allowed a \$50 million share buyback using earnings. Once turned around, Advanced Energy implemented a successful acquisition strategy in the solar inverter market.
- As a key member of the leadership team, took Applied Films Corp. from \$25 million in revenues, losing money, with an \$11 million (approximately \$3.00 per share) market cap to \$240 million in revenues in just 7 years and subsequently sold for \$460 million (just under \$30.00 per share). This growth included 3 major acquisitions with successful integrations.
- In under two years, successfully turned Woolson Spice & Coffee, d/b/a Lion Coffee into a profitable and growing business after years of bleeding cash and losing money. Today Lion Coffee is the #1 brand of gourmet roasted coffee in Hawaii.

THE PLAN TO STRENGTHEN QUALSTAR IS UNDERWAY

Mr. Firestone and the Qualstar management team have developed a plan to increase sales and return Qualstar to profitability. The major components of this plan include the following:

- Installing global sales leadership and strengthening our sales force
- Expanding channel partner and strategic relationships

- Targeted marketing and promotional efforts, including increased trade show presence, joint selling, and private labeling
 - Enhancement of our recurring revenue stream from the growing tape library installed base
 - Geographic diversification and expansion of target markets
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- Product related initiatives
 - o Acquire complementary product lines – broaden market coverage
 - o OEM complementary products to offer a complete storage solution
- o Introduced new mid-tier rack mount tape library products to compete successfully in this market
 - Restructure the organization for greater efficiency
 - Centralize corporate engineering function
 - Establish formal organic growth and profitability strategies
 - Margin improvement and business rationalization where appropriate
 - Evaluate strategic value added opportunities, including accretive acquisitions
 - Product development and product line extension

We believe executing these strategies will enhance long term shareholder value and prove the value of the Qualstar franchise is best realized with the company intact.

As you know BKF Capital Group, Inc. and Steven N. Bronson, its controlling shareholder, are attempting to disrupt this plan and are requesting your support in their unwarranted and untimely efforts to take over your company. BKF has requested this special meeting to remove all of the current members of Qualstar's Board, including Mr. Firestone, in favor of Bronson himself and his four hand-picked nominees – an incredibly draconian measure and one sure to cause considerable instability during this crucial turn around time. You have an opportunity to support the Company's new initiatives – and protect the value of your investment – by rejecting BKF's threat to take control of YOUR company. Please discard any GOLD proxy card you may have received from BKF and Steven Bronson.

YOUR BOARD IS TAKING THE RIGHT STEPS TO BENEFIT ALL SHAREHOLDERS

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. Even if you have previously voted on the gold proxy card supplied by BKF, you can still change your vote to support your Board. Only your latest-dated proxy counts.

We urge you to vote the WHITE proxy card AGAINST BKF's proposal to remove Larry Firestone and the other directors and to replace them with Bronson's nominees.

Since time is short, please vote by telephone or over the internet by following the voting instructions on the enclosed WHITE proxy card.

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

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

Sincerely,

William J. Gervais
Stanley W. Corker
Robert A. Meyer

Lawrence D. Firestone
Carl W. Gromada
Robert E. Rich