

QUALSTAR CORP  
Form DEF 14A  
April 10, 2015  
**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 Rule 14a-12

**QUALSTAR CORPORATION**

**(Name of Registrant as Specified In Its Charter)**

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

**Steven N. Bronson**

**David J. Wolenski**

**Sean M. Leder**

**Dale E. Wallis**

**Nicholas A. Yarymovych**

*Copy to:*

**James A. Prestiano, Esq.**

**The Law Offices of James A. Prestiano, P.C.**

**631 Commack Road, Suite 2A**

**Commack, New York 11725**

**(631) 499-6000**

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):

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:



April 9, 2015

Dear Shareholder:

Shareholders of record as of March 27, 2015 are cordially invited to attend the 2015 Annual Meeting of Shareholders of Qualstar Corporation, a California corporation (“Qualstar,” the “Company,” or “we”), to be held on May 15, 2015, at the corporate offices of Qualstar, located at 31248 Oak Crest Drive, Suite # 120, Westlake Village, California 91361, beginning at 10:00 a.m. Pacific Time (including any adjournment, postponement, continuation or rescheduling thereof, the “2015 Annual Meeting”). At this meeting you will be asked to vote on each of the three (3) proposals set forth in the attached Notice of 2015 Annual Meeting and Proxy Statement, which contains detailed information about each proposal and other matters related to the 2015 Annual Meeting.

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 recommends that you vote **FOR** the following five (5) nominees: Steven N. Bronson, David J. Wolenski, Sean M. Leder, Dale E. Wallis, and Nicholas A. Yarymovych, 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 2015 Annual Meeting. Whether or not you plan to attend the 2015 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 the Company at 31248 Oak Crest Drive Suite 120, Westlake Village, California 91361 or by telephone at 1-800-468-0680 ext. 114.

It is important that your shares be represented. Therefore, even if you presently plan to attend the 2015 Annual Meeting, please complete, sign and date and promptly return the enclosed **WHITE** proxy card in the envelope provided. If you do attend the 2015 Annual Meeting and wish to vote in person, you may withdraw your proxy at that time.

I look forward to seeing you at the 2015 Annual Meeting.

Sincerely,

Steven N. Bronson  
Chief Executive Officer and President

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**QUALSTAR CORPORATION**

**31248 Oak Crest Drive Suite # 120**

**Westlake Village, California 91361**

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**NOTICE OF THE 2015 ANNUAL MEETING OF SHAREHOLDERS**

**To be held on May 15, 2015 at 10:00 A.M. (PDT)**

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NOTICE IS HEREBY GIVEN that the 2015 Annual Meeting of Shareholders (including any adjournment, postponement, continuation or rescheduling thereof, the “2015 Annual Meeting”) of Qualstar Corporation (“Qualstar,” the “Company,” or “we”) will be held at the corporate offices of Qualstar, located at 31248 Oak Crest Drive Suite # 120, Westlake Village, California 91361, on Friday, May 15, 2015, at 10:00 a.m. Pacific Time, for the following purposes:

1. To elect five directors to serve one-year terms expiring at the 2016 Annual Meeting of Shareholders, or until their successors have been duly elected and qualified;
2. To hold an advisory vote on executive compensation;
3. 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, 2015; and
4. To transact any other business as may properly come before the 2015 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 March 27, 2015, are entitled to notice of, and to vote at, the 2015 Annual Meeting and any adjournment or postponement thereof. All shareholders are cordially invited to attend the 2015 Annual Meeting in person.

Your Board of Directors recommends that you vote **FOR** the Board’s five (5) nominees: Steven N. Bronson, David J. Wolenski, Sean M. Leder, Dale E. Wallis, and Nicholas A. Yarymovych.

By Order of the Board of Directors

*Steven N. Bronson, CEO & President*

Westlake Village, California

April 9, 2015

**YOUR VOTE IS IMPORTANT. THEREFORE, WHETHER OR NOT YOU PLAN TO ATTEND THE 2015 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 2015 Annual Meeting of Shareholders to be held on May 15, 2015: This Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended June 30, 2014 are available on Qualstar's website at [www.qualstar.com](http://www.qualstar.com).**

**QUALSTAR CORPORATION**

**31248 Oak Crest Drive, Suite # 120**

**Westlake Village, California 91361**

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**PROXY STATEMENT**

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**2015 ANNUAL MEETING OF SHAREHOLDERS**

**To be held on May 15, 2015 at 10:00 A.M. (PDT)**

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This Proxy Statement (the "Proxy Statement") is being furnished to all shareholders of record as of March 27, 2015 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 2015 Annual Meeting of Shareholders (including any adjournment, postponement, continuation or rescheduling thereof, the "2015 Annual Meeting") to be held on May 15, 2015 at the corporate offices of Qualstar, located at 31248 Oak Crest Drive, Suite # 120, Westlake Village, California 91361, at 10:00 a.m. Pacific Time. This Proxy Statement contains important information about the business matters that will be voted on at the 2015 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 2015 Annual Meeting. This Proxy Statement summarizes the information you need to vote at the 2015 Annual Meeting. You do not need to attend the 2015 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, 2014 are being made available to shareholders beginning on or about April 10, 2015. Please read this Proxy Statement, as it contains important information you need to know to vote at the 2015 Annual Meeting.

### **What proposals will be voted on at the 2015 Annual Meeting?**

At the 2015 Annual Meeting, you will be asked to consider and vote upon the following matters:

Election of five directors to each serve until the 2016 Annual Meeting of Shareholders and until their respective successors shall have been duly elected and qualified (Proposal 1);

Advisory vote to approve the compensation paid to the Company's named executive officers for the fiscal year ended June 30, 2014 (Proposal 2);

Approval of the appointment of SingerLewak LLP as the independent registered public accounting firm for the fiscal year ending June 30, 2015 (Proposal 3); and

Any other matters, if any, as may properly be brought before the 2015 Annual Meeting and any postponement or adjournment of the 2015 Annual Meeting.

### **When and where will the 2015 Annual Meeting be held?**

The 2015 Annual Meeting will be held on May 15, 2015, at 10:00 a.m. Pacific Time, at the corporate offices of Qualstar, located at 31248 Oak Crest Drive, Suite # 120, Westlake Village, California 91361.



**Who is entitled to vote at the 2015 Annual Meeting?**

Your Board of Directors has fixed the close of business on March 27, 2015 as the record date for determining those shareholders entitled to notice of, and to vote on, all matters that may properly come before the 2015 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 2015 Annual Meeting. No other securities are entitled to vote at the 2015 Annual Meeting. Only shareholders of record on the record date are entitled to notice of and to vote at the 2015 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 2015 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 2015 Annual Meeting?**

To conduct business at the 2015 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 2015 Annual Meeting for the transaction of business.

**How do I vote my shares?**

In addition to voting in person at the 2015 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 **WHITE** 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 the Company at 1-800-468-0680 ext. 114.

***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 2015 Annual Meeting.*** You may vote by ballot in person at the 2015 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 2015 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 2015 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 2015 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 recommends that you vote as follows:

“FOR” each of the following five (5) nominees to the Board: Steven N. Bronson, David J. Wolenski, Sean M. Leder, Dale E. Wallis, and Nicholas A. Yarymovych (Proposal 1);

“FOR” approval, on an advisory basis, of the compensation paid to the Company’s named executive officers for the fiscal year ended June 30, 2014 (Proposal 2); and

“FOR” approval of the appointment of SingerLewak LLP as the independent registered public accounting firm for the fiscal year ending June 30, 2015 (Proposal 3).

### **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 2015 Annual Meeting. The directors elected will be the five (5) nominees who receive the highest number of “**FOR**” votes cast at the 2015 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 (Steven N. Bronson, David J. Wolenski, Sean M. Leder, Dale E. Wallis,

and Nicholas A. Yarymovych). **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. The holders of the proxy for the 2015 Annual Meeting shall be Steven N. Bronson and James A. Prestiano (the "Proxy Holders").

For Proposal 2 (advisory vote of executive compensation) and Proposal 3 (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 and 3, 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 2015 Annual Meeting that are properly executed and dated will be voted at the 2015 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: Steven N. Bronson, David J. Wolenski, Sean M. Leder, Dale E. Wallis, and Nicholas A. Yarymovych, and **FOR** Proposal 2, and **FOR** Proposal 3, and in accordance with the best judgment of the Proxy Holders 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 2015 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 2015 Annual Meeting?**

With respect to any other matter that properly comes before the 2015 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 holders of the proxy for the 2015 Annual Meeting shall be Steven N. Bronson and James A. Prestiano.

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 2015 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 2015 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 NASDAQ 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 2015 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 No. 1 but not on Proposal No. 2, the broker will vote on Proposal No. 1 as you direct but will not vote your shares on Proposal No. 2

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 Corporate Secretary of Qualstar a written notice of revocation or a duly executed proxy bearing a later date. Prior to the date of the 2015 Annual Meeting, any notice of revocation or subsequent proxy must be delivered to our Corporate Secretary at 31248 Oak Crest Drive, Suite # 120, Westlake Village, California 91361, the principal executive office of Qualstar. On the date of the 2015 Annual Meeting, such notice or subsequent proxy should be delivered in person at the 2015 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 2015 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.

**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.

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, to beneficial owners. In addition, if asked, we will reimburse these persons for their reasonable expenses in forwarding these materials to the beneficial owners.

**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, 2014 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?**

The Company is available to answer any questions concerning this Proxy Statement, toll free at 1-800-468-0680 ext. 114.

**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, 2014 are available on our website at <http://www.Qualstar.com>.

Your vote at this year's meeting is especially important, no matter how many or how few shares you own. Please sign and date the enclosed **WHITE** proxy card and return it in the enclosed postage-paid envelope promptly or vote by Internet or telephone.

## ELECTION OF DIRECTORS

### (Proposal 1)

In accordance with Qualstar's bylaws, the number of directors constituting the Board is fixed as of the commencement of voting at the 2015 Annual Meeting at five. All five directors are to be elected at the 2015 Annual Meeting and will hold office until the next Annual Meeting of Shareholders and until their respective successors are elected and have been qualified.

The following five individuals - Steven N. Bronson, David J. Wolenski, Sean M. Leder, Dale E. Wallis, and Nicholas A. Yarymovych - have been designated by the Board as the nominees for election as directors. Messrs. Bronson, Wolenski, Leder, Wallis, and Yarymovych currently serve as directors of Qualstar and were all elected to the Board at the 2014 Annual Meeting of Shareholders. Each of these nominees was recommended to the Board by the Nominating and Governance Committee and was approved by the Board. The recommendation of the Board is based on its carefully considered judgment that the experience, record and qualifications of each of its nominees make them the best candidates to serve on the Board. We believe that these five nominees, with their breadth of relevant and diverse experience, represent the best interests of our shareholders and that the five nominees recommended by the Board should be elected.

The nominees of the Board have consented to serving as nominees for election to the Board, to being named in this Proxy Statement and to serving as members of the Board if elected by Qualstar's shareholders. As of the date of this Proxy Statement, Qualstar has no reason to believe that any nominee will be unable or unwilling to serve if elected as a director. However, if for any reason a nominee becomes unable to serve or for good cause will not serve if elected, the Board upon the recommendation of its Nominating and Governance Committee may designate substitute nominees, in which event the shares represented by proxies returned to us will be voted for such substitute nominees. If any substitute nominees are so designated, we will file an amended proxy statement that, as applicable, identifies the substitute nominees, discloses that such nominees have consented to being named in the amended proxy statement and to serve as directors if elected, and includes certain biographical and other information about such nominees required by the applicable rules promulgated by the SEC.

The accompanying **WHITE** proxy card will not be voted for more than five candidates or for anyone other than the Board's nominees or designated substitutes. Unless otherwise instructed, the persons named in the accompanying proxy will vote to elect Steven N. Bronson, David J. Wolenski, Sean M. Leder, Dale E. Wallis and Nicholas A. Yarymovych to the Board, unless, by marking the appropriate space on the **WHITE** proxy card, the shareholder instructs that he, she or it withholds authority from the Proxy Holders to vote.

The following table provides information regarding Qualstar’s nominees, their ages, the year in which each first became a director of Qualstar, their principal occupations or employment during the past five years, directorships held with other public companies at any time during the past five years, and other biographical data. Included in the biography of each nominee is a description of the particular experience, qualifications, attributes or skills that led the Board to conclude that the nominee should serve as a director of Qualstar.

<b>Name</b>	<b>Business Experience During Last</b>
<b>and Age</b>	<b>Five Years and Other Directorships</b>

Steven N. Bronson (49)	Steven N. Bronson was elected to the Board on June 30, 2013, and he was appointed CEO and President on July 3, 2013. Mr. Bronson served as Chairman of Qualstar from June 30, 2013 to June 27, 2014. Mr. Bronson may be deemed to beneficially own 26.55% of Qualstar stock. Mr. Bronson has been Chairman and Chief Executive Officer of BKF Capital Group Inc., since September 2008. In July 2010, Mr. Bronson became Chairman and Chief Executive Officer of Interlink Electronics, Inc. and on October 1, 2014, he was appointed President of Interlink Electronics, Inc. Interlink Electronics, Inc. is a global leader in sensor and human-machine interface technologies. Mr. Bronson effected a turnaround at Interlink Electronics, Inc. from a company that reported losses for many years into a company that now reports profits. In addition, Mr. Bronson serves as Chairman and Chief Executive Officer of Ridgefield Acquisition Corp. and 4net Software, Inc., both publicly traded companies.
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David J. Wolenski (53) David J. Wolenski was elected to serve on Board on June 30, 2013 and on June 27, 2014, he was elected as the Chairman of the Board. Mr. Wolenski is the President of Electro-Mechanical Products, Inc. (“EMP”), 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 on EMP’s board since August 2000, and has served as an officer of the Company since November 2002. From 1996 to 2000, Mr. Wolenski was Chief Executive Officer of OZO Automation, Inc. (OTCBB:OZOA), a publicly-traded company that produced robotic workstations for the electronics industry. As Chief Executive Officer he also managed the sale of OZO’s assets to JOT Automation of Olunsalo, Finland, and served as President of their Depaneling subsidiary from 2000 to 2001. From 1983 to 1996, Mr. Wolenski held various positions with Johns Manville Corporation, a worldwide leader in fiberglass insulations and engineered products, which included managerial assignments in manufacturing, business development, and quality assurance. His past board affiliations have included OZO Automation, Inc. where he was a director from 1996-1999, and Bio-Medical Automation, Inc., where he was a director from 1999-2000. Mr. Wolenski holds a BS degree in Mechanical Engineering from the University of Colorado at Boulder (1983), and an MBA from the University of Colorado at Denver (1990).

Sean Leder (44) Sean M. Leder was elected to serve on Board on June 30, 2013. Mr. Leder is currently serving as Chief Executive Officer of Leder Holdings, LLC, Chief Executive Officer of The Leder Group and President of Leder Realty & Management, Inc. He has held the posts of CEO of The Leder Group and President of Leder Realty & Management for the past twenty years. Mr. Leder started his career on Wall Street where, at Chase Manhattan Bank, he worked in mergers and acquisitions. Later, as a Merrill Lynch investment banker, he worked on the real estate investment banking team, raising capital for and advising real estate investment trusts. Mr. Leder received his B.A. in Political Science from Brandeis University in 1993.

Dale E. Wallis (65) Dale E. Wallis was elected to serve on Board on June 30, 2013. Mr. Wallis has over 40 years of business and entrepreneurial experience. In 2011, Mr. Wallis retired after 11 years as Vice President, Chief Financial Officer and Treasurer of The Aerospace Corporation, a \$900 million revenue defense contractor that manages much of the US Government’s satellite communications programs. Prior to Aerospace, Mr. Wallis was Chief Financial Officer for a privately held company and in senior financial management for an international, SEC reporting company. Earlier in his career Mr. Wallis was a Senior Manager with Ernst & Young and an auditor with KPMG. Mr. Wallis currently is a consultant, adjunct university professor, and board member. Wallis previously served on the board and as audit committee chair for Financial Executives International, a professional organization of over 12,000 CFOs in the US, Canada, Japan and the UK.

Nicholas A. Yarymovych (50) Nicholas A. Yarymovych was elected to serve on Board on June 23, 2014. Mr. Yarymovych is currently the Senior Vice President of Global Consulting & Operations at NTT Centerstance Inc. and also served as its Managing Partner. Mr. Yarymovych founded Ventus Technology Solutions, Inc. (Ventus) in 2001, one of the first Salesforce.com consulting partners and served as President and Chief Executive Officer. In early 2011, he merged Ventus with Centerstance, Inc. and was then acquired by NTT in late 2012. Throughout his 25-year professional consulting career, he has launched new business units, established professional services practices, developed core business strategies and led numerous operational turnarounds. Prior, Mr. Yarymovych served as Vice President of e-Business Solutions with QuickStart Technologies where he led the companies'

e-business consulting services division. Prior to QuickStart, Mr. Yarymovych served as a Client Partner with Cambridge Technology Partners in their Strategy and Management Consulting Group. Currently, he serves as an advisor for several private equity firms. Mr. Yarymovych earned an M.B.A. in Management and Operations from Pepperdine University, a B.S. in Aerospace Engineering from the University of Southern California, and majored in a Bachelor of Science degree in Astronautical Engineering while attending the U.S. Air Force Academy.

**Our Board of Directors recommends a vote FOR the election of each of the Board’s nominees (Steven N. Bronson, David J. Wolenski, Sean M. Leder, Dale E. Wallis, and Nicholas A. Yarymovych) in accordance with the instructions on the enclosed WHITE proxy card or, if you do not receive a proxy card, the voting instruction form provided by your bank or broker.**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ALL FIVE OF THE BOARD’S DIRECTOR NOMINEES.**

## **CORPORATE GOVERNANCE**

### **Director Independence**

Our Board has determined that all of our directors satisfy the current “independent director” standards established by rules of The NASDAQ Stock Market, Inc. (“NASDAQ”), except Steven N. Bronson. Each director serving on the Audit Committee of our Board also meets the more stringent independence requirements established by Securities and Exchange Commission rules applicable to audit committees. Our Board has determined that no director has a relationship that would interfere with the exercise of independent judgment in carrying out his responsibilities as a director. There are no family relationships among any of the directors or executive officers of the Company.

### **Board of Directors and Committee Meetings**

During the fiscal year ended June 30, 2014, our Board of Directors met 12 times and the committees of our interim Board held a total of 12 meetings. Each incumbent director attended at least 100% of the aggregate of all meetings of the Board of Directors and the committees of the Board, if any, on which he served during fiscal 2014 except for Alan Howe, who was absent for one Board meeting.

The independent directors meet in executive session on a regular basis without any management directors or employees present.

In accordance with our Corporate Governance Guidelines, which our previous Board adopted on April 26, 2013, directors are expected to attend annual meetings of shareholders. A copy of our Corporate Governance Guidelines is available in the investors section of the Company's website at [www.Qualstar.com](http://www.Qualstar.com).

## **Committees of the Board**

Our Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee.

### The Audit Committee

The Audit Committee is comprised solely of non-employee directors who satisfy current NASDAQ standards with respect to independence, financial expertise and experience. During the fiscal year ended June 30, 2014, the members of the Audit Committee were: Dale Wallis, David Wolenski, and Sean Leder, with Mr. Wallis serving as the Chairman. On June 27, 2014, Sean Leder replaced Alan Howe on the Audit Committee. Our Board of Directors has determined that Mr. Wallis and Mr. Wolenski meet the Securities and Exchange Commission's definition of "audit committee financial expert."

The Audit Committee has a written charter that specifies its responsibilities, which include oversight of the financial reporting process and system of internal accounting controls of Qualstar, and appointment and oversight of the independent public accountants engaged to audit Qualstar's financial statements. A copy of our Audit Committee Charter is available in the investors section of Qualstar's website at [www.Qualstar.com](http://www.Qualstar.com).

The Audit Committee held 7 meetings during fiscal 2014. To ensure independence, the Audit Committee also meets separately with the Company's independent public accountants apart from meeting with members of management.



### The Compensation Committee

The Compensation Committee is comprised solely of non-employee directors who satisfy current NASDAQ standards with respect to independence. During the fiscal year ended June 30, 2014, the members of the Compensation Committee were: David J. Wolenski and Sean M. Leder, with Mr. Wolenski serving as the Chairman.

The Compensation Committee reviews and recommends the salaries and bonuses of our executive officers, establishes compensation and incentive plans for our executive officers, and determines other fringe benefits. The Compensation Committee also evaluates the Company's compensation plans and practices in order to determine that they do not create excessive or unnecessary risks for the Company. The Compensation Committee held 4 meetings during fiscal 2014.

The Compensation Committee meets with Qualstar's Chief Executive Officer and other senior executives in order to obtain recommendations with respect to Qualstar's compensation programs and practices for executives and other employees. Management discusses with the Compensation Committee the practices that have been put in place to identify and mitigate, as necessary, potential risks. The Compensation Committee takes management's recommendations into consideration, but is not bound by management's recommendations with respect to executive compensation. The Compensation Committee annually reviews and recommends for approval to the full Board all elements of compensation of Qualstar's Chief Executive Officer, and reviews, counsels, and makes recommendations regarding the compensation elements of other senior executives. The Compensation Committee also approves equity awards to all employees of Qualstar. A copy of our Compensation Committee Charter is available in the investors section of the Company's website at [www.Qualstar.com](http://www.Qualstar.com).

The Company held its 2014 Annual Meeting of Shareholders on June 27, 2014. At the Annual Meeting the shareholders of the Company elected a new Board of Directors that took office on the afternoon of June 27, 2014. On August 20, 2014, the Board of Directors appointed the current members of the Compensation Committee, which are David J. Wolenski, Sean Leder, and Nicholas A. Yarymovych, with Mr. Leder serving as Chairman.

### The Nominating and Governance Committee

The Nominating and Governance Committee is comprised solely of independent directors and during fiscal 2014 was comprised of Messrs. Wolenski and Leder. The Nominating Committee held one meeting during fiscal 2014.

The role of the Nominating and Governance Committee, as set forth in its charter, is to develop and recommend to the Board corporate governance guidelines applicable to Qualstar, assist the Board by identifying, evaluating and recommending candidates for election to the Board, and recommending Board members to serve on each committee of the Board. A copy of our Nominating and Governance Committee Charter is available in the investors section of Qualstar's website at [www.Qualstar.com](http://www.Qualstar.com).

The guidelines and procedures for identifying and evaluating nominees for election to the Board are set forth in the charter of the Nominating and Governance Committee. In general, persons considered for nomination to the Board must have demonstrated outstanding achievement, integrity and judgment and such other skills and experience as will enhance the Board's ability to serve the long-term interests of Qualstar and our shareholders, and must be willing and able to devote the necessary time for Board service. To comply with regulatory requirements, a majority of Board members must qualify as independent directors under NASDAQ rules, and at least one Board member must qualify as an "audit committee financial expert" under rules promulgated by the SEC. In order to qualify for nomination or re-nomination for election to the Board, a candidate must also comply with all applicable provisions of Qualstar's bylaws as amended and restated.

The Nominating and Governance Committee considers potential candidates recommended by current directors, company officers, employees and others, and will consider candidates recommended by shareholders for consideration as director nominees. Our charter makes no distinction between whether a director nominee is recommended by a shareholder or by management. Although we have not received any recommendations for director nominees from shareholders, we expect that the Committee would apply the same process and criteria in evaluating a shareholder recommendation as it would for a management recommendation. A shareholder wishing to recommend a candidate for nomination to the Board should send a letter to our Corporate Secretary at 31248 Oak Crest Drive, Suite 120, Westlake Village, California 91361. The mailing envelope must contain a clear notation that the enclosed letter is a "Director Nominee Recommendation." The letter must identify the author as a shareholder and provide a brief summary of the candidate's qualifications. At a minimum, candidates recommended for election to the Board must meet the independence standards established by NASDAQ and the criteria set forth above.

The Company held its 2014 Annual Meeting of Shareholders on June 27, 2014. At the Annual Meeting the shareholders of the Company elected a new Board of Directors that took office on the afternoon of June 27, 2014. At On August 20, 2014, the Board of Directors appointed the current members of the Nominating and Governance Committee, which are David J. Wolenski, Sean Leder, and Dale Wallis, with Mr. Wolenski serving as Chairman.

### **Board Leadership Structure and the Role of the Board in the Oversight of Risk Management**

Our Board is involved in overseeing the management of risks that face our company. Historically, potential risks have been considered by the full Board as they became apparent, such as in connection with potential acquisitions, as new business opportunities are evaluated, or with day-to-day operational issues. Our Audit Committee focuses on risks related to financial information systems and financial reporting, regularly reports to the full Board regarding its activities and any specific risks that merit attention by the full Board. Our Compensation Committee has oversight responsibility regarding risks related to the Company's compensation policies and practices.

### **Shareholder Communications with the Board**

Shareholders wishing to communicate with the Board of Directors or with an individual Board member concerning Qualstar may do so by writing to the Board or to the particular Board member, and mailing the correspondence to: Attention: Corporate Secretary, Qualstar Corporation, 31248 Oak Crest Drive, Suite 120, Westlake Village, California 91361. The envelope should indicate that it contains a shareholder communication.

All correspondence received is opened and screened for security purposes and is then entered into a log for tracking purposes. Qualstar's Corporate Secretary reviews such correspondence and provides the Board at each of its meetings with a summary of all such correspondence and a copy of any correspondence that, in the opinion of the Corporate Secretary, deals with the functions of the Board or the standing committees of the Board or that otherwise requires their attention. The Corporate Secretary will not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic. Correspondence relating to accounting, internal controls or auditing matters will be handled in accordance with procedures established by the Audit Committee with respect to such matters.

## **Code of Business Conduct and Ethics**

The Board has adopted a Code of Business Conduct and Ethics that applies to our chief executive officer, chief financial officer, controller and persons performing similar functions. A copy of the Code of Business Conduct and Ethics is available in the investors section of Qualstar's website at [www.Qualstar.com](http://www.Qualstar.com), and a copy also may be obtained at no charge by written request to the attention of the Corporate Secretary at 31248 Oak Crest Drive, Suite 120, Westlake Village, California 91361.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires Qualstar's directors and executive officers, and persons who own more than ten percent of Qualstar's common stock, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Officers, directors and greater than ten percent shareholders are required by SEC regulations to furnish Qualstar with copies of all Section 16(a) forms they file.

To our knowledge, based solely on a review of the copies of Section 16(a) reports furnished to us and a review of the shareholders register, during the fiscal year ended June 30, 2014, our officers, directors and greater than ten percent beneficial owners complied with all Section 16(a) filing requirements, except Steven N. Bronson who inadvertently filed two Form 4s one day late, Dale E. Wallis and Sean M. Leder who each filed their Form 3s approximately two days late due to a delay in generating their Edgar codes and David J. Wolenski who filed his Form 3 approximately seven days late due to a delay in generating his Edgar codes.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information with respect to the beneficial ownership of our common stock as of March 27, 2015 for:

each person (or group of affiliated persons) who we know beneficially owns more than 5% of our common stock;

each of our directors and nominees for election to the Board;

each of the named executive officers; and

all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to shares. Except as indicated by footnote, the persons named in the table have sole voting and sole investment control with respect to all shares beneficially owned, subject to community property laws where applicable. The percentage of shares beneficially owned is based on 12,253,117 shares of common stock outstanding as of March 27, 2015. Shares of common stock subject to options currently exercisable or exercisable within 60 days of March 27, 2015, are deemed outstanding for computing the percentage ownership of the person holding such options, but are not deemed outstanding for computing the percentage ownership of any other person. The address for those individuals for which an address is not otherwise indicated is: c/o Qualstar Corporation, 31248 Oak Crest Drive, Suite 120, Westlake Village, California 91361.

Name	Common Shares Owned	Options		Beneficial Ownership	
		Exercisable Within 60 Days (1)	Number	Percent	
BKF Capital Group, Inc. (2)	1,500,000	—	3,095,875	25.27	%
BKF Asset Holdings, Inc.(3)	1,595,875		1,595,875	13.02	%
Steven N. Bronson (4)	57,700	100,000	3,253,575	26.55	%
Sean M. Leder (5)	94,110	—	94,110	*	
Nicholas A. Yarymovych(6)	40,000		40,000	*	
Randy Johnson	—	22,000	22,000	*	
William J. Gervais	2,301,864	—	2,443,864	19.94	%
Daniel K. Jan(7)	4,000		4,000	*	
Lloyd Miller, III (8)	1,587,534	—	1,587,534	12.96	%

222 Lakeview Avenue, Suite 160-365  
 West Palm Beach, FL 33401

Dimensional Fund Advisors, LP (9)	901,552	—	901,552	7.36	%
6300 Bee Cave Road, Austin, TX 78746					
All directors and officers as a group (4 persons)	3,291,685	122,000	3,413,685	27.86	%

\*Less than 1.0%

(1) Represents shares that may be acquired upon exercise of stock options which are either currently vested or will vest within 60 days of March 27, 2015.

(2) Based on information contained in reports filed with the Securities and Exchange Commission, BKF Capital Group, Inc. is the beneficial owner of 3,095,875 shares of Qualstar common stock, consisting of 1,500,000 shares owned directly by BKF Capital Group Inc., and an additional 1,595,875 shares owned through BKF Asset Holdings Inc. BKF Asset Holdings, Inc. is a wholly owned subsidiary of BKF Capital Group, Inc.

(3) Based on information contained in reports filed with the Securities and Exchange Commission, BKF Asset Holdings, Inc. is the owner of 1,595,875 shares of Qualstar common stock. BKF Asset Holdings, Inc. is a wholly owned subsidiary of BKF Capital Group, Inc.

- (4) Based on information contained in reports filed with the Securities and Exchange Commission, Mr. Bronson is the owner of 57,700 shares of Qualstar and options to purchase 100,000 shares of common stock. Additionally, Mr. Bronson, as the Chairman, CEO and majority shareholder of BKF Capital Group, Inc., may be deemed to beneficially own the 3,095,875 shares of Qualstar held by BKF Capital Group, Inc.
- (5) Based on information contained in reports filed with the Securities and Exchange Commission, Sean M. Leder, beneficially owns 94,110 shares of Qualstar held by LH Brokerage, LLC.
- (6) Based on information contained in reports filed with the Securities and Exchange Commission, Nicholas A. Yarymovych, owns 40,000 shares of Qualstar as of November 19, 2014.
- (7) Based on information contained in reports filed with the Securities and Exchange Commission, Daniel K. Jan owns 4,000 shares of Qualstar as of January 15, 2015.
- (8) Based on information contained in reports filed with the Securities and Exchange Commission, Lloyd Miller, III, beneficially owns 1,587,534 shares of Qualstar as of May 14, 2014.
- (9) Based on information contained in reports filed with the Securities and Exchange Commission, Dimensional Fund Advisors, LP, an investment adviser, beneficially owns 901,552 shares of Qualstar as of December 31, 2014.

## COMPENSATION DISCUSSION AND ANALYSIS

This section contains a discussion of the material elements of compensation awarded to, earned by, or paid to our principal executive officer, our principal financial officer, and our other executive officers who were serving as executive officers of Qualstar at June 30, 2014. These individuals are identified in the Summary Compensation Table and other compensation tables that follow this section, and are referred to throughout this report as our “named executive officers.”

Our Board of Directors has a standing Compensation Committee, which is comprised solely of nonemployee directors who satisfy current NASDAQ standards with respect to independence.

During the fiscal year ended June 30, 2014, the members of the Compensation Committee were: David J. Wolenski and Sean M. Leder, with Mr. Wolenski serving as Chairman.

The Compensation Discussion and Analysis below is a discussion of the material elements of compensation awarded to, earned by, or paid to our principal executive officer, our principal financial officer, and our other executive officers who were serving as executive officers of Qualstar at June 30, 2014.

## **Executive Summary and Overview of Fiscal 2014 Compensation**

Our Company's long-term success depends on our ability to fulfill the expectations of our customers in a competitive environment and deliver value to shareholders. To achieve these goals, it is critical that we are able to attract, motivate, and retain highly talented individuals at all levels of the organization that are committed to Qualstar's values and objectives.

Qualstar strives to provide compensation that is (a) linked to shareholder value creation, (b) reflective of the overall performance of Qualstar and each individual executive, and (c) considerate of the competitive market levels of compensation needed to recruit, retain and motivate top executive talent, while remaining consistent with the other objectives.

## **Compensation Philosophy and Objectives**

Qualstar's executive compensation program is based on the same objectives that guide Qualstar in establishing all of its compensation programs:

Compensation fosters the long-term focus required for Qualstar's success. In general, the compensation of Company executives includes longer-term incentives because they are in a greater position to influence longer-term results.



Compensation reflects the level of job responsibility, individual performance, and Company performance. As employees progress to higher levels in the organization, an increasing proportion of their pay should be linked to Company performance and shareholder returns because those employees are more able to affect Qualstar's results.

Compensation reflects the value of the job in the marketplace. To attract and retain a highly skilled work force, we must remain competitive with the pay of other premier employers who compete with us for talent.

While compensation programs and individual pay levels will always reflect differences in job responsibilities, geographies and marketplace considerations, the overall structure of the compensation and benefit programs should be broadly similar and equitable across the organization.

## **Overview of Executive Compensation Program**

### ***The Compensation Committee***

The Compensation Committee has responsibility for establishing, implementing and monitoring adherence to Qualstar's compensation philosophy. Accordingly, the Compensation Committee strives to develop and maintain competitive, progressive programs that attract, retain and motivate high-caliber employees, foster teamwork, and maximize the long-term success of Qualstar by appropriately rewarding our employees for their achievements. The Compensation Committee evaluates risks and rewards associated with Qualstar's overall compensation philosophy and structure.

### ***Role of Executive Officers in Compensation Decisions***

The Compensation Committee meets with Qualstar's Chief Executive Officer and other senior executives in order to obtain recommendations with respect to Qualstar's compensation programs and practices for executives and other employees. Management discusses with the Compensation Committee the practices that have been put in place to identify and mitigate, as necessary, potential risks. The Chief Executive Officer annually reviews the performance of each executive officer, other than himself. The Chief Executive Officer's performance is reviewed annually by the Compensation Committee.

With support from market compensation data, performance reviews and other information, management makes recommendations to the Compensation Committee on the base salaries, bonus targets and equity compensation for the

executive officers and other employees. The Compensation Committee takes management's recommendations into consideration, but is not bound by management's recommendations with respect to executive compensation.

While management attends certain meetings of the Compensation Committee, the Compensation Committee also holds executive sessions not attended by any members of management or by non-independent directors. The Compensation Committee makes all compensation decisions in respect of the executive officers and approves recommendations regarding equity awards to all employees of the Company.

### **Executive Officer Compensation Elements**

For fiscal year 2014, the principal components of compensation for named executive officers were: (1) Base Salary, (2) Performance-Based Incentive Compensation, (3) Long-Term Equity Incentive Compensation, (4) Personal Benefits, and (5) Other Compensation. In determining the amount and relative allocation among each component of compensation for each named executive officer, the Compensation Committee considered, among other factors, the Company's and each executive officer's experience level and historical performance, compensation paid by companies comparable in size to Qualstar, data obtained from management's recruitment activities, historical rates of executive compensation, Company revenues and profitability, and alignment with the Company's overall compensation philosophy.

*Base Salary*

Base salaries are set at levels that the Compensation Committee deems to be sufficient to attract and retain highly talented executive officers capable of fulfilling the Company's key objectives. Base salaries are also set with the goal of rewarding executive officers on a day-to-day basis for their time and services while encouraging them to strive for performance-based and long-term incentives.

The table below shows the base salary established by the Compensation Committee for each of our named executive officers for fiscal years 2014 and 2015, and the percentage change compared to the prior fiscal year. Salary adjustments typically do not coincide with the beginning of the fiscal year, so the amounts shown below may differ from those shown in the Fiscal 2013 Summary Compensation Table.

<b>Name and Principal Position</b>	<b>Percent Change versus</b>		<b>Percent Change versus</b>	
	<b>Fiscal 2014</b>	<b>Fiscal 2013</b>	<b>Fiscal 2015</b>	<b>Fiscal 2014</b>
	<b>Base Salary</b>	<b>Base Salary</b>	<b>Base Salary</b>	<b>Base Salary</b>
Steven N. Bronson Chief Executive Officer and President	\$200,000		\$200,000 <sup>(1)</sup>	
Randy D. Johnson Vice President and General Manager, N2Power	\$200,000	0%	\$200,000	
Louann Negrete Chief Financial Officer	\$135,000		\$135,000 <sup>(2)</sup>	
Daniel Jan Executive Vice President	\$200,000		\$200,000 <sup>(3)</sup>	

(1) Mr. Bronson was appointed our Chief Executive Officer and President on July 3, 2013.

(2)

Ms. Negrete was appointed Chief Financial Officer on December 1, 2013. In addition to her base salary, Ms. Negrete also received a one time guaranteed bonus of \$10,000.

(3) Mr. Jan was appointed Executive Vice President on April 1, 2014. In addition to his base salary, Mr. Jan received a restricted stock grant of 100,000 restricted shares of the Company that vest as follows: 33,333 shares on April 1, 2017, 33,333 shares on April 1, 2018 and 33,334 shares on April 1, 2019. Mr. Jan is also eligible to receive a bonus of up to \$60,000.

Steven N. Bronson is engaged as the Company's Chief Executive Officer and President, pursuant to a written employment agreement, effective July 3, 2013. The agreement provided Mr. Bronson with a base salary of \$200,000 per year. Mr. Bronson's employment agreement also provided for a discretionary bonus of 50% of his base salary, equaling \$100,000.00, based on his success in the following areas: organizational restructuring, a return to P&L profitability (or a return to breakeven), positive operating cash flow, cost containment (at the gross line and within SG&A), sales network expansion, and public company compliance. The employment agreement also provided the Board of Directors discretion in granting Mr. Bronson equity based on his performance.

On October 8, 2014, the Board approved a new employment agreement for Steven N. Bronson for the fiscal year July 1, 2014 through June 30, 2015. Pursuant to the agreement, Mr. Bronson is engaged as the Company's Chief Executive Officer and President with a base salary of \$200,000 per year. Mr. Bronson's employment agreement also provides for a discretionary bonus of 75% of his base salary, or up to \$150,000.00, based on his success in the following areas: organizational restructuring, a return to P&L profitability (or a return to breakeven), positive operating cash flow, cost containment (at the gross line and within SG&A), sales network expansion, and public company compliance. The employment agreement also provides for the issuance of options to purchase 100,000 shares of the Company's common stock, which shall vest on June 30, 2015.

Dan Jan has been the Company's Executive Vice President since April 1, 2014. Mr. Jan's employment agreement provides for an annual base salary of \$200,000. Pursuant to his employment agreement, the Company issued Mr. Jan 100,000 shares of Qualstar restricted common stock, vesting as follows: (a) 33,333 will vest on April 1, 2017; (b) 33,333 will vest on April 1, 2018; and (c) 33,334 will vest on April 1, 2019. Mr. Jan is eligible to earn a discretionary cash bonus in the amount of 30% of annual salary or \$60,000, based on specific targets for the fiscal year ended June 30, 2015. Mr. Jan is also eligible to earn a special bonus, with the amount to be determined by the Board of Directors, based on his origination and contribution to closing an acquisition or a business opportunity that results in increased revenues and earnings for Qualstar for the fiscal year ended June 30, 2015. Additionally, the Company agreed to reimburse Mr. Jan for temporary housing for a period of one year not to exceed \$1,500 per month.

Louann Negrete has been the Company's Chief Financial Officer beginning December 2, 2013. Ms. Negrete's employment agreement provides for an annual salary of \$135,000, plus a one time guaranteed bonus of \$10,000 after the first year.

#### *Performance-Based Incentive Compensation*

In connection with the appointment of Steven N. Bronson as our Chief Executive Officer and President on July 3, 2013, the Compensation Committee determined that Mr. Bronson would be eligible for an incentive bonus during fiscal year 2014 based on the achievement of certain goals and objectives established by the Board of Directors. Goals and objectives initially established for Mr. Bronson relate to revitalization of the Company's operations and achievement of financial performance targets, with a potential target incentive bonus of 50% of his base salary, equaling \$100,000.00. After the conclusion of the Fiscal Year on June 30, 2014 ("FY2014"), the Compensation Committee met and discussed Mr. Bronson's performance during FY 2014, and the specific accomplishments that were brought to bear. The Compensation Committee concluded that Mr. Bronson's cost reduction initiatives were successful in dramatically reducing the breakeven point for the Company, and that the resulting corporate footprint was much more nimble and agile as a result of Mr. Bronson's restructuring efforts. The Compensation Committee also acknowledged the marketing, branding, and product development initiatives completed under Mr. Bronson's leadership in FY2014, and determined that commercial efforts that were underway to rehabilitate Qualstar's image in the marketplace were gaining traction, and that the sales side of the business was being addressed appropriately. Based on the above determinations the Compensation Committee recommended to the Board of Directors, and the Board of Directors unanimously approved, with Mr. Bronson abstaining from the vote, that pursuant to his 2014 Employment Agreement, Mr. Bronson receive the maximum amount of the eligible performance bonus or \$100,000 for FY2014.

The Compensation Committee also recommended to the Board of Directors, and the Board of Directors unanimously approved, with Mr. Bronson abstaining from the vote, that pursuant to his 2014 Employment Agreement, Mr. Bronson shall receive an award of 100,000 options, with a strike price to be set as of the closing price of Qualstar common stock on the date of grant, August 20, 2014. The shares shall vest upon issuance, and will have a term of five-years, running through and expiring on the fifth anniversary of the date of grant, unless exercised sooner.

*Long-Term Equity Incentive Compensation*

Our 2008 Stock Incentive Plan authorizes the Company to grant stock options to purchase, in the aggregate, up to 500,000 shares of our common stock. This plan was adopted by our Board of Directors in November 2008 and approved by our shareholders in March 2009. Under the plan, the exercise price of stock options must be no less than the closing price of our common stock on the date of grant. It is our policy to grant stock options only at duly held meetings of our Board of Directors, with an exercise price equal to the closing price of our common stock on the date of the Board meeting.

Stock options are granted to executive officers as long-term incentives in order to align executives' performance with the interests of the Company's stockholders and also to encourage retention. In 2014, the Compensation Committee determined an equity incentive compensation target for each executive officer after consideration of individual performance and accomplishments, future Company performance, performance goals, and other elements of the executives' compensation. No stock options were awarded to executive officers during fiscal year 2014.

*Personal Benefits*

As employees, the executives were eligible to participate in health and welfare benefits, as offered to our general workforce, designed to attract and retain a skilled workforce in a competitive marketplace. These benefits help ensure that the Company has a healthy and focused workforce through reliable and competitive health and other personal benefits. These benefits were considered in relation to the total compensation package, but did not materially impact decisions regarding other elements of executive officer compensation.

*Tax and Accounting Implications*

Under Section 162(m) of the Internal Revenue Code, we generally receive a federal income tax deduction for compensation paid to any of our named executive officers only to the extent total compensation does not exceed \$1.0 million during any fiscal year or if it is “performance-based” under Section 162(m). During fiscal year 2014, none of the executive officers of the Company had non-performance-based compensation in excess of \$1,000,000.

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed the foregoing Compensation Discussion and Analysis and has discussed its contents with Qualstar’s management and the Board of Directors. Based on the review and discussions, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this report.

*Submitted by the members of the Compensation Committee*

David J. Wolenski (Chairman)  
Sean M. Leder

Nicholas A. Yarymovych

## **RISKS RELATED TO COMPENSATION POLICIES AND PRACTICES**

We believe that our compensation programs have been appropriately designed to attract and retain talent and properly incentivize our employees. To the extent our compensation programs provide for incentive-based compensation, these programs are designed to pay for performance and, thus, encourage only appropriate risk-taking. These programs are also subject to funding caps and oversight of the Compensation Committee and various functional departments of the Company to ensure that our employees, including our executive officers, are not encouraged to take excessive or unnecessary risks in managing our business. As a result, we believe that our compensation programs are not likely to create excessive risks that would have a materially adverse effect on the Company.

## **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

Our Board of Directors has a standing Compensation Committee. During the fiscal year ended June 30, 2014, the members of the Compensation Committee were: David J. Wolenski and Sean M. Leder, with Mr. Wolenski serving as the Chairman. On August 20, 2014, the Board of Directors appointed Nicholas A. Yarymovych to the Compensation Committee. The current members of the Compensation Committee are David J. Wolenski, Sean M. Leder, and Nicholas A. Yarymovych, with Mr. Leder serving as Chairman.

During the fiscal year ended June 30, 2014, none of our executive officers:

served as a member of the compensation committee (or other board committee performing equivalent functions or, -in the absence of any such committee, the entire the board of directors) of another entity, one of whose executive officers served as a member of our board of directors;

served as a director of another entity, one of whose executive officers served as a member of our board of directors;  
or



**EXECUTIVE COMPENSATION****Summary Compensation Table**

The following tables show information about the compensation earned by our principal executive officer, our principal financial officer, and our other executive officers who were serving as executive officers at June 30, 2014. These officers are referred to in this report as the “named executive officers.”

**Fiscal Year 2014 Summary Compensation Table**

Name and Principal Position	Year	Salary	Bonus	Grant	All Other	Total
		(1)	(1)	Date	Compensation	
		(\$)	(\$)	Fair Value of Equity Awards (2)	(\$)	(\$)
Steven N. Bronson Chief Executive Officer and President	2014	\$199,231	\$100,000	—	\$ 10,463	\$309,694
	2013	—	—	—	—	—
	2012	—	—	—	—	—
Louann Negrete Chief Financial Officer	2014	78,403	—	—	129	78,532
	2013	—	—	—	—	—
	2012	—	—	—	—	—
Daniel K. Jan (4) Executive Vice President	2014	50,769	—	161,000	426	211,195
	2013	—	—	—	—	—
	2012	—	—	—	—	—
Randy Johnson Vice President and General Manager, N2Power	2014	204,628	—	—	1,947	206,575
	2013	210,428	10,000	—	1,705	222,133
	2012	179,450	10,800	11,600	2,286	204,136
Philip G. Varley (5) Chief Financial Officer	2014	85,392	—	—	7,116	92,508
	2013	37,712	10,000	10,884	405	59,001

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Robert K. Covey (6)	2014	42,903	—	—	68,897	111,800
Former Vice President of Marketing	2013	179,480	10,000	—	1,535	191,015
	2012	179,480	—	11,600	2,213	193,293
Lawrence D. Firestone (7)	2014	29,093	—	—	—	29,093
Former Chief Executive Officer and President	2013	300,019	45,000	42,000	2,279	389,298
	2012	18,463	75,000	70,120	—	163,583

- 
- (1) The amounts shown in these columns reflect salary and bonuses paid to the named executive officers for each of the fiscal years indicated.
- (2) The amounts shown in this column represent the fair value of stock options and/or restricted stock awards at the date of grant.
- (3) The amounts shown above under “All Other Compensation” represent premiums for disability and life insurance, health insurance and severance payments.

(4) On April 1, 2014, Mr. Jan was granted 100,000 restricted shares of Qualstar common stock (the "Restricted Stock") pursuant to his employment agreement with Qualstar. Pursuant to Mr. Jan's employment agreement the Restricted Stock will vest as follows: 33,333 on April 1, 2017; 33,333 on April 1, 2018 and 33,334 on April 1, 2019, and all unvested shares of Restricted Stock shall be forfeited upon termination of his employment. The fair value of the Restricted Stock is \$1.61 per share, which was the closing price per share of Qualstar common stock on the grant date.

(5) Mr. Varley's employment was terminated on December 3, 2013.

(6) Mr. Covey's employment was terminated on August 16, 2013.

(7) Mr. Firestone's employment was terminated on July 3, 2013.

### **Grants of Plan-Based Awards**

No equity awards were granted during the year ended June 30, 2014 under our equity incentive plan.

On March 25, 2014, in connection with the employment of Daniel K. Jan, the Board of Directors authorized and approved the issuance of 100,000 unregistered restricted shares of the Company's common stock (the "Restricted Shares") to Mr. Jan. The Restricted Shares will only vest on the following dates, provided Mr. Jan remains an employee of the Company: (a) 33,333 Restricted Shares will vest in the on June 1, 2017; (b) 33,333 Restricted Shares will vest in the on June 1, 2018; and (c) 33,334 Restricted Shares will vest in the on June 1, 2019.

On August 20, 2014, the Company granted Steven N. Bronson 100,000 stock options pursuant to the Company's 2008 Stock Incentive Plan. On October 8, 2014, pursuant to Steven N. Bronson's employment agreement, the Company granted Steven N. Bronson 100,000 stock options, these options do not vest until June 30, 2015.

### **Outstanding Equity Awards**

The following table provides information regarding outstanding equity awards held by each named executive officer as of June 30, 2014, including the number of unexercised vested and unvested stock options. The vesting schedule for each grant is shown following this table.

**Outstanding Equity Awards at 2014 Fiscal Year End**

Name	Restricted Stock		Option Awards		Option Exercise Price	Option Expiration Date
	Restricted Stock Grant (1)	Number of Securities	Underlying Unexercised	Options (2)		
	Unvested	Vested	Exercisable	Unexercisable	(\$)	Date
Randy Johnson			12,000	—	\$ 3.10	3/25/2018
Randy Johnson			10,000	10,000	\$ 1.89	6/18/2022
Daniel K. Jan	100,000	—				

(1) Restricted Stock was granted to Daniel K. Jan on April 1, 2014, and such restricted stock will vest as follows: 33,333 on April 1, 2017; 33,333 on April 1, 2018 and 33,334 on April 1, 2019.

(2) Stock options granted to the named executive officers vest over four years at the rate of 25% of the options as of each anniversary of the date of grant, provided that the executive is still employed by Qualstar on the vesting date. The amounts shown in this column represent the remaining unvested portion of each option grant.

**Option Exercises**

No executive officer exercised any stock options during the fiscal year ended June 30, 2014.

**Director Compensation**

Each of our non-employee directors receives cash fees as compensation for their service on the Board of Directors and the committees of the Board on which they are a member. The table below sets forth cash compensation earned by each non-employee director during the fiscal year ended June 30, 2014.

**Fiscal Year 2014 Director Compensation Table**

<b>Name</b>	<b>Fees Earned or Paid in Cash</b>	<b>Total</b>
	<b>(1)</b>	<b>(\$)</b>
Steven N. Bronson	\$—	\$—
Dale E. Wallis	20,000	20,000
Alan B. Howe	15,000	15,000
Sean M. Leder	15,000	15,000
David J. Wolenski	18,000	18,000
Nicholas A. Yarymovych	—	—

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The amounts shown in this column represent the amount of cash compensation earned in fiscal year 2014 for (1) service on the Board of Directors and any committees of the Board on which the director was a member in fiscal 2014.

During the fiscal year ended on June 30, 2014, each of our non-employee directors received a stipend of \$15,000 per year, paid quarterly. The Chairman of the Audit Committee received an additional stipend of \$5,000 per year paid quarterly and the Chairman of the Compensation Committee received an additional stipend of \$3,000 per year paid quarterly. On June 27, 2014, the Board appointed David J. Wolenski as the Chairman of the Board and approved an additional stipend for Mr. Wolenski of \$7,500 per year paid quarterly. No fees were paid for service on the Board to directors who were employees of Qualstar.

### **Potential Benefits Upon Termination or a Change in Control**

In the event Mr. Bronson is terminated without cause or he terminates his employment for good reason, then among other things, Mr. Bronson shall be entitled to receive six months of his base salary as severance.

Stock options granted under our 2008 Stock Incentive Plan and our 1998 Stock Incentive Plan provide that upon certain circumstances in the event of or following a change in control of Qualstar, the unvested portion of such stock options will accelerate and become immediately vested in full. In general, a change in control is deemed to occur if we were to sell substantially all of our assets or if Qualstar were to merge into, consolidate with or enter into reorganization with another entity in a transaction in which Qualstar is not the surviving corporation.

If a change in control occurs and the acquiring entity does not assume and continue the employee's rights under the unvested stock options, then all unvested stock options will accelerate and vest in full upon the occurrence of the change in control. If the acquiring entity does assume the employee's rights under the unvested stock options, but the employee's employment subsequently is terminated without cause, or if the employee resigns for good reason after the change in control, then all unvested stock options held by the employee would accelerate and vest in full as of the date of termination.

The reasons for which an employee may voluntarily resign and trigger acceleration of vesting include a change in the employee's position which materially reduces his or her duties and responsibilities or the level of management to which the employee reports, a reduction in the employee's level of compensation and benefits by more than 15 percent, or a relocation of employee's principal place of employment by more than 30 miles without his or her consent.

## **Transactions with Related Persons**

In accordance with the charter of the Audit Committee of our Board of Directors, the Audit Committee is responsible for reviewing any proposed transaction with any related person which involves a potential conflict of interest or for which approval is required under applicable Securities and Exchange Commission and Nasdaq rules. Currently, this review and approval requirement applies to any transaction to which Qualstar will be a party, in which the amount involved exceeds \$120,000, and in which any of the following persons will have a direct or indirect material interest: (a) any of our directors or executive officers, (b) any nominee for election as a director, (c) any security holder who is known to us to own of record or beneficially more than five percent of our common stock, or (d) any member of the immediate family of any of the persons described in the foregoing clauses (a) through (c).

In the event that management becomes aware of any related person transaction, management will present information regarding the proposed transaction to the Audit Committee for review. Approval of a transaction with a related person requires the affirmative vote of a majority of the members of the Audit Committee or of a majority of the members of the full Board of Directors. If the related person transaction involves a member or members of the Board, approval requires a majority vote of the directors who do not have a financial interest in the transaction.

On May 1, 2014, Qualstar entered into a license agreement (the "License Agreement") with BKF Capital Group, Inc. ("BKF"). Pursuant to the License Agreement, commencing on May 1, 2014, BKF shall have a license to occupy and use one furnished office located at Qualstar's executive offices located at 3990-B Heritage Oak Court, Simi Valley, California 91361 (the "Premises"). Pursuant to the License Agreement, BKF shall pay to Qualstar a license fee equal to \$14,400.00 per year, or \$1,200.00 per month, for use of the Premises. BKF shall also have access to a telephone line and other services as described in the License Agreement. Steven N. Bronson, Qualstar's Chairman and CEO, is also the Chairman, CEO and majority shareholder of BKF. A copy of the License Agreement is attached to the Company's Current Report of Form 8-K, filed on May 2, 2014, as Exhibit 10.9. The Board of Directors approved the License Agreement with Mr. Bronson abstaining from the vote. The License Agreement terminated on February 28, 2015.

## **REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

This report is submitted by the Audit Committee members who served on the committee during the fiscal year ended June 30, 2014.

The Audit Committee of the Board of Directors is composed solely of non-employee directors who satisfy the current NASDAQ requirements with respect to independence, financial expertise and experience. The Audit Committee

operates pursuant to a written charter adopted by the Board of Directors, a copy of which is available in the investors section of Qualstar's website at [www.Qualstar.com](http://www.Qualstar.com) .

The Board of Directors has the ultimate authority for effective corporate governance, including oversight of the management of Qualstar. The Audit Committee's purpose is to assist the Board of Directors in fulfilling its responsibilities by overseeing the accounting and financial reporting processes of Qualstar, the audit of Qualstar's consolidated financial statements, the qualifications and performance of the independent registered public accounting firm engaged as Qualstar's independent auditor, and Qualstar's internal control over financial reporting.

The Committee relies on the expertise and knowledge of management and the independent auditor in carrying out its oversight responsibilities. Management is responsible for the preparation, presentation, and integrity of our consolidated financial statements, accounting and financial reporting principles, internal control over financial reporting, and disclosure controls and procedures designed to ensure compliance with accounting standards, applicable laws and regulations. Management is responsible for objectively reviewing and evaluating the adequacy, effectiveness and quality of our system of internal control. Qualstar's independent auditor is responsible for performing an independent audit of the consolidated financial statements and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States.



The Audit Committee fulfilled its duties and responsibilities during fiscal 2014 and with respect to the financial statements for the fiscal year ended June 30, 2014, as outlined in the Committee's charter. Among other actions, the Committee:

- reviewed and discussed our quarterly consolidated financial statements and related periodic reports filed with the SEC, with management and the independent auditor,

- reviewed with management and the independent auditor the audit scope and plans,

- inquired about the adequacy of Qualstar's internal controls,

- inquired about significant risks, reviewed our policies for risk assessment and risk management and assessed the steps management is taking to control these risks, and

- met in periodic executive sessions with the independent auditor.

The Audit Committee has reviewed and discussed with management and SingerLewak LLP, Qualstar's independent auditor for fiscal 2014, the audited financial statements and related footnotes and independent auditor's report on those financial statements for the fiscal year ended June 30, 2014. Management represented to the Audit Committee that our financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee discussed with management and the independent auditor the quality of our accounting principles, the reasonableness of significant estimates and judgments and the disclosures in our financial statements, including the disclosures relating to critical accounting policies.

The Audit Committee recognizes the importance of maintaining the independence of Qualstar's independent auditor, both in fact and appearance. Consistent with its charter, the Audit Committee has evaluated SingerLewak LLP's qualifications, performance and independence. The Audit Committee has received from the independent auditors the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications concerning independence, and has discussed with them their independence from Qualstar and its management and has considered whether the independent auditors' provision of non-audit services is compatible with maintaining their independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, the audited financial statements included in Qualstar's Annual Report on SEC Form 10-K for the fiscal year ended June 30, 2014, for filing with the Securities and Exchange Commission.

**Current Members of the Audit Committee**

Dale E. Wallis, David J. Wolenski and Sean Leder, with Mr. Wallis serving as Chairman.

## ADVISORY VOTE ON EXECUTIVE COMPENSATION

### (Proposal 2)

Section 14A of the Securities Exchange Act of 1934 and related SEC rules require that we provide our shareholders with the opportunity to vote to approve, on a non-binding advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with SEC rules. We must provide this opportunity to our shareholders at least once every three years.

As described in the section of this Proxy Statement headed “Compensation Discussion and Analysis,” our executive compensation program is intended to attract and retain qualified executives required for the success of our business; to reward these executives for financial and operating performance; and to align their interests with those of our shareholders to create long-term shareholder value. In that section we disclose and discuss the compensation paid to our executive officers for the fiscal year ended June 30, 2014.

The Company is asking our shareholders to indicate their support for our named executive officer compensation as described in this Proxy Statement. This proposal, commonly known as a “say-on-pay,” gives the Company's shareholders the opportunity to express their views on the compensation paid to the Company's named executive officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement. Accordingly, the Company is asking our shareholders to vote “FOR” the following resolution at the Annual Meeting:

“RESOLVED, that the Company’s shareholders approve, on an advisory basis, the compensation of the named executive officers, for the fiscal year ended June 30, 2014, as disclosed in the Company’s Proxy Statement for the 2015 Annual Meeting of Shareholders.”

Adoption of this resolution will require the affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting and entitled to vote on the matter. Abstentions will have the same effect as votes against the Proposal. Brokers and other nominee holders do not have discretion to vote uninstructed shares with respect to this Proposal. Accordingly, if brokers or other nominee holders do not receive voting instructions from beneficial owners of the shares, they will not be able to vote the shares and broker non-votes may occur with respect to this Proposal. However, broker non-votes will not affect the outcome of the voting on this Proposal because it requires the affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting (as opposed to a majority of the shares outstanding).

This “say-on-pay” vote is advisory, and therefore is not binding on the Company, the Board of Directors or the Compensation Committee. Although the vote is non-binding, the Board of Directors and the Compensation Committee will review the voting results in connection with their ongoing evaluation of the Company’s compensation program.

**The Board of Directors recommends a vote “FOR” advisory approval of the resolution set forth above.**

**APPROVAL OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****(Proposal 3)**

Proxies solicited by the Board of Directors will, unless otherwise directed, be voted to approve the appointment by the Audit Committee of SingerLewak LLP as the independent registered public accounting firm to audit Qualstar's financial statements for the fiscal year ending June 30, 2015. We have engaged SingerLewak LLP in this capacity each year commencing with fiscal year 2009. If the shareholders do not approve this appointment, the Audit Committee will consider other independent registered public accounting firms.

Representatives of SingerLewak LLP will be present at the 2015 Annual Meeting to respond to appropriate questions and will be given an opportunity to make a statement if they so desire.

***Fees Paid to Independent Registered Public Accounting Firm.*** The aggregate fees billed by SingerLewak LLP, our independent registered public accounting firm for fiscal years 2014 and 2013 for professional services rendered to Qualstar during the fiscal years ended June 30, 2014 and June 30, 2013, respectively, were comprised of the following:

	<b>Fiscal</b>	<b>Fiscal</b>
	<b>2014</b>	<b>2013</b>
Audit Fees	\$ 110,000	\$ 149,000
Audit-related fees	—	—
Tax fees	17,000	15,000
All other fees	—	—
Total fees	\$ 127,000	\$ 164,000

Audit fees include fees for professional services rendered in connection with the audit of our consolidated financial statements for each year and reviews of our unaudited consolidated quarterly financial statements, as well as fees related to consents and reports in connection with regulatory filings for those fiscal years.

SingerLewak, LLP was our principal accountant for tax compliance, tax advice and tax planning during fiscal years 2014 and 2013. Tax fees related primarily to tax compliance review and advisory services.

***Audit Committee Pre-Approval Policies and Procedures.*** Our Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent accountants in accordance with applicable Securities and Exchange Commission rules. The Audit Committee adopted a written pre-approval policy on June 25, 2003, and all services performed by SingerLewak LLP have been pre-approved in accordance with the Audit Committee's pre-approval policy. The Audit Committee generally pre-approves particular services or categories of services on a case-by-case basis. The independent registered public accountants and management periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accountants in accordance with these pre-approvals, and the fees for the services performed to date.

**The Board of Directors recommends a vote "FOR" the approval of the appointment of SingerLewak, LLP.**

## **PROPOSALS AND DIRECTOR NOMINATIONS FOR THE 2016 ANNUAL MEETING**

### **Proposals to be Included in Our Proxy Statement**

A shareholder who wishes to have a proposal considered for inclusion in our proxy statement for action at the 2016 Annual meeting of shareholders must comply with the requirements of Rule 14a-8 under the Securities Exchange Act of 1934. The proposal must be in writing and be received by the Corporate Secretary of Qualstar at our principal place of business no later than December 10, 2015.

### **Advance Notice Procedures**

If a shareholder desires to have a proposal acted upon at the 2016 Annual Meeting of Shareholders that is not to be included in our proxy statement in accordance with SEC Rule 14a-8, or if a shareholder desires to nominate someone for election to our Board of Directors, the shareholder must follow the procedures outlined in our amended and restated bylaws. Our bylaws provide that in order for a shareholder proposal to be considered at an annual meeting of shareholders, written notice of the proposal must be received by the Corporate Secretary of Qualstar at the principal executive offices of Qualstar not less than 60 days nor more than 90 days prior to the anniversary of the preceding year's annual meeting of shareholders. The notice must contain information required by our bylaws, including, but not limited to, a description of the proposal and any material interest of the shareholder relating to such proposal.

In order to nominate someone for election to our Board of Directors at an annual meeting of shareholders, written notice of the proposed nomination must be received by the Corporate Secretary of Qualstar not less than 60 days nor more than 90 days prior to the anniversary of the preceding year's annual meeting of shareholders. The notice must contain information required by our bylaws regarding the shareholder and the nominee, as well as information required to be included in a proxy statement by SEC rules and regulations.

Shareholders are also advised to review Qualstar's amended and restated bylaws, which contain additional requirements about advance notice of shareholder proposals and director nominations, including the information that must accompany any such shareholder notice.

Accordingly, in order for a shareholder proposal (other than a proposal made pursuant to SEC Rule 14a-8) or nomination to be considered at the 2016 Annual Meeting of Shareholders, a written notice of the proposal or the nomination, which includes the information required by our bylaws, must be received by the Corporate Secretary of Qualstar at the principal executive offices of Qualstar between February 14, 2016 and March 16, 2016.

A copy of the full text of the bylaw provisions containing the advance notice procedures described above may be obtained upon written request to the Corporate Secretary of Qualstar at our principal place of business.

**IMPORTANT**

Your vote at this year's 2015 Annual Meeting is especially important, no matter how many or how few shares you own. Please sign and date the enclosed **WHITE** proxy card and return it in the enclosed postage-paid envelope promptly.

Only your latest dated, signed proxy card will be counted. Any proxy may be revoked at any time prior to its exercise at the 2015 Annual Meeting as described in this Proxy Statement.



**Appendix I**

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**INFORMATION CONCERNING PERSONS WHO ARE PARTICIPANTS IN  
QUALSTAR'S SOLICITATION OF PROXIES FOR THE 2015 ANNUAL MEETING OF SHAREHOLDERS**

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Unless otherwise noted, capitalized terms used but not defined in this Appendix I shall have the meanings ascribed to them in the Proxy Statement to which this Appendix I is attached. Under applicable SEC rules and regulations, members of our Board of Directors, our Board's director nominees, and executive officers of Qualstar are deemed to be "participants" with respect to Qualstar's solicitation of proxies from shareholders in connection with the 2015 Annual Meeting of Shareholders.

**Directors and Nominees**

The following table sets forth the names and business addresses of our current directors and director nominees who are all deemed to be "participants" in our solicitation under applicable SEC rules and regulations. The principal occupation or employment of each director or nominee who may be deemed to be a participant is set forth in the section of the Proxy Statement entitled "*Proposal No. 1: Election of Directors.*"

<b>Name</b>	<b>Business Address</b>
Steven N. Bronson	Qualstar Corporation

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31248 Oak Crest Drive, Suite 120  
Westlake Village, California 91361  
Qualstar Corporation

David J. Wolenski 31248 Oak Crest Drive, Suite 120  
Westlake Village, California 91361  
Qualstar Corporation

Sean M. Leder 31248 Oak Crest Drive, Suite 120  
Westlake Village, California 91361  
Qualstar Corporation

Dale E. Wallis 31248 Oak Crest Drive, Suite 120  
Westlake Village, California 91361  
Qualstar Corporation

Nicholas A. Yarymovych 31248 Oak Crest Drive, Suite 120  
Westlake Village, California 91361

**Officers and Employees**

The following table sets forth the names of our executive officers (other than Mr. Bronson who is listed above) who are deemed to be “participants” in our solicitation under applicable SEC rules and regulations. The principal occupation of each person listed below refers to such person’s position with Qualstar, and the business address of Qualstar is 31248 Oak Crest Drive, Suite 120, Westlake Village, California 91361.

<b>Name</b>	<b>Principal Occupation</b>
Louann Negrete	Chief Financial Officer
Randy D. Johnson	Managing Director, N2Power division
Daniel Jan	Executive Vice President



### Information Regarding Ownership of Qualstar's Securities by Participants

Except as described in this Appendix I or otherwise in this Proxy Statement, none of the persons listed above in "Directors and Nominees" and "Officers and Employees" owns any debt or equity security issued by Qualstar of record that he or she does not also own beneficially. The number of shares of Qualstar's common stock beneficially owned by certain of the persons listed above in "Directors and Nominees" and "Officers and Employees," as of March 27, 2015, is set forth in the section of the Proxy Statement entitled "*Security Ownership of Certain Beneficial Owners and Management.*"

### Information Regarding Transactions Involving Qualstar's Securities by Participants

The following table reflects all transactions within the last two fiscal years.

Name	Date	Transaction Description	Number of Shares
			Acquired (Disposed)
Steven N. Bronson(1)	May 21, 2012	Purchase of Shares	2,297,119
Steven N. Bronson(2)	November 21, 2013	Purchase of Shares	13,551
Steven N. Bronson(2)	November 22, 2013	Purchase of Shares	60,320
Steven N. Bronson(2)	November 25, 2013	Purchase of Shares	3,200
Steven N. Bronson(2)	November 26, 2013	Purchase of Shares	10,059
Steven N. Bronson(2)	November 27, 2013	Purchase of Shares	44,874
Steven N. Bronson(2)	December 2, 2013	Purchase of Shares	10,400
Steven N. Bronson(2)	December 4, 2013	Purchase of Shares	24,226
Steven N. Bronson(2)	December 9, 2013	Purchase of Shares	4,600
Steven N. Bronson(2)	December 10, 2013	Purchase of Shares	126
Steven N. Bronson(2)	December 13, 2013	Purchase of Shares	300
Steven N. Bronson(2)	December 16, 2013	Purchase of Shares	11,000
Steven N. Bronson(2)	December 17, 2013	Purchase of Shares	7,440
Steven N. Bronson(2)	December 18, 2013	Purchase of Shares	38,092
Steven N. Bronson(2)	December 19, 2013	Purchase of Shares	4,936
Steven N. Bronson(2)	December 20, 2013	Purchase of Shares	16,554
Steven N. Bronson(2)	December 23, 2013	Purchase of Shares	11,711
Steven N. Bronson(2)	December 24, 2013	Purchase of Shares	8,092
Steven N. Bronson(2)	December 26, 2013	Purchase of Shares	150
Steven N. Bronson(2)	December 27, 2013	Purchase of Shares	10,000
Steven N. Bronson(2)	December 31, 2013	Purchase of Shares	75,698

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Steven N. Bronson(2) January 3, 2014	Purchase of Shares	5,100
Steven N. Bronson(2) January 6, 2014	Purchase of Shares	20,000
Steven N. Bronson(2) January 7, 2014	Purchase of Shares	17,030
Steven N. Bronson(2) January 8, 2014	Purchase of Shares	100
Steven N. Bronson(2) February 21, 2014	Purchase of Shares	171,742
Steven N. Bronson(2) February 25, 2014	Purchase of Shares	2,700
Steven N. Bronson(2) May 30, 2014	Purchase of Shares	3,700
Steven N. Bronson(3) August 20, 2014	Grant of Option to Purchase 100,000 Shares	N/A
Steven N. Bronson(2) October 2, 2014	Purchase of Shares	40,000
Steven N. Bronson(4) October 3, 2014	Purchase of Shares	5,114
Steven N. Bronson(4) November 20, 2014	Purchase of Shares	137,830
Steven N. Bronson(4) November 24, 2014	Purchase of Shares	100
Steven N. Bronson(4) November 25, 2014	Purchase of Shares	500
Steven N. Bronson(4) November 26, 2014	Purchase of Shares	900
Steven N. Bronson(4) December 26, 2014	Purchase of Shares	15,804
Steven N. Bronson(4) December 30, 2014	Purchase of Shares	5,100
Steven N. Bronson(4) December 31, 2014	Purchase of Shares	100
Steven N. Bronson(4) January 2, 2015	Purchase of Shares	1,200
Steven N. Bronson(4) January 5, 2015	Purchase of Shares	217
Steven N. Bronson(4) February 18, 2015	Purchase of Shares	200
Steven N. Bronson(4) February 23, 2015	Purchase of Shares	1,900
Steven N. Bronson(4) February 24, 2015	Purchase of Shares	100

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Steven N. Bronson(4)	February 26, 2015	Purchase of Shares	22,200	
Steven N. Bronson(4)	February 27, 2015	Purchase of Shares	100	
Steven N. Bronson(4)	March 2, 2015	Purchase of Shares	100	
Steven N. Bronson(4)	March 5, 2015	Purchase of Shares	29,201	
Steven N. Bronson(4)	March 6, 2015	Purchase of Shares	100	
Steven N. Bronson(4)	March 9, 2015	Purchase of Shares	737	
Steven N. Bronson(4)	March 10, 2015	Purchase of Shares	1,024	
Steven N. Bronson(4)	March 11, 2015	Purchase of Shares	5,810	
Steven N. Bronson(4)	March 12, 2015	Purchase of Shares	12,415	
David J. Wolenski	None	None	N/A	
Sean M. Leder(5)	May 16, 2014	Purchase of shares	2,500	
Sean M. Leder(5)	May 19, 2014	Purchase of shares	9,500	
Sean M. Leder(5)	June 11, 2014	Purchase of Shares		2,312
Sean M. Leder(5)	June 12, 2014	Purchase of Shares		1,300
Sean M. Leder(5)	June 16, 2014	Purchase of Shares		7,647
Sean M. Leder(5)	June 17, 2014	Purchase of Shares		3,500
Sean M. Leder(5)	October 2, 2014	Purchase of Shares		40,000
Sean M. Leder(5)	November 19, 2014	Purchase of Shares		13,117
Sean M. Leder(5)	November 20, 2014	Purchase of Shares		6,900
Sean M. Leder(5)	February 18, 2015	Purchase of Shares		1,390
Sean M. Leder(5)	February 20, 2015	Purchase of Shares		142
Sean M. Leder(5)	February 26, 2015	Purchase of Shares		22,200
Sean M. Leder(5)	February 27, 2015	Purchase of Shares		100
Sean M. Leder(5)	March 2, 2015	Purchase of Shares		103
Sean M. Leder(5)	March 12, 2015	Purchase of Shares	437	
Sean M. Leder(5)	March 13, 2015	Purchase of Shares	3,365	
Sean M. Leder(5)	March 16, 2015	Purchase of Shares	2,000	
Dale E. Wallis	None	None	N/A	
Louann Negrete	None	None	N/A	

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Randy D. Johnson		Grant of options to purchase 22,000 shares	N/A
Daniel Jan	January 15, 2015	Purchase of Shares	4,000
Nicholas A. Yarymovych	October 2, 2014	Purchase of Shares	1,800
Nicholas A. Yarymovych	November 19, 2014	Purchase of Shares	38,200

(1) These shares of Qualstar were beneficially owned by Mr. Bronson as of May 21, 2012. BKF Capital Group, Inc. (BKF Capital) may be deemed the beneficial owner of 3,095,875 shares of Qualstar, consisting of 1,500,000 shares owned directly by BKF Capital, and an additional 1,595,875 shares owned through BKF Asset Holdings, Inc. BKF Asset Holdings, Inc. is a wholly owned subsidiary of BKF Capital. Steven N. Bronson, as the Chairman, CEO and majority shareholder of BKF Capital, may be deemed to be the beneficial owner of the shares of Qualstar held by BKF Capital. Mr. Bronson individually owns 57,700 shares of Qualstar that were acquired prior to May 21, 2012.

(2) These shares of Qualstar were purchased by BKF Capital Group Inc. in open market transactions.

(3) On August 20, 2014 Steven N. Bronson was granted options to purchase 100,000 shares of Qualstar pursuant to Qualstar's 2008 Stock Incentive Plan.

(4) These shares of Qualstar were purchased by BKF Asset Holdings Inc. in open market transactions. BKF Asset Holdings, Inc. is a wholly owned subsidiary of BKF Capital.

(5) These shares of Qualstar were purchased by LH Brokerage, LLC in open market transactions. Sean M. Leder is the manager and beneficial owner of LH Brokerage, LLC.

### **Miscellaneous Information Regarding Participants**

Except as described in this Appendix I or this Proxy Statement, neither any participant nor any of their respective associates or immediate family members was a party to any transaction or series of transactions since July 1, 2010, or is to be a party to any currently proposed transaction or series of proposed transactions, in which (i) Qualstar was or is to be a participant, (ii) the amount involved exceeds \$120,000, and (iii) any participant, associate or immediate family member had or will have a direct or indirect material interest. Furthermore, except as described in this Appendix I or elsewhere in this Proxy Statement, (a) no participant or any of their respective associates directly or indirectly beneficially owns any securities of Qualstar or any securities of any parent or subsidiary of Qualstar and (b) no participant owns any securities of Qualstar of record that such participant does not own beneficially.

Except as described in this Appendix I or this Proxy Statement:

No participant or any of their respective associates has any arrangements or understandings with any person with respect to any future employment by Qualstar or any of its affiliates or any future transaction to which Qualstar or any of its affiliates will or may be a party;

No participant is, or was within the past year, a party to any contract, arrangement or understanding with any person with respect to any securities of Qualstar, including, but not limited to, joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit, division of losses or profits, or the giving or withholding of proxies;

No participant has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the 2015 Annual Meeting other than, with respect to each of the Board's nominees, such nominee's interest in election to the Board of Directors; and

There are no material proceedings in which any director or executive officer of Qualstar is a party adverse to Qualstar or any of its subsidiaries, or has a material interest adverse to Qualstar or any of its subsidiaries.

Except as described in this Appendix I or this Proxy Statement, and excluding any director or executive officer of Qualstar acting solely in that capacity, no person who is a party to an arrangement or understanding pursuant to which a nominee for election as director is proposed to be elected has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the 2015 Annual Meeting.



**PROXY**

**QUALSTAR CORPORATION**

**31248 Oak Crest Drive, Suite 120**

**Westlake Village, California 91361**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF QUALSTAR CORPORATION.**

The undersigned hereby appoints Steven N. Bronson and James A. Prestiano, and each of them individually, the attorney, agent and proxy of the undersigned, with full power of substitution in each of them, to represent and vote all the shares of Qualstar Corporation which the undersigned is entitled to vote at the 2015 Annual Meeting of Shareholders to be held at Qualstar’s corporate headquarters, located at 31248 Oak Crest Drive, Suite, 120, Westlake Village, California 91361, on May 15, 2015 at 10:00 a.m., Pacific Time, and at any and all adjournments or postponements thereof, as follows:

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” EACH OF THE NOMINEES LISTED IN PROPOSAL 1 AND FOR PROPOSALS 2 AND 3. WHEN PROPERLY EXECUTED, THIS PROXY WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED: “FOR” THE ELECTION OF EACH OF THE NOMINEES LISTED IN PROPOSAL 1 AND FOR PROPOSALS 2 AND 3, AND AS THE PROXY HOLDERS MAY DETERMINE IN THEIR DISCRETION WITH REGARD TO ANY OTHER MATTER PROPERLY BROUGHT BEFORE THE 2015 ANNUAL MEETING.

- |                           |                           |                     |                     |
|---------------------------|---------------------------|---------------------|---------------------|
| 1. Election of Directors: | <b>For Withhold</b>       | <b>For Withhold</b> | <b>For Withhold</b> |
| 01-Steven N. Bronson      | 02-David J. Wolenski      | 03-Sean M. Leder    |                     |
| 04-Dale E. Wallis         | 05-Nicholas A. Yarymovich |                     |                     |

- |                               |  |                            |
|-------------------------------|--|----------------------------|
|                               | <b>For Against Abstain</b>   | <b>For Against Abstain</b> |
| 2. Advisory vote on executive | 3. To approve the appointment of SingerLewak LLP as Qualstar’s independent registered public |                            |

compensation:

accounting firm for the fiscal year ending June 30,  
2015.

IMPORTANT—PLEASE SIGN AND DATE ON OTHER SIDE AND RETURN PROMPTLY

*(continued from reverse side)*

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**This Proxy confers discretionary authority to vote on any other matters as may properly come before the meeting.** The undersigned hereby revokes any other proxy heretofore executed by the undersigned for the meeting and acknowledges receipt of the Notice of 2015 Annual Meeting of Shareholders and Proxy Statement, dated April 9, 2015.

Dated:

Signature

Signature if held jointly

Please date this Proxy and sign it exactly as your name or names appear hereon. When shares are held by more than one person, all should sign. When signing as an attorney, executor, administrator, trustee or guardian, please give full title as such. If shares are held by a corporation or partnership, please sign in full corporate or partnership name by an authorized officer.

Please mark, sign, date and return this Proxy promptly using the enclosed envelope. If your address is incorrectly shown, please print changes.