

QUALSTAR CORP  
Form DEF 14A  
May 10, 2018  
UNITED STATES

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**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)**

N/A

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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-

May 10, 2018

Dear Shareholder:

You are cordially invited to attend the 2018 Annual Meeting of Shareholders of Qualstar Corporation, a California corporation (“Qualstar,” the “Company,” or “we”), to be held on Tuesday, June 26, 2018, at our principal executive office, located at 130 West Cochran Street, Unit C, Simi Valley, California 93065, beginning at 3:00 p.m. Pacific Time (including any adjournment, postponement, continuation or rescheduling thereof, the “Annual Meeting”). At the Annual Meeting, you will be asked to vote on each of the three (3) proposals set forth in the attached Notice of Annual Meeting and Proxy Statement, which contains detailed information about each proposal and other matters related to the Annual Meeting.

We appreciate your support and look forward to seeing you at the Annual Meeting. Whether or not you plan to attend the Annual Meeting, I encourage you to vote your shares by using the internet or telephone, or by mail by signing, dating and returning the **WHITE** proxy card enclosed, as described in the accompanying Proxy Statement. If you do attend the Annual Meeting and wish to vote in person, you may withdraw your proxy at that time by following the instructions in the accompanying Proxy Statement.

If you have any questions or require any assistance with voting your shares, please contact the Company at 130 West Cochran Street, Unit C, Simi Valley, California 93065 or by telephone at 1-800-468-0680 ext. 114.

I look forward to seeing you at the Annual Meeting.

Sincerely,

/s/ Steven N. Bronson  
Steven N. Bronson  
Chief Executive Officer and President



**QUALSTAR CORPORATION**

**130 West Cochran Street, Unit C**

**Simi Valley, California 93065**

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**NOTICE OF THE 2018 ANNUAL MEETING OF SHAREHOLDERS**

**To be held on June 26, 2018 at 3:00 p.m. (Pacific Time)**

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NOTICE IS HEREBY GIVEN that the 2018 Annual Meeting of Shareholders (including any adjournment, postponement, continuation or rescheduling thereof, the “Annual Meeting”) of Qualstar Corporation (“Qualstar,” the “Company,” or “we”) will be held at our principal executive office, located at 130 West Cochran Street, Unit C, Simi Valley, California 93065, on Tuesday, June 26, 2018, at 3:00 p.m. Pacific Time, for the following purposes:

1. To elect four directors to serve one-year terms expiring at the Annual Meeting, or until their successors have been duly elected and qualified;
2. To approve the appointment of RBSM LLP as the independent registered public accounting firm to audit our financial statements for the fiscal year ending December 31, 2018;
3. To conduct an advisory vote regarding the compensation of our Named Executive Officers: Say on Pay;
4. To transact any other business as may properly come before the Annual Meeting and any adjournment thereof.

We have set the close of business on April 30, 2018 as the record date for the meeting. On or about May 17, 2018, we mailed to most of our shareholders a Notice of Internet Availability of Proxy Materials containing instructions on how to gain access to our Proxy Statement and Annual Report and how to vote online. All other shareholders received a copy of the Proxy Statement and Annual Report by mail.

It is important that your shares be represented and voted whether or not you plan to attend the Annual Meeting in person. You may vote on the Internet, by telephone, or by completing and mailing a proxy card or the form forwarded by your bank, broker or other holder of record. Voting over the Internet, by telephone, or by written proxy will ensure your shares are represented at the Annual Meeting. Please review the instructions on the proxy card or the information forwarded by your bank, broker or other holder of record regarding each of these voting options.

**YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS  
THAT YOU VOTE “FOR” EACH NOMINEE FOR DIRECTOR LISTED IN  
PROPOSAL 1 AND “FOR” PROPOSALS 2 AND 3.**

By Order of the Board of Directors

/s/ Steven N. Bronson

*Steven N. Bronson, Chief Executive Officer and President*

Simi Valley, California

May 10, 2018

**PLEASE DATE, SIGN AND MAIL THE ENCLOSED PROXY CARD OR  
SUBMIT YOUR PROXY USING THE INTERNET OR TELEPHONE.**

**Use of the enclosed envelope requires no postage for mailing in the United States.**

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**QUALSTAR CORPORATION**

**130 West Cochran Street, Unit C**

**Simi Valley, California 93065**

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**PROXY STATEMENT**

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**2018 ANNUAL MEETING OF SHAREHOLDERS**

**To be held on June 26, 2018 at 3:00 p.m. (Pacific Time)**

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This Proxy Statement (the “Proxy Statement”) is being furnished to all shareholders of record as of April 30, 2018 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 Annual Meeting of Shareholders (including any adjournment, postponement, continuation or rescheduling thereof, the “Annual Meeting”) to be held on June 26, 2018 at our principal executive office, located at 130 West Cochran Street, Unit C, Simi Valley, California 93065, at 3:00 p.m. Pacific Time. This Proxy Statement contains important information about the business matters that will be voted on at the 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 Annual Meeting. This Proxy Statement summarizes the information you need to vote at the Annual Meeting. You do not need to attend the Annual Meeting to vote your shares of Qualstar's common stock, no par value. This Proxy Statement, the accompanying **WHITE** proxy card and our annual report on Form 10-K for the fiscal year ended December 31, 2017 are being made available to shareholders beginning on or about May 17, 2018. Please read this Proxy Statement, as it contains important information you need to know to vote at the Annual Meeting.

**Why did I receive a Notice of Internet Availability of Proxy Materials instead of a full set of proxy materials?**

In accordance with the rules of the SEC, we have elected to furnish our proxy materials, including this proxy statement and our annual report, primarily via the internet. The notice containing instructions on how to access our proxy materials is first being mailed on or about May 17, 2018 to all shareholders entitled to vote at the Annual Meeting. Shareholders may request to receive all future proxy materials in printed form by mail or electronically by e-mail by following the instructions contained in the notice. We encourage shareholders to take advantage of the availability of our proxy materials on the internet to help reduce the environmental impact and the costs of our annual meetings of shareholders.

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

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

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

Approval of the appointment of RBSM LLP as the independent registered public accounting firm for the fiscal year ending December 31, 2018 (Proposal 2);

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To conduct an advisory vote regarding the compensation of our Named Executive Officers: Say on Pay (Proposal 3); and

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

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

The Annual Meeting will be held on June 26, 2018, at 3:00 p.m. Pacific Time, at our principal executive office, located at 130 West Cochran Street, Unit C, Simi Valley, California 93065.

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

The Board has fixed the close of business on April 30, 2018 as the record date for determining those shareholders entitled to notice of, and to vote on, all matters that may properly come before the Annual Meeting. As of the record date, Qualstar had 2,048,118 outstanding shares of common stock entitled to notice of, and to vote at, the Annual Meeting. No other securities are entitled to vote at the Annual Meeting. Only shareholders of record on the record date are entitled to notice of and to vote at the 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 Annual Meeting and at any adjournment thereof. Under our Restated Articles of Incorporation, shareholders do not have cumulative voting rights in the election of directors.

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

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

## **How do I vote my shares?**

In addition to voting in person at the 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.

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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 Annual Meeting.*** You may vote by ballot in person at the 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 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 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 Annual Meeting, you will revoke any prior proxy you may have submitted.

#### **How does the Board recommend that I vote?**

The Board recommends that you vote as follows:

“FOR” each of the following four (4) nominees to the Board: Steven N. Bronson, David J. Wolenski, Leonard A. Hagan, and Nicholas A. Yarymovych (Proposal 1);

“FOR” approval of the appointment of RBSM LLP as the independent registered public accounting firm for the fiscal year ending December 31, 2018 (Proposal 2); and

“FOR” approval of the advisory vote regarding Named Executive Officer Compensation; Say on Pay (Proposal 3).

#### **What vote is required?**

The vote that is required depends upon the matter that is voted upon.

*Proposal 1*

Directors are elected by a plurality of the votes cast for election of directors and the Board has proposed four (4) nominees. Accordingly, the directors elected will be the four (4) nominees who receive the highest number of “**FOR**” votes cast at the 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 four (4) nominees (Steven N. Bronson, David J. Wolenski, Leonard A. Hagan, 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 may reduce the number of directors to be elected. The holders of the proxy for the Annual Meeting will be Steven N. Bronson and Louann Negrete (the “Proxy Holders”). Proxies solicited by the Board will be voted “**FOR**” each nominee, unless otherwise instructed.

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***Proposal 2***

Approval of the appointment of RBSM LLP as the independent registered public accounting firm for the fiscal year ending December 31, 2018 will require the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote. For purposes of Proposal 2, abstentions and broker non-votes will not affect the voting outcome, which recognizes only actual votes for or against the proposal. Proxies solicited by the Board will be voted “**FOR**” this proposal, unless otherwise instructed.

***Proposal 3***

Approval of the advisory vote on executive compensation will require the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote. For purposes of Proposal 3, abstentions and broker non-votes will not affect voting outcome, which recognizes only actual votes for or against the proposal.

**Are there any directors not standing for reelection?**

No. All directors are standing for re-election at the meeting.

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

**WHITE** proxy cards received by us before the Annual Meeting that are properly executed and dated will be voted at the 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 four (4) director nominees: Steven N. Bronson, David J. Wolenski, Leonard A. Hagan, 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 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 Annual Meeting?**

With respect to any other matter that properly comes before the 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. The holders of the proxy for the Annual Meeting will be Steven N. Bronson and Louann Negrete.

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 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 Annual Meeting for the proposals so marked.

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

If you are a beneficial owner whose shares are held by a broker, your broker has discretionary voting authority under NYSE rules to vote your shares for the ratification of RBSM LLP even if the broker does not receive voting instructions from you. However, your broker does not have discretionary authority to vote on the election of directors, the advisory vote regarding executive compensation or on any shareholder proposal without instructions from you, in which case a broker non-vote will occur. Since shares that constitute broker non-votes will not be included in vote totals and have no effect on the outcome of the election of directors, the advisory vote regarding executive compensation, or any other matters properly brought before the meeting, it is important that you instruct your broker on how to vote your shares.



**Can I revoke my proxy or change my vote?**

Any proxy may be changed or revoked at any time prior to the Annual Meeting by submitting a new proxy with a later date, by a later telephone or Internet vote (subject to the telephone or Internet voting deadline), by voting in person at the Annual Meeting or by submitting a revocation in writing. Written revocations must be directed to: Corporate Secretary, Qualstar Corporation, 130 West Cochran Street, Unit C, Simi Valley, California 93065; and they must be received by the Corporate Secretary no later than 5:00 p.m., Pacific Time, on June 25, 2018.

If you hold your shares in street name (that is, through a bank or broker) and desire to vote by ballot in person at the Annual Meeting, you must obtain a power of attorney or other proxy authority from that organization and bring it to the 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. If you vote in person at the Annual Meeting, you will revoke any prior proxy you may have submitted.

**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?**

Your vote is being solicited on behalf of the Board, and the Company will pay the costs associated with the solicitation of proxies, including preparation, assembly, printing and mailing 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, Qualstar's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 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, our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 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.

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## ELECTION OF DIRECTORS

### (Proposal 1)

In accordance with Qualstar's amended and restated bylaws, the number of authorized directors constituting the Board is fixed as of the commencement of voting at the Annual Meeting at six (6). The Board is nominating four (4) directors to be elected at the Annual Meeting, each of who will hold office until the next Annual Meeting of Shareholders and until their respective successors are elected and have been qualified or such director's earlier resignation, death or removal. As a result, there will be two (2) vacancies on the Board. Such vacancies may be filled by a majority of the remaining directors and any such additional directors shall hold office until his or her successor is elected at an annual or a special meeting of the shareholders. Subject to the provisions of Qualstar's amended and restated bylaws and its restated articles of incorporation, the shareholders may also elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors.

The following four individuals—Steven N. Bronson, David J. Wolenski, Leonard A. Hagan, and Nicholas A. Yarymovych—have been designated by the Board as the nominees for election as directors. Messrs. Bronson, Wolenski, Hagan and Yarymovych currently serve as directors of Qualstar and were all elected to the Board at the 2017 Annual Meeting of Shareholders. Each of our four 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 four nominees, with their breadth of relevant and diverse experience, represent the best interests of our shareholders and that the four 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 four 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, Leonard A. Hagan 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 and Age</b>	<b>Business Experience During Last Five Years and Other Directorships</b>
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Steven N. Bronson (52)	Steven N. Bronson has served as our Chief Executive Officer and a member of our board since July 3, 2013. Mr. Bronson has over 35 years of business and entrepreneurial experience with a strong background in investment banking, operations and management. Mr. Bronson has been Chairman and Chief Executive Officer of BKF Capital Group Inc., since September 2008. In July 2010 he became Chairman and Chief Executive of Interlink Electronics, Inc., a global leader in the design of patented Force-Sensing Resistor™ (FSR™) technology and a pioneer in printed electronics. In addition, Mr. Bronson served as Chairman and Chief Executive Officer of Ridgefield Acquisition Corp. and 4net Software, Inc., both publicly traded companies. The Board has concluded that Mr. Bronson should serve on our Board based on his positions as President and Chief Executive Officer of our company, as well as his substantial experience in the electronics industry.
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David J.  
Wolenski (56)

David J. Wolenski currently serves as 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. 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). The Board has concluded that Mr. Wolenski should serve on our Board based on his senior executive management experience at privately held and publicly held manufacturing companies and his prior experience as a director of other companies.

Nicholas  
A. Yarymovych  
(53)

Nicholas A. Yarymovych is currently the CEO and President (founder) of Cloudpointe, Inc. Previously, he was the Senior Vice President of Global Consulting & Operations at NTT Data, Cloud Services Inc. and also served as NTT Centerstance’s 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. which was then acquired by NTT in late 2012. Throughout his 28-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 has a Bachelor of Science degree in Astronautical Engineering from the U.S. Air Force Academy. The Board has concluded that Mr. Yarymovych should serve on our Board based on his senior executive management experience and his experience with turnaround companies, mergers and acquisitions.

Leonard A.  
Hagan (65)

Leonard A. Hagan is a founding partner at Hagan & Burns CPA’s P.C. (“Hagan & Burns”) where he provides financial and regulatory services to the broker dealer community as well as tax planning services to the firm’s clients. Prior to founding Hagan & Burns in 1995, Mr. Hagan worked for several years at the accounting firm of S.D. Leidesdorf & Co. where he was a manager, which was then merged into Ernst & Whitney. Following his time at S.D. Leidesdorf & Co. and Ernst & Whitney, Mr. Hagan spent three years at Credit Suisse until he founded his own accounting firm. Mr. Hagan has over forty years’ experience as a Certified Public Accountant and over twenty years as a licensed Financial and Operation Principal. Mr. Hagan is registered today as the Financial and Operating Principal for the following broker dealers registered with the Securities and Exchange Commission: Livingston Securities, LLC, Spoke Financial LLC and Core Financial LLC. Mr. Hagan is also a director of Ridgefield Acquisitions Corp, and BKF Capital Group Inc., each of which are

publicly traded companies. Mr. Hagan earned a Bachelor of Arts degree in Economics from Ithaca College and continued his education at Cornell University where he received his MBA in accounting and finance. The Board has concluded that Mr. Hagan should serve on our Board based on his financial expertise and his experience of being a public company director.

### **Vote Required and the Board's Recommendation**

The affirmative vote of a plurality of the total shares of common stock represented in person or by proxy and entitled to vote is required for the election of each of the nominees. Any shares that are not voted, whether by abstention, broker non-votes or otherwise, will not affect the election of directors, except to the extent that the failure to vote for an individual will result in another individual receiving a larger proportion of the votes cast.

It is the intention of the persons named as proxies to vote such proxy FOR the election of all nominees, unless otherwise directed by the shareholder. The Board knows of no reason why any of the nominees would be unable or unwilling to serve, but if any nominee should for any reason be unable or unwilling to serve, the proxies will be voted for the election of such other person for the office of director as the Board may recommend in the place of such nominee.

**The Board recommends that shareholders vote "FOR" the election of each nominee LISTED above. PROXIES SOLICITED BY THE BOARD WILL BE VOTED "FOR" EACH NOMINEE, UNLESS OTHERWISE INSTRUCTED.**

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## **CORPORATE GOVERNANCE**

### **Director Independence**

Our Board has determined that all of our current directors and Dale E. Wallis, who served on our Board during the 2017 fiscal year but did not stand for re-election at our 2017 annual shareholder meeting, at the time of their service, satisfied the “independent director” standards established by rules of The NASDAQ Stock Market, Inc. (“NASDAQ”), except for Steven N. Bronson. Each director serving on the Audit Committee of our Board and Dale E. Wallis, who served on the Audit Committee of our Board during the 2017 fiscal year, at the time of their service also met 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.

### **The Board and Committee Meetings**

During the twelve months ended December 31, 2017, our Board of Directors held six meetings, our Audit Committee held seven meetings and our Compensation Committee held two meetings. Each director attended (or participated by telephone in) 100% of the total number of meetings of the Board and committees on which he served.

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 Board adopted on April 26, 2013, directors are expected to attend annual meetings of shareholders. Mr. Bronson and Mr. Wolenski attended last year’s annual meeting of shareholders in person. 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 oversees our risk management. This oversight is administered primarily through the following committees: (i) an Audit Committee, (ii) a Compensation Committee and (iii) a Nominating and Corporate Governance

Committee. Each Committee has only independent directors as members.

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 December 31, 2017, the members of the Audit Committee were: Leonard Hagan, David Wolenski, and Nicholas Yarymovych, with Mr. Hagan serving as the Chairman. The Board has determined that Mr. Hagan qualifies as an “audit committee financial expert” as defined by Item 407(d)(5)(ii) of Regulation S-K.

The Audit Committee has a written charter that requires the committee to oversee our accounting and financial reporting process, our system of internal controls regarding finance, accounting, legal compliance and ethics, and the audits of our financial statements, a current copy of which is available to shareholders on our website, [www.qualstar.com](http://www.qualstar.com). The primary duties of the Audit Committee consist of, among other things:

- serving as an independent and objective party to monitor our financial reporting process, internal control system and disclosure control system;
  - reviewing and appraising the audit efforts of our independent accountants;
  - assuming direct responsibility for the appointment, compensation, retention and oversight of the work of the outside auditors and for the resolution of disputes between the outside auditors and our management regarding financial reporting issues;
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- providing an open avenue of communication among the independent accountants, financial and senior management and the Board;
- reviewing and approving all related party transactions;
- discussing with management any correspondence from regulators, government agencies, or employee complaints or any reports that raise material issue regarding the Company's financial statements, processes, or policies; and
- discussing our policies with respect to risk assessment and risk management.

The Audit Committee held 7 meetings during the fiscal year ended December 31, 2017. 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

Our Compensation Committee consists of three directors: Messrs. Yarymovych (chairman), Hagan and Wolenski. Each such member of the Compensation Committee is independent applying the definition of independence under the listing standards of NASDAQ and SEC regulations.

Each member of our Compensation Committee must (i) be one of our independent directors satisfying the independence requirements of NASDAQ and other applicable regulatory requirements; (ii) qualify as an "outside director" under Section 162(m) of the Internal Revenue Code, as amended; and (iii) meet the requirements of a "non-employee director" for purposes of Section 16 of the Securities Exchange Act of 1934, as amended. Except as permitted by NASDAQ, members of the Compensation Committee must not accept any consulting, advisory or the other compensatory fee from us or any of our subsidiaries.

The Compensation Committee oversees the determination of all matters relating to employee compensation and benefits and specifically determines and approves salaries, bonuses and equity-based compensation for our executive officers.

We have adopted a Compensation Committee charter which outlines the Compensation Committee's primary duties which are to:

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evaluate the performance of the Chief Executive Officer in light of our goals and objectives and determine the Chief Executive Officer's compensation based on this evaluation and such other factors as the Committee shall deem appropriate;

• determine and approve all executive officer compensation;

• approve the aggregate amounts and methodology for determination of all salary, bonus, and long-term incentive awards for all employees other than executive officers;

• review and recommend equity-based compensation plans to the full Board and approve all grants and awards thereunder;

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