

QUALSTAR CORP  
Form 10-Q  
February 14, 2007

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**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**Form 10-Q**  
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**R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended December 31, 2006**

**OR**

**£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the Transition Period From to**

**Commission file number 000-30083**

**QUALSTAR CORPORATION**

**CALIFORNIA**  
(State of incorporation)

**95-3927330**  
(I.R.S. Employer  
Identification No.)

**3990-B Heritage Oak Court, Simi Valley, CA 93063  
(805) 583-7744**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):  
Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act

Rule 12b-2). Yes ☐ No ☒

Total shares of common stock without par value outstanding at December 31, 2006 is 12,253,117.

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**QUALSTAR CORPORATION**

**FORM 10-Q**

**FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2006**

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**PART I — FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****QUALSTAR CORPORATION****CONSOLIDATED CONDENSED BALANCE SHEETS****(In thousands)**

	<b>December 31, 2006 (Unaudited)</b>	<b>June 30, 2006 (Audited)</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,886	\$ 6,845
Marketable securities, short-term	17,765	14,040
Receivables, net of allowances of \$150 and \$118 at December 31, 2006, and June 30, 2006, respectively	3,053	2,700
Inventories, net	6,507	7,298
Prepaid expenses and other current assets	496	511
Prepaid income taxes	166	159
Total current assets	33,873	31,553
Property and equipment, net	746	924
Marketable securities, long-term	9,814	12,782
Other assets	116	140
Total assets	\$ 44,549	\$ 45,399
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 873	\$ 783
Accrued payroll and related liabilities	422	466
Other accrued liabilities	1,135	1,292
Total current liabilities	2,430	2,541
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 5,000 shares authorized; no shares issued	—	—
Common stock, no par value; 50,000 shares authorized, 12,253 shares issued and outstanding at December 31, 2006 and June 30, 2006	18,528	18,503
Accumulated other comprehensive loss	(134)	(395)
Retained earnings	23,725	24,750
Total shareholders' equity	42,119	42,858
Total liabilities and shareholders' equity	\$ 44,549	\$ 45,399

**See the accompanying notes to these interim condensed consolidated financial statements.**

**QUALSTAR CORPORATION**

**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**

**(Unaudited) (In thousands, except per share data)**

	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Net Revenues	\$ 5,283	\$ 5,689	\$ 9,942	\$ 11,791
Cost of goods sold	3,649	3,767	7,006	7,965
Gross profit	1,634	1,922	2,936	3,826
Operating expenses:				
Research and development	756	762	1,507	1,481
Sales and marketing	883	715	1,650	1,472
General and administrative	812	900	1,556	1,810
Total operating expenses	2,451	2,377	4,713	4,763
Loss from operations	(817)	(455)	(1,777)	(937)