

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

**For the Quarterly Period Ended March 31, 2007**

**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 March 31, 2007 is 12,253,117.

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**QUALSTAR CORPORATION**

**FORM 10-Q**

**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2007**

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

	<b>March 31, 2007 (Unaudited)</b>	<b>June 30, 2006 (Audited)</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 9,750	\$ 6,845
Marketable securities, short-term	11,680	14,040
Receivables, net of allowances of \$126 and \$118 at March 31, 2007, and June 30, 2006, respectively	3,050	2,700
Inventories, net	6,327	7,298
Prepaid expenses and other current assets	592	511
Prepaid income taxes	119	159
Total current assets	31,518	31,553
Property and equipment, net	654	924
Marketable securities, long-term	11,779	12,782
Other assets	120	140
Total assets	\$ 44,071	\$ 45,399
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,150	\$ 783
Accrued payroll and related liabilities	342	466
Other accrued liabilities	1,019	1,292
Total current liabilities	2,511	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 March 31, 2007 and June 30, 2006	18,556	18,503
Accumulated other comprehensive loss	(54)	(395)
Retained earnings	23,058	24,750
Total shareholders' equity	41,560	42,858
Total liabilities and shareholders' equity	\$ 44,071	\$ 45,399

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



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**QUALSTAR CORPORATION**  
**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2007	2006	2007	2006
Net Revenues	\$ 4,884	\$ 5,052	\$ 14,826	\$ 16,843
Cost of goods sold	3,546	3,606	10,552	11,571
Gross profit	1,338	1,446	4,274	5,272
Operating expenses:				
Research and development	846	841	2,352	2,322
Sales and marketing	659	763	2,310	2,235
General and administrative	764	889	2,320	2,699
Total operating expenses	2,269	2,493	6,982	