

Edgar Filing: DIGITAL POWER CORP - Form 10KSB/A

DIGITAL POWER CORP
Form 10KSB/A
April 30, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-KSB/A-1

(Mark One)

- ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2002
- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

DIGITAL POWER CORPORATION
(Exact name of registrant as specified in its charter)

California -----	3679 ----	94-1721931 -----
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code)	(I.R.S. Employer Identification No.)

41920 Christy Street, Fremont, California 94538-3158; 510-657-2635
(Address and telephone number of principal executive offices)

Securities registered under Section 12(b) of the Exchange Act:

Title of Class -----	Name of Exchange on Which Registered -----
Common Stock	American Stock Exchange

Securities registered under Section 12(g) of the Exchange Act:

Title of Class

None

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act, during the past 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 [X] No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. []

Revenues for the year ended December 31, 2002 were \$8,775,000.

As of April 29, 2003, the aggregate market value of the voting common stock held by non-affiliates was approximately \$3,571,049 based on the closing price of \$0.66 per share.

As of April 29, 2003, the number of shares of common stock outstanding was 5,410,680.

Documents Incorporated by reference. None

Transitional Small Business Disclosure Format (check one): Yes [] No [X]

Edgar Filing: DIGITAL POWER CORP - Form 10KSB/A

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act of the Registrant.

Name	Position	Age	Period
Ben-Zion Diamant	Chairman	53	2001 - Present
David Amitai	President and Chief Executive Officer, Director	61	2001 - Present
Mark L. Thum	Director	54	2001 - Present
Josef Berger	Director	52	2002 - Present
Yeheskel Manea	Director	59	2002 - Present
Youval Menipaz	Director	53	2002 - Present
Uri Friedlander	Former Chief Financial Officer and Secretary	40	2001 - 2002
Haim Yatim	Chief Financial Officer and Secretary	39	2002 - Present

Directors

The following is a brief description of the business background of the Company's Directors:

Ben-Zion Diamant Director since 2001

Mr. Diamant, age 53, has been the Chairman of the Board of the Company since November 2001. He has also been Chairman of the Board of Telkooor Telecom Ltd. since 1994. From 1992-1994, Mr. Diamant was a partner and business development manager of Phascom. From 1989 to 1992, Mr. Diamant was a partner and manager of Rotel Communication. He earned his BA in Political Science from Bar-Ilan University.

David Amitai Director since 2001

Mr. Amitai, age 61, has served as President and Chief Executive Officer of the Company since November 2001. He has also served as President and Chief Executive Officer of Telkooor Telecom Ltd. and its subsidiary Telkooor Power Supplies since 1994. Prior to working for Telkooor Telecom Ltd., Mr. Amitai was the founder and General Manager of Tadiran's Microelectronics Division from 1978 to 1989 and the Director of Material and Logistics of Tadiran from 1989 to 1994. Mr. Amitai held positions in engineering and manufacturing at the California base

semiconductor companies: Monolithic Memories (MMI) and Fairchild Semi. Mr. Amitai earned his engineering degree from California State University at San Jose, California.

Edgar Filing: DIGITAL POWER CORP - Form 10KSB/A

Mark L. Thum

Director since 2001

Mr. Thum, age 54, has been a Director of the Company since 2001. He is currently Vice President of International Business Development for BAE Systems Information and Electronic Warfare System (formerly Sanders, a Lockheed Martin company, and formerly Loral Electronics Systems). Mr. Thum joined then Loral Electronic Systems in 1993. From 1971 to 1993, Mr. Thum worked for Grumman Aerospace Corporation. From 1989 to 1993, he was Director of Airborne Early Warning Aircraft International Programs. Mr. Thum holds a B.E. in Engineering Science from State University of New York at Stony Brook and a M.S. in Management Engineering from Long Island University.

Josef Berger

Director since 2002

Dr. Berger, age 52, has served as a Director of the Company since 2002. From 1998 to 2002, Dr. Berger was the Founder, President and Chief Executive Officer of CALY Networks, a company that made high speed wireless Internet access solutions. From 1988 to 1997, Dr. Berger was a Founder, Senior Vice President and Director of Harmonic Inc. (Nasdaq: HLIT), which provides broadband solutions to deliver video, voice and data in Cable TV and Satellite networks. Dr. Berger holds a doctorate in Physics from the Technion Israel Institute of Technology.

Yeheskel Manea

Director since 2002

Mr. Manea, age 59, has served as a Director of the Company since 2002. Since 1996, he has been a Branch Manager of Bank Hapoalim, one of the leading banks in Israel. Mr. Manea has been employed with Bank Hapoalim since 1972. He holds a Bachelors of Science in Economy and Business Administration from Ferris College University of Michigan.

Youval Menipaz

Director since 2002

Mr. Menipaz, age 53, has served as a Director of the Company since 2002. Mr. Menipaz has been the Managing Director of Foriland Investments since 2000, a privately owned company which invests in and manages several companies. Since 1977, he held several executive positions in leading companies within the Israeli market. Among others, he served as the Operation Manager of Osem Industries Ltd, Vice President of Elite Industries Ltd, President of Supershuk Greenberg Ltd. Mr. Menipaz holds a Bachelors of Science in Industrial Engineering from the Technion, the Israeli Institute of Technology.

Mr. Menha's daughter is married to Mr. Diamont's son. Mr. Menipaz is the son of Mr. Amitai's cousin. There are no other family relationships between any of the officers, directors or nominees.

Executive Officers

The following is a brief description of the business background of the Company's officers:

The biographies of Messers. Diamant and Amitai can be found above under Directors.

Uri Friedlander

Officer from 2001 to 2002

Mr. Friedlander, age 40, was Chief Financial Officer of the Company from November 2001 to August 2002. He has been the Chief Financial Officer of Telkoor Telecom Ltd. and its subsidiaries since 1997. From 1991 to 1996, Mr. Friedlander was a controller of International Technology Lasers Ltd. and Quality Power

Edgar Filing: DIGITAL POWER CORP - Form 10KSB/A

Supplies Ltd., members of Clal Electronics Group. From 1986 until 1990, he served as auditor for Lyoboshitz Kasirer (currently Arthur Andersen) Public Accountants. Mr. Friedlander received a B.A. degree in Accounting and Economics from Tel-Aviv University.

Haim Yatim

Officer since 2002

Mr. Yatim, age 39, was appointed as the Company's Chief Financial Officer in August 2002. From 2000 to 2002, he was a partner at Ernst & Young. From 1995 until 2000, he was an auditor with Ernst & Young. From 1992 to 1994, he was an Auditor at Almagor. Mr. Yatim is a certified public accountant. Mr. Yatim received a B.A. degree in Accounting and Economics from Tel-Aviv University.

SECTION 16 TRANSACTIONS

Section 16(a) of the Exchange Act requires our executive officers and directors to file reports of ownership and changes in ownership of our common stock with the SEC. Executive officers and directors are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely upon a review of Forms 3, 4 and 5 delivered to the Securities and Exchange Commission ("Commission") during fiscal year 2002, all current directors and officers of the Company timely filed all required reports pursuant to Section 16(a) of the Securities Exchange Act of 1934, except Yeheskel Manea, Haim Yatim, and Youval Menipaz who were late filing their Form 3's, which each reported one transaction.

Item 10. Executive Compensation.

EXECUTIVE COMPENSATION AND OTHER TRANSACTIONS

This table lists the aggregate cash compensation paid in the past three years for all services of the Chief Executive Officer and other persons who earned over \$100,000 last fiscal year.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		Awards		Long Ter
		Salary	Other Annual Compensation (\$)	Restricted Stock Award(s) (\$)	Securities Underlying Options (#)	LTIP Payouts (\$)
David Amitai, President and Chief Executive Officer	2002	\$ 0	\$166,850 (1)	\$0	0	\$0
	2001	\$ 0 (1)	\$ 14,428 (1)	\$0	200,000 (2)	\$0
Robert O. Smith, Consultant and Former President and Chief Executive Officer	2002	\$ 0	\$1,00,000	\$0	100,000 (3)	\$0
	2001	\$125,851	\$0	\$0	100,000 (4)	\$0
	2000	\$200,000	\$0	\$0	100,000 (4)	\$0

(1) For the years ended December 31, 2001 and 2002, the Company did not pay

Edgar Filing: DIGITAL POWER CORP - Form 10KSB/A

Mr. Amitai a salary, but did reimburse him for certain expenses related to living in the United States and his services to the Company, including rent, telephone, car and other related expenses. For the year ended December 31, 2002, Mr. Amitai's expenses were \$166,850 including \$54,400 that will be reimbursed in 2003. Such amount has been grossed up such that Mr. Amitai does not incur U.S. Federal and State income tax on such expenses.

- (2) Represents options to purchase 200,000 shares of common stock at \$0.70 per share.
- (3) Pursuant to Mr. Smith's consulting agreement, he is entitled to receive options to purchase 100,000 at \$3.00 per share on the first business day of the year.
- (4) Pursuant to Mr. Smith's former employment contract, he was entitled to receive options to purchase 100,000 shares of common stock each year. The exercise price for year 2001 was \$1.63 and year 2000 was \$1.5625.

Employment Agreements

On November 16, 2001, the Company and Mr. Robert Smith entered into a consulting agreement for a period of three years. Under the Consulting Agreement, Mr. Smith is paid \$100,000 per year and granted options to purchase 100,000 shares of common stock each year.

Options Granted in Last Fiscal Year

Individual Grants

Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Base Price (\$/sh)	Expiration Date
David Amitai	0	0%	-	-
Robert O. Smith	100,000	59%	\$3.00	1/2012

Ten-Year Options/SAR Repricings

There were no repricing of options for the fiscal year ended December 31, 2002.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth executive officer options exercised and option values for fiscal year ended December 31, 2002 for all executive officers at the end of the year.

Name	Shares Acquired or Exercised	Value Realized	Number of Options at December 31, 2002 (Exercisable/Unexercisable)	Value of Unexercised Options In-the-Money at December 31, 2002 (Exercisable/Unexercisable) (1)
------	------------------------------	----------------	--	--

Edgar Filing: DIGITAL POWER CORP - Form 10KSB/A

David Amitai	-0-	-0-	100,000/100,000	0/0
Robert O. Smith	-0-	-0-	411,500/0	0/0

Footnotes to Table

(1) Market price at December 31, 2002 for a share of common stock was \$0.52.

Directors' Compensation

All directors who are not employees of the Company are paid \$10,000 per annum paid quarterly and granted options to purchase 10,000 shares of common stock vesting upon completion of one year of service.

Item 11. Security Ownership of Certain Beneficial Owners and Management And Related Stockholder Matters

STOCK OWNERSHIP

The following table shows the amount of our shares of common stock (AMEX Symbol: DPW) beneficially owned (unless otherwise indicated) by each shareholder known by us to be the beneficial owner of more than 5% of our common stock, by each of our directors and nominees and the executive officers, directors and nominees as a group. As of April 29, 2003, there were 5,410,680 shares of common stock outstanding. All information is as of April 29, 2003. Unless indicated otherwise, the address of all shareholders listed is Digital Power Corporation, 41920 Christy Street, Fremont, California 94538.

Name & Address of Beneficial Owner	Shares Beneficially Owned(1)	
	Number	Percent
Telkoo Telecom Ltd. 5 Giborei Israel Netanya 42293 Israel	3,150,000 (2)	49.1%
Ben-Zion Diamant	3,250,000 (3)	49.9%
David Amitai	3,417,504 (4)	52.5%
Josef Berger	10,000 (5)	*
Mark L. Thum	10,000 (5)	*
Yeheskel Manea	0	*
Youval Menipaz	0	*
Digital Power ESOP	167,504	3.1%
Robert O. Smith	511,500 (6)	8.0%
Barry W. Blank P.O. Box 32056 Phoenix, AZ 85064	450,800	8.3%

Edgar Filing: DIGITAL POWER CORP - Form 10KSB/A

All directors and executive officers as a group (7 persons)	3,537,504 (7)	53.4%
---	---------------	-------

Footnotes to Table

* Less than one percent.

- (1) Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable.
- (2) Includes 2,150,000 shares and warrants to purchase 1,000,000 shares.
- (3) Mr. Diamant serves as a director of Telkooor Telecom Ltd. Includes options to purchase 100,000 shares owned by Mr. Diamant and 2,150,000 shares and warrants to purchase 1,000,000 shares beneficially owned by Telkooor Telecom, which may also be deemed beneficially owned by Mr. Diamant.
- (4) Mr. Amitai serves as a director of Telkooor Telecom Ltd. Includes (i) options to purchase 100,000 shares owned by Mr. Amitai, (ii) 2,150,000 shares and warrants to purchase 1,000,000 shares beneficially owned by Telkooor Telecom, which may also be deemed beneficially owned by Mr. Diamant, and (iii) 167,504 shares owned by Digital Power ESOP of which Mr. Amitai is a trustee and may be deemed a beneficial owner.
- (5) Includes options to purchase 10,000 shares exercisable within 60 days.
- (6) Represents 511,500 shares subject to options exercisable within 60 days.
- (7) Includes options to purchase 220,000 shares and warrants to purchase 1,000,000 shares exercisable within 60 days.

Equity Compensation Plan Information

Compensation Plan Table

The following table provides aggregate information as of the end of the fiscal year ended December 31, 2002 with respect to all compensation plans (including individual compensation arrangements) under which equity securities are authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future equity issuances (excluding amounts reflected in the table)
	(a)	(b)	
Equity compensation plans approved by security holders	1,300,255	\$1.52	
Equity compensation plans not approved by security holders	0	-	
Total	1,300,255	\$1.52	

Edgar Filing: DIGITAL POWER CORP - Form 10KSB/A

Item 12. Certain Relationships and Related Transactions.

On March 31, 2003, we entered into an agreement to sell 900,000 shares of common stock to Telkooor Telecom Ltd. for a net purchase price of \$600,000. As a part of the transaction, Telkooor Telecom Ltd.'s warrant to purchase 900,000 shares was canceled. The 900,000 warrant would have expired on May 23, 2003. Our Chairman, Mr. Diamant owns 42.45% and our President and Chief Executive Officer, Mr. Amitai owns 39.98% of the outstanding shares of Telkooor Telecom Ltd.

Item 13. Exhibits and Reports on Form 8-K.

(a) Exhibits

- 3.1 Amended and Restated Articles of Incorporation of Digital Power Corporation(1)
- 3.2 Amendment to Articles of Incorporation(1)
- 3.3 Bylaws of Digital Power Corporation(1)
- 4.1 Specimen Common Stock Certificate(2)
- 4.2 Specimen Warrant(1)
- 4.3 Representative's Warrant(1)
- 10.1 1996 Stock Option Plan(1)
- 10.2 Gresham Power Asset Purchase Agreement(3)
- 10.3 1998 Stock Option Plan(4)
- 10.4 Loan Commitment and Letter Agreement(4)
- 10.5 Promissory Note(4)
- 10.6 Securities Purchase Agreement Between the Digital Power Corporation and Telkooor Telecom, Ltd(5)
- 10.7 2002 Stock Option Plan(6)
- 10.8 Agreement for the Purchase and Sell of Poder Digital [translation](7)
- 21.1 Digital Power's sole subsidiary is Digital Power Limited, a corporation formed under the laws of the United Kingdom.
- 23.1 Consent of Ernst & Young(7)
- 23.2 Consent of Hein + Associates LLP(7)
- 99.1 Certification of Digital Power's CEO and CFO.

- (1) Previously filed with the Commission on October 16, 1996, to Digital Power's Registration Statement on Form SB-2.
- (2) Previously filed with the Commission on December 3, 1996, to Digital Power's Pre-Effective Amendment No. 1 to Registration Statement on Form SB-2.
- (3) Previously filed with the Commission on February 2, 1998, to Digital Power's Form 8-K.
- (4) Previously filed with the Commission with its Form 10-KSB for the year ended December 31, 1998.
- (5) Previously filed with the Commission with its Form 8-K filed November 21, 2001.
- (6) Previously filed with the Commission on Digital Power's Proxy Statement for the meeting on September 23, 2002.
- (7) Previously filed with the Commission with its Form 10-KSB for the year ended December 31, 2002.

(b) Reports on Form 8-K

Date of Report -----	Date of Event -----	Item Reported -----
October 18, 2002	October 17, 2002	Results of the Annual Meeting of Shareholders

Item 14. Controls and Procedures

Edgar Filing: DIGITAL POWER CORP - Form 10KSB/A

Within the 90 days prior to the date of this Form 10-KSB/A-1, Digital Power carried out an evaluation, under the supervision and with the participation of Digital Power's management, including Digital Power's Chief Executive Officer along with Digital Power's Chief Financial Officer, of the effectiveness of the design and operation of Digital Power's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, Digital

Power's Chief Executive Officer along with Digital Power's Chief Financial Officer concluded that the Digital Power's disclosure controls and procedures are effective in timely alerting them to material information relating to Digital Power required to be included in this Form 10-KSB/A-1.

There have been no significant changes in Digital Power's internal controls or in other factors which could significantly affect internal controls subsequent to the date Digital Power carried out its evaluation.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DIGITAL POWER CORPORATION,
a California Corporation

Dated: April 30, 2003

/S/ DAVID AMITAI

David Amitai,
Chief Executive Officer
(Principal Executive Officer)

Dated: April 30, 2003

/S/ HAIM YATIM

Haim Yatim,
Chief Financial Officer
(Principal Financial and
Accounting Officer)

CERTIFICATION

I, David Amitai, Chief Executive Officer for Digital Power Corporation, certify that:

1. I have reviewed this annual report on Form 10-KSB/A-1 of Digital Power Corporation;
2. Based on my knowledge, this annual report does not contain any untrue

Edgar Filing: DIGITAL POWER CORP - Form 10KSB/A

statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: April 30, 2003

/s/ DAVID AMITAI

David Amitai
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Haim Yatim, Chief Financial Officer for Digital Power Corporation, certify that:

1. I have reviewed this annual report on Form 10-KSB/A-1 of Digital Power Corporation;

Edgar Filing: DIGITAL POWER CORP - Form 10KSB/A

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: April 30, 2003

/S/ HAIM YATIM

Haim Yatim
Chief Financial Officer
(Principal Financial and Accounting Officer)