

DIGITAL POWER CORP
Form DEF 14A
July 05, 2011

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
-

DIGITAL POWER CORPORATION
(Name of Registrant as Specified In Its Charter)

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- No fee required
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 - (1) Title of each class of securities to which transaction applies: N/A
 - (2) Aggregate number of securities to which transaction applies: N/A
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 - (2) Form, Schedule or Registration Statement No.: N/A
 - (3) Filing Party: N/A
 - (4) Date Filed: N/A
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DIGITAL POWER CORPORATION
41324 Christy Street
Fremont, CA 94538
(510) 657-2635

July 5, 2011

Dear Shareholder:

You are cordially invited to attend the 2011 Annual Meeting of Shareholders of Digital Power Corporation to be held at 10:00 a.m., Pacific Time, on Tuesday, August 16, 2011 at our corporate offices located at 41324 Christy Street, Fremont, California 94538.

Details of the business to be conducted at the annual meeting are given in the attached Notice of Annual Meeting of Shareholders and the attached Proxy Statement.

Your vote is important. Whether or not you plan to attend the annual meeting, please vote as soon as possible by either (1) mailing your completed and signed proxy card(s) to Digital Power Corporation, 41324 Christy Street, Fremont, CA 94538, Attention: Corporate Secretary, (2) calling the toll-free number printed on your proxy card(s) and following the recorded instructions or (3) visiting the website indicated on your proxy card(s) and following the on-line instructions to ensure your shares will be represented. Your vote by written or electronic proxy will ensure your representation at the annual meeting regardless of whether or not you attend in person.

We look forward to seeing you at the annual meeting.

/s/ Amos Kohn
Amos Kohn
President and Chief Executive Officer

Fremont, California

DIGITAL POWER CORPORATION

41324 Christy Street
Fremont, CA 94538
(510) 657-2635

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held On August 16, 2011

NOTICE IS HEREBY GIVEN that the 2011 Annual Meeting of Shareholders of Digital Power Corporation, a California corporation, will be held at our corporate headquarters, located at 41324 Christy Street, Fremont, California 94538, on Tuesday, August 16, 2011 at 10:00 a.m., Pacific Time, for the purpose of considering and acting on the following:

1. To elect our Board of Directors, consisting of five directors, each to hold office until the next annual meeting of shareholders or until their respective successors are elected and qualified;
2. To ratify the appointment of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global Limited, as our independent auditors for the fiscal year ending December 31, 2012; and
3. To act upon such other matters as may properly come before the annual meeting or any adjournments or postponements thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. The record date for determining those shareholders who will be entitled to notice of, and to vote at, the meeting and at any adjournments or postponements thereof is June 21, 2011. The stock transfer books will not be closed between the record date and the date of the meeting. A list of shareholders entitled to vote at the meeting will be available for inspection at our principal executive offices for a period of ten days before the meeting.

Your vote is important. Whether or not you plan to attend the annual meeting, please vote as soon as possible by either (1) mailing your completed and signed proxy card(s) to Digital Power Corporation, 41324 Christy Street, Fremont, CA 94538, Attention: Corporate Secretary, (2) calling the toll-free number printed on your proxy card(s) and following the recorded instructions or (3) visiting the website indicated on your proxy card(s) and following the on-line instructions. You may revoke a previously submitted proxy at any time prior to the annual meeting. If you decide to attend the annual meeting and wish to change your proxy vote, you may do so automatically by voting in person at the annual meeting.

By Order of the Board of Directors

/s/ Amos Kohn
Amos Kohn
President and Chief Executive Officer

July 5, 2011
Fremont, California

DIGITAL POWER CORPORATION

41324 Christy Street
Fremont, CA 94538
(510) 657-2635

PROXY STATEMENT
FOR THE 2011 ANNUAL MEETING OF SHAREHOLDERS

We are furnishing this Proxy Statement to you in connection with our 2011 Annual Meeting of Shareholders to be held on Tuesday, August 16, 2011 at 10:00 a.m., Pacific Time, at our corporate headquarters located at 41324 Christy Street, Fremont, California 94538 and at any adjournments or postponements thereof. The matters to be considered and acted upon are (i) the election of our Board of Directors (“Board”), consisting of five directors, to hold office until the next annual meeting of shareholders or until their respective successors are elected and qualified; (ii) the ratification of the appointment of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global Limited, as our independent auditors for the year ending December 31, 2012; and (iii) such other business as may properly come before the annual meeting.

We use several abbreviations in this Proxy Statement. All references in this Proxy Statement to “we,” “us,” “our,” “Digital Power” or “the Company” shall mean Digital Power Corporation. The enclosed proxy is solicited on behalf of the Board of Digital Power and is revocable by you at any time prior to the voting of such proxy. All properly executed proxies delivered pursuant to this solicitation will be voted at the meeting and in accordance with your instructions, if any. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, including audited financial statements, is included herewith. Such Annual Report and financial statements are not a part of this Proxy Statement.

This Proxy Statement was first sent or given to shareholders on July 5, 2011.

QUESTIONS AND ANSWERS ABOUT THE MEETING

What is the purpose of the 2011 Annual Meeting of Shareholders?

The purpose of the annual meeting is to allow you to vote on the matters outlined in the accompanying Notice of Annual Meeting of Shareholders, including the election of the Board and the ratification of the appointment of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global Limited, as our independent auditors for the fiscal year ending December 31, 2012.

Who is entitled to vote?

Only shareholders of record at the close of business on the record date, June 21, 2011 (the “Record Date”), are entitled to vote at the annual meeting, or at any adjournments or postponements of the annual meeting.

What are the Board’s recommendations on the proposals?

The Board recommends a vote FOR each of the proposals.

How do I vote?

Either (1) mail your completed and signed proxy card(s) to Digital Power Corporation, 41324 Christy Street, Fremont, CA 94538, Attention: Corporate Secretary, (2) call the toll-free number printed on your proxy card(s) and follow the recorded instructions or (3) visit the website indicated on your proxy card(s) and follow the on-line instructions. If

you are a registered shareholder and attend the meeting, then you may deliver your completed proxy card(s) or vote in person. If your shares are held by your broker or bank, in “street name”, then you will receive a form from your broker or bank seeking instructions as to how your shares should be voted. If you do not instruct your broker or bank how to vote, then your broker or bank will vote your shares if it has discretionary power to vote on a particular matter.

Can I change my vote after I return my proxy card?

Yes. You have the right to revoke your proxy at any time before the annual meeting by notifying our Corporate Secretary in writing at Digital Power Corporation, 41324 Christy Street, Fremont, California 94538, voting in person, or returning a proxy card with a later date. Those voting by internet or by telephone may also revoke their proxy either by voting in person at the annual meeting or by voting and submitting their proxy at a later time by internet or by telephone. If you have instructed a broker to vote your shares, you must follow your broker’s directions in order to change those instructions.

Who will count the vote?

Our Corporate Secretary will count the votes and act as the inspector of election. Computershare Transfer & Trust is our transfer agent for our common stock. Computershare Transfer & Trust will tally the proxies and provide this information at the time of the annual meeting.

What shares are included on the proxy card(s)?

The shares on your proxy card(s) represent ALL of your shares.

What does it mean if I get more than one proxy card?

If your shares are registered differently and are in more than one account, then you will receive more than one proxy card. Complete, sign and return all proxy cards, or electronically transmit all proxy cards, to ensure that all your shares are voted. We encourage you to have all accounts registered under the same name and address whenever possible. You can accomplish this by contacting our transfer agent, Computershare Trust Company, located at 250 Royall Street Canton, MA 02021, phone (800) 962-4284, or, if your shares are held by your broker or bank in “street name”, by contacting the broker or bank who holds your shares.

How many shares can vote?

Only shares of common stock may vote. As of the Record Date, there were 6,723,968 shares of common stock issued and outstanding.

Each share of common stock is entitled to one vote. However, with respect to the election of directors, California law provides that a shareholder, or his or her proxy, may cumulate votes; that is, each shareholder has that number of votes equal to the number of shares owned, multiplied by the number of directors to be elected, and the shareholder may cumulate such votes for a single candidate or distribute such votes among as many candidates as he or she deems appropriate. A shareholder may cumulate votes only for a candidate or candidates whose name(s) has/have been properly placed in nomination prior to the voting, and only if the shareholder has given notice at the meeting, prior to the voting, of his or her intention to cumulate votes for the candidates in nomination. Our designated proxy holders have discretionary authority to cumulate votes represented by the proxies received in the election of directors. These proxy holders intend to vote all proxies received by them in such manner that will assure the election of as many of the nominees described under “Proposal No. 1 - Election of Board of Directors” as possible.

What is a “quorum”?

A “quorum” is a majority of the outstanding shares entitled to vote. A quorum may be present in person or represented by proxy to transact business at the annual meeting. For the purposes of determining a quorum, shares held by brokers or nominees for whom we receive a signed or electronically transmitted proxy will be treated as present even if the broker or nominee does not have discretionary power to vote on a particular matter, or if instructions were never received from the beneficial owner. These shares are called “broker non-votes.” Abstentions will be counted as present for quorum purposes.

What is required to approve each proposal?

For the election of the Board, once a quorum has been established, the nominees for director who have received the most votes will become directors. Holders owning a majority of the shares present or represented and entitled to vote at the annual meeting must approve the ratification of the appointment of Kost Forer Gabbay & Kasierer, a member of

Ernst & Young Global Limited, as our independent auditors for the fiscal year ending December 31, 2012.

If a broker indicates on its proxy that it does not have discretionary authority to vote on a particular matter, then the affected shares will be treated as not present and not entitled to vote with respect to that matter, even though the same shares may be considered present for quorum purposes and may be entitled to vote on other matters.

How will we solicit proxies?

We will distribute the proxy materials and solicit votes. We will also bear the cost of soliciting proxies. These costs will include the expense of preparing and mailing proxy solicitation materials for the meeting, and reimbursements paid to brokerage firms and others for their reasonable out-of-pocket expenses for forwarding proxy solicitation materials to shareholders. Proxies may also be solicited by our directors, officers, and employees, without additional compensation, in person, by telephone, by facsimile or by internet.

PROPOSAL NO. 1
ELECTION OF BOARD OF DIRECTORS

General

Our bylaws permit our Board to fix by resolution the number of authorized directors, with a minimum of five directors and a maximum of nine directors. Our Board has fixed the authorized number of directors at five. As of the date of this Proxy Statement, our directors are Amos Kohn, Ben-Zion Diamant, Israel Levi, Yeheskel Manea and Robert O. Smith. Effective as of the date of the 2011 Annual Meeting of Shareholders, Mr. Levi's term will expire, and he will not stand for re-election to the Board.

Based on the recommendation of the Nomination and Governance Committee, our Board has approved the nomination of Amos Kohn, Ben-Zion Diamant, Yeheskel Manea, Robert O. Smith and Haim Yatim for election as directors at the 2011 Annual Meeting, each to serve until the 2012 Annual Meeting or until his earlier death, resignation or removal. Haim Yatim, the only candidate who is not currently a director, was recommended by the Chairman of the Board for consideration by the Nomination and Governance Committee. Below is information concerning such nominees, including information as to their age and business experience as of the Record Date. Unless otherwise instructed, our designated proxy holders will vote the proxies received by them for the five nominees named below. If any of our nominees are unable or decline to serve as a director at the time of the annual meeting, the proxies will be voted for any nominee designated by the present Board to fill the vacancy. Each nominee has agreed to serve as a director, if elected.

Nominees for the Board of Directors

Amos Kohn

Amos Kohn, 51, has served as a member of our Board since 2003 and as our President and Chief Executive Officer since June 2008. Mr. Kohn's extensive executive-level management experience includes more than 20 years in convergence technology development, business management, corporate operations, and product management for diverse industries, including telecommunications, cable television, broadcast, and wireless. His background includes serving as the Chief Executive Officer of TechLead, a company specializing in professional services and consulting services to telecommunications, cable television, broadcast and wireless industries (since 2003); Vice President of Business Development at Scopus Video Networks, Inc., a Princeton, New Jersey company which develops, markets and supports digital video networking products (2006 through 2007); Senior Vice President of Solutions Engineering at ICTV Inc., a leading provider of network-based streaming media technology solutions for digital video and web-driven programming, located in Los Gatos, California (2003 through 2006); Chief Architect at Liberate Technologies, a leading company in the area of developing a full range of digital media processing for telecommunications, cable and operators, located in San Carlos, California (2000 through 2003); and Senior Vice President of Engineering and Technology at Golden Channel, the largest cable television multiple-systems operator (MSO) in Israel, where he had executive responsibility for developing and implementing the entire nationwide cable TV system (1989 through 2000). Mr. Kohn holds a degree in Electrical and Electronics Engineering and is named as an inventor of several United States and international patents. We believe that Mr. Kohn's extensive executive-level management experience in diversified industries, including, but not limited to, power electronics, telecommunications, cable television, broadcast and wireless, as well as his service on our Board since 2003, give him the qualifications

and skills to serve as one of our directors.

Ben-Zion Diamant

Ben-Zion Diamant, 61, has served as a member of our Board and has been Chairman of our Board since 2001. From March 2008 through July 2008, he also served as our Interim President and Chief Executive Officer. He has served as Chief Executive Officer of Telkooor Telecom Ltd. (“Telkooor”) since August 2008; from 1994 through July 2008, he served as Chairman of the Board of Telkooor. From 1992 through 1994, he was a partner and business development manager at Phascom, and from 1989 to 1992, he was a partner and manager at Rotel Communication. Mr. Diamant holds a B.A. degree in political science from Bar-Ilan University. We believe that Mr. Diamant’s business development and executive-level experience, as well as his service as Chairman of our Board since 2001, give him the qualifications and skills to serve as one of our directors.

Yehekel Manea

Yehekel Manea, 65, has served as a member of our Board since 2002. Since 1996, Mr. Manea has been a Branch Manager of Bank Hapoalim, one of the leading banks in Israel; he has been employed with Bank Hapoalim since 1972. He holds a Bachelor of Arts degree in Economics and Business Administration from Ferris College, University of Michigan. We believe that Mr. Manea’s extensive experience in the banking industry, as well as his service on our Board since 2002, give him the qualifications and skills to serve as one of our directors

Robert O. Smith

Robert O. Smith, 66, has served as a member of our Board of Directors since November 2010 and since 2002 has served as a member of Digital Power's Advisory Board. He is currently a C-level executive consultant working with Bay Area high-tech firms on various strategic initiatives in all aspects of their business. From 2004 to 2007, he served on the Board of Castelle Corporation. From 1990 to 2002, he was our President, Chief Executive Officer and Chairman of the Board. From 1980 to 1990, he held several management positions with Computer Products, Inc., the most recent being President of their Compower/Boschert Division. From 1970 to 1980, he held managerial accounting positions with Ametek/Lamb Electric and with the JM Smucker Company. Mr. Smith received his BBA degree in Accounting from Ohio University. We believe that Mr. Smith's business development and executive-level experience, including his previous service as our President, Chief Executive Officer and Chairman of the Board, his extensive experience in the accounting industry, as well as his service as a member of our Board since November 2010, give him the qualifications to serve as one of our directors.

Haim Yatim

Haim Yatim, 48, served as Chief Financial Officer and member of the Board of Directors of SimiGon Ltd., a publicly traded company on the London Stock Exchange which develops software for training and simulation industry ("SimiGon"), from 2006 to 2010. As SimiGon's Chief Financial Officer, Mr. Yatim's responsibilities included financial reporting, corporate accounting and tax preparation, budgeting, forecasting and risk management. Mr. Yatim also managed the IPO process of SimiGon on the London Stock Exchange, including managing the legal due diligence process, working with underwriters and participating in a road show in United Kingdom and France with investment banks. From 2002 to 2004, Mr. Yatim served as our Chief Financial Officer and his responsibilities included financial reporting to the SEC, corporate accounting and tax preparation, budgeting, forecasting and risk management. Mr. Yatim is a former partner at Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global Limited, where he advised on successful NASDAQ listings of technology companies. Mr. Yatim holds a B.Sc. in Accounting and Economics from University of Tel-Aviv, Israel.

Family Relationships

Two of Mr. Manea's children are married to two of Mr. Diamant's children. Mr. Diamant's son, Ran Diamant, who is also Mr. Manea's son-in-law, serves as the Vice President of Budget and Control of Quality Power Supplies ("QPS"), a technology supplier to Digital Power and a wholly-owned subsidiary of our largest shareholder, Telkoor Telecom Ltd. Other than those relationships, there are no family relationships among any of our directors or executive officers.

Vote Required and Recommendation of the Board

Directors are elected by the affirmative vote of the holders of a plurality of shares present or represented and entitled to vote thereon at the annual meeting.

The Board recommends that shareholders vote FOR each of the nominees listed above.

Board Meetings and Committees

As of the date of this Proxy Statement, our Board is composed of five members and maintains the following three standing committees: (1) the Audit Committee; (2) the Compensation Committee; and (3) the Nomination and Governance Committee. The membership and the function of each of the committees are described below. Our Board may from time to time establish a new committee or dissolve an existing committee depending on the circumstances. Current copies of the charters for the Audit Committee and the Nomination and Governance Committee can be found

on our website at www.digipwr.com.

Our Board held nine meetings during the year ended December 31, 2010. During that year, the Audit Committee held five meetings, the Compensation Committee held three meetings, and the Nomination and Governance Committee held one meeting. During the year ended December 31, 2010, all of the directors attended at least 75% of the meetings of the Board held during their tenure and 75% of the meetings, if any, of the Board committees upon which they served and held during their tenure. We encourage, but do not require, our Board members to attend the annual meeting of shareholders. All of our directors attended our 2010 Annual Meeting of Shareholders.

Audit Committee

Messrs. Levi, Manea, and Smith currently comprise the Audit Committee of our Board. Effective as of the date of the 2011 Annual Meeting of Shareholders, Mr. Yatim, if elected as a director, shall replace Mr. Levi as a member of such committee. Our Board has determined that each of the current members of the Audit Committee and Mr. Yatim satisfy the requirements for independence and financial literacy under the standards of the Securities and Exchange Commission (the "SEC") and the NYSE Amex. Our Board has also determined that Mr. Manea qualifies as an "audit committee financial expert" as defined in SEC regulations and satisfies the financial sophistication requirements set forth in the NYSE Amex Rules.

The Audit Committee is responsible for, among other things, selecting and hiring our independent auditors, and approving the audit and pre-approving any non-audit services to be performed by our independent auditors; reviewing the scope of the annual audit undertaken by our independent auditors and the progress and results of their work; reviewing our financial statements, internal accounting and auditing procedures, and corporate programs to ensure compliance with applicable laws; and reviewing the services performed by our independent auditors to determine if the services rendered are compatible with maintaining the independent auditors' impartial opinion.

Compensation Committee

Messrs. Levi, Manea, and Smith currently comprise the Compensation Committee of our Board. Effective as the date of the 2011 Annual Meeting of Shareholders, Mr. Yatim, if elected as a director, shall replace Mr. Levi as a member of such committee. Our Board has determined that each of the current members of the Compensation Committee and Mr. Yatim satisfy the requirements for independence under the standards of the SEC and the NYSE Amex.

The Compensation Committee is responsible for, among other things, reviewing and recommending executive compensation policies and practices; reviewing and recommending salaries, bonuses and other benefits paid to our officers, including our Chief Executive Officer and Chief Financial Officer; and administering our stock option plans and other benefit plans. The Company's President and Chief Executive Officer recommends to the Compensation Committee and Board the amount of stock option will be grant to the Company's employees and consultants from time to time.

Nomination and Governance Committee

Messrs. Levi, Manea, and Smith currently comprise the Nomination and Governance Committee of our Board. Effective as of the date of the 2011 Annual Meeting of Shareholders, Mr. Yatim, if elected as a director, shall replace Mr. Levi as a member of such committee. Our Board has determined that each of the current members of the Nomination and Governance Committee and Mr. Yatim satisfy the requirements for independence under the standards of the SEC and the NYSE Amex.

The Nomination and Governance Committee is responsible for, among other things, assisting our Board in identifying prospective director nominees and recommending nominees for each annual meeting of shareholders to the Board; developing and recommending governance principles applicable to our Board; overseeing the evaluation of our Board and management; and recommending potential members for each Board committee to our Board.

Board candidates are considered according to various criteria such as their broad-based business and professional skills, experiences, personal integrity and judgment, global business and social perspective, and concern for the long-term interests of our shareholders. In addition, directors must have time available to devote to Board activities and to enhance their knowledge of the power-supply industry. Accordingly, we seek to attract and retain highly qualified directors who have sufficient time to attend to their substantial duties and responsibilities.

While the Nomination and Governance Committee does not have a formal policy on diversity for members of the Board, it considers diversity of background, experience and qualifications in evaluating prospective Board members, as it believes that various points of view contribute to a more effective, engaged Board and to better decision-making processes.

Consideration of Director Nominees

You may propose director candidates for consideration by the Nomination and Governance Committee. Any such recommendations must comply with our bylaws and should include the nominee's name and qualifications for Board

membership. The recommendation should be directed to the Corporate Secretary, c/o Digital Power Corporation, 41324 Christy Street, Fremont, California 94538.

Code of Ethics

We have adopted a Code of Ethical Conduct that applies to our directors and employees, including our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions. The Code of Ethical Conduct is designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. The full text of our Code of Ethical Conduct is published on our website at www.digipwr.com. We will disclose any substantive amendments to the Code of Ethical Conduct or any waivers, explicit or implicit, from a provision of the Code on our website or in a Current Report on Form 8-K.

Board Leadership Structure and Role in Risk Oversight

Our Board as a whole is responsible for our risk oversight. Our executive officers address and discuss with our Board our risks and the manner in which we manage or mitigate such risks. While our Board has the ultimate responsibility for our risk oversight, our Board works in conjunction with its committees on certain aspects of its risk oversight responsibilities. In particular, our Audit Committee focuses on financial reporting risks and related controls and procedures; our Compensation Committee evaluates the risks associated with our compensation philosophy and programs and strives to create compensation practices that do not encourage excessive levels of risk taking that would be inconsistent with our strategies and objectives; and our Nomination and Governance Committee oversees risks associated with our Code of Ethical Conduct.

We currently separate the positions of President/Chief Executive Officer and Chairman of the Board. The Board believes that such structure is in the best interest of the Company at this time, as it allows for a more effective monitoring and objective evaluation of the performance of management.

Director Independence

Our Board has undertaken a review of the independence of each director and director nominee and has determined that Messrs. Manea, Yatim, and Smith are independent, and that each director who serves on each of its committees is independent, as such term is defined by standards of the SEC and the NYSE Amex. Messrs. Kohn and Diamant do not meet the independence standards above.

Director Compensation

Independent directors receive \$10,000 annually for serving on the Board. The director designated by the Board as the Audit Committee financial expert receives an additional annual fee of \$5,000 for serving as the financial expert.

Upon joining our Board, each independent director also receives a grant of an option under our 2002 Stock Option Plan to purchase 10,000 shares of our common stock. In addition, subject to Board approval, each independent director may be granted, on an annual basis, an option to purchase an additional 10,000 shares of our common stock. Options vest over a four-year period, 25% per year. Each option has an exercise price equal to the fair market value of our common stock on the grant date and a maximum term of ten years, subject to earlier termination upon the cessation of service as a director.

The table below sets forth, for each non-employee director, the total amount of compensation related to his service during the year ended December 31, 2010:

Name	Director Compensation							Total (\$)
	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)		
Yeheskel Manea	\$ 15,000	-	\$ 4,247	-	-	-	\$ 19,247	
Israel Levi	\$ 10,000	-	\$ 1,222	-	-	-	\$ 11,222	
Terry Steinberg	\$ 8,750	-	\$ 1,185	-	-	-	\$ 9,935	
Robert Smith	\$ 750	-	\$ 1,783	-	-	7,000	\$ 9,533	

Communications with the Board of Directors

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If you wish to communicate with our Board or any Board committee or any member of the Board, please send a letter using the contact information provided below. Our Corporate Secretary will review each such communication and forward it to the appropriate Board member or members as he deems appropriate.

Write to the Board of Directors at:

Digital Power Corporation
41324 Christy Street
Fremont, CA 94538
Attention: Corporate Secretary

PROPOSAL NO. 2

RATIFICATION OF INDEPENDENT AUDITORS
