DIGITAL POWER CORP
Form DEF 14A
November 17, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

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 Pursuant to § 240.14a-12

DIGITAL POWER CORPORATION

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

DIGITAL POWER CORPORATION

48430 Lakeview Blvd.

Fremont, California 94538-3158

Telephone: (510) 657-2635

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

We cordially invite you to attend the 2017 Annual Meeting of Shareholders of Digital Power Corporation ("**DPW**" or the "**Company**"). Our 2017 Annual Meeting will be held on Thursday, December 28, 2017 at 9:00 a.m. PT at our corporate offices located at 48430 Lakeview Blvd, Fremont, California 94538. You will be able to attend the 2017 Annual Meeting and vote by visiting www.proxyvote.com if you are a beneficial owner and at www.investorvote.com/DPW if you are a registered holder. To enter the meeting, you must have your control number that is shown on the proxy card accompanying this Proxy Statement.

Details regarding logging onto and attending the meeting over the website and the business to be conducted are described in the Proxy Card included with this Proxy Statement. We have also made available a copy of our 2016 Annual Report with this Proxy Statement. We encourage you to read our Annual Report. It includes our audited financial statements and provides information about our business and products.

The purpose of the meeting is:

1. To elect the six (6) director nominees named in the Proxy Statement to hold office until the next annual meeting of shareholders;

2. To ratify the appointment of Marcum, LLP, as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017;

3. To approve the reincorporation of the Company from California to Delaware;

4. To approve the conversion and exercise rights of up to 500,000 shares of the Company's Series B Preferred Stock convertible into shares of Common Stock and the exercisability of Warrants to purchase shares of Common Stock in accordance with the Preferred Stock Purchase Agreement dated March 9, 2017, in order to comply with the

listing rules of the NYSE American;

5. To approve the conversion of into shares of Common Stock of 378,776 shares of the Company's Series D Preferred Stock and exercisability of Warrants to purchase up to 1,000,000 shares of Common Stock issued in accordance with the Share Exchange Agreement dated April 28, 2017, in order to comply with the listing rules of the NYSE American;

6. To approve the conversion of 10,000 shares of the Company's Series E Preferred Stock into shares of Common Stock in accordance with the Share Exchange Agreement, dated April 28, 2017, in order to comply with the listing rules of the NYSE American;

7. To approve the conversion of a $400,000 Convertible Note convertible into 727,273 shares of Common Stock at $0.55 per share and related Warrants to purchase 666,667 shares of Common Stock at $1.10 per share in accordance with the Convertible Note Purchase Agreement dated August 3, 2017, in order to comply with the listing rules the NYSE American;

8. To approve the conversion of $880,000 of Convertible Notes into the aggregate of 1,466,667 shares of Common Stock At $0.60 per share and related exercise of Warrants to purchase 1,466,667 shares of Common Stock at $0.66 per share in accordance with the Convertible Note Purchase Agreement dated August 10, 2017 in order to comply with the listing rules the NYSE American;

9. To approve the exercisability of (i) warrants to purchase 317,460 shares of Common Stock at an exercise price of $0.01 per share and (ii) options to purchase 1,000,000 shares of Common Stock at an exercise price of $0.65 per share, and the issuance of the shares of Common Stock issuable upon exercise of such options and warrants, in accordance with the Executive Employment Agreement (defined herein) dated November 30, 2016 as subsequently amended on February 22, 2017, in order to comply with the listing rules the NYSE American;

10. To adopt the Company's 2017 Stock Incentive Plan; and

11. To act on such other matters as may properly come before the meeting or any adjournment there.

Only shareholders of record at the close of business on November 7, 2017, will be entitled to attend and vote at the meeting. The proxy materials will be mailed to shareholders on or about November 17, 2017.

Important Notice Regarding the Availability of Proxy Materials for the 2017 Annual Meeting of Shareholders to be held on December 28, 2017:

This Proxy Statement, our 2016 Annual Report on Form 10-K are available at www.edocumentview.com/DPW

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Amos Kohn

Amos Kohn

President and Chief Executive Officer

November 14, 2017

HOW TO VOTE: 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, 48430 Lakeview Blvd, 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.

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DIGITAL POWER CORPORATION

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Fremont, California 94538-3158

Telephone: (510) 657-2635

PROXY STATEMENT

FOR THE 2017 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON DECEMBER 28, 2017

INFORMATION CONCERNING THE ANNUAL MEETING

General

The enclosed proxy is solicited by the Board of Directors (the "**Board**") of Digital Power Corporation (the "**Company**" or "**DPW**"), for use at the Annual Meeting of the Company's shareholders (the "**Meeting**") to be held on Thursday, December 28, 2017 at 9:00 a.m. PT at our corporate offices located at 48430 Lakeview Blvd, Fremont, California 94538. You will be able to attend the 2017 Annual Meeting and vote by visiting www.proxyvote.com if you are a beneficial owner and at www.investorvote.com/DPW if you are a registered holder. To enter the meeting, you must have your control number that is shown on the proxy card accompanying this Proxy Statement.

Action to be taken under Proxy

Unless otherwise directed by the giver of the proxy, the persons named in the form of proxy, namely, Amos Kohn, our Chief Executive Officer, and Milton C. "Todd" Ault, III, our Executive Chairman of the Board, or either one of them who acts, will vote:

FOR the election of the six (6) director nominees named in the Proxy Statement to hold office until the next annual meeting of shareholders;

FOR ratification of the appointment of Marcum, LLP, as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017;

FOR approval of the reincorporation of the Company from California to Delaware (the "**Reincorporation**") and the related name change to DPW Holdings, Inc.;

FOR approval of conversion of up to 500,000 shares of the Company's Series B Preferred Stock into and the exercisability of Warrants to purchase shares of Common Stock in accordance with the Preferred Stock Purchase Agreement dated March 9, 2017, in order to comply with listing Rule 713 of the NYSE American, LLC;

FOR approval of the conversion of 378,776 shares of the Company's Series D Preferred Stock into and exercisability of Warrants to purchase up to 1,000,000 shares of Common Stock, each as issued in accordance with the Share Exchange Agreement dated April 28, 2017, in order to comply with listing Rule 712 of the NYSE American, LLC and California law;

FOR approval of the conversion of 10,000 shares of the Company's Series E Preferred Stock into shares of Common Stock in accordance with the Share Exchange Agreement dated April 28, 2017 in order to comply with listing Rule 712 of the NYSE American, LLC;

FOR approval of the conversion of a $400,000 Convertible Note convertible into 727,273 shares of Common Stock at $0.55 per share and related Warrants to purchase 666,667 shares of Common Stock at $1.10 per share in accordance with the Convertible Note Purchase Agreement dated August 3, 2017 in order to comply with the listing Rule 713 of the NYSE American;

FOR approval of the conversion of $880,000 of Convertible Notes convertible into the aggregate of 1,466,667 shares of Common Stock at $0.60 per share and related Warrants to purchase 1,466,667 shares of Common Stock at $0.66 per share in accordance with the Convertible Note Purchase Agreement dated August 10, 2017, in order to comply with listing Rule 713 of the NYSE American;

FOR approval of the exercisability of (i) warrants to purchase 317,460 shares of Common Stock at an exercise price of $0.01 per share and (ii) options to purchase 1,000,000 shares of Common Stock at an exercise price of $0.65 per share, and the issuance of the shares of Common Stock issuable upon exercise of such warrants and options, in accordance with the Chief Executive Officer's Employment Agreement dated November 30, 2016, as subsequently amended on February 22, 2017, in order to meet listing Rule 711 of the NYSE American;

To approve the 2017 Stock Incentive Plan; and

According to their discretion, on the transaction of such other matters as may properly come before the meeting or any adjournment there.

Should any nominee named herein for election as a director become unavailable for any reason, it is intended that the persons named in the proxy will vote for the election of such other person in his stead as may be designated by the Board. The Board is not aware of any reason that might cause any nominee to be unavailable.

By submitting your proxy (via the Internet, telephone or mail), you authorize Mr. Amos Kohn, the Company's Chief Executive Officer, and Mr. Milton C. "Todd" Ault, III, the Company's Executive Chairman of the Board of Directors, to represent you and vote your shares at the meeting in accordance with your instructions. They also may vote your shares to adjourn the meeting and will be authorized to vote your shares at any postponements or adjournments of the meeting.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE PROMPTLY VOTE YOUR SHARES OVER THE INTERNET, BY TELEPHONE OR BY MAIL.

Who is Entitled to Vote; Vote Required; Quorum

As of the Record Date of November 7, 2017, there were 15,092,393 shares of Common Stock issued and outstanding; 100,000 shares of Series B Convertible Preferred Stock issued and outstanding; 454,986 shares of Series C Convertible Preferred Stock issued and outstanding; 378,776 shares of Series D Convertible Preferred Stock issued and outstanding; and 10,000 shares of Series E Convertible Preferred Stock issued and outstanding; which constitutes all of the outstanding capital stock of the Company. Shareholders are entitled to one vote for each share of Common Stock held by them. The 100,000 shares of Series B Convertible Preferred Stock will, assuming approval of Proposal 4, carry the voting power of 1,428,571 shares of Common Stock but will not carry any voting rights at the Meeting. The 454,986 shares of Series C Convertible Preferred Stock carry the voting power of 1,819,944 shares of Common Stock and will be voted on an as converted basis into shares of Common Stock along with the other shareholders of Common Stock. Neither the 378,776 shares of Series D Convertible Preferred Stock nor the 10,000 shares of Series E Convertible Preferred Stock have any voting rights.

A majority of the 15,092,393 outstanding shares of Common Stock will constitute a quorum at the Meeting.

Brokers holding shares of record for customers generally are not entitled to vote on “non-routine” matters, unless they receive voting instructions from their customers. As used herein, “uninstructed shares” means shares held by a broker who has not received such instructions from its customers on a proposal. A “broker non-vote” occurs when a nominee holding uninstructed shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that non-routine matter. In connection with the treatment of abstentions and broker non-votes, all but one of the proposals at this are considered “non-routine” matters, and brokers are not entitled to vote uninstructed shares with respect to these proposals. Only the proposal to ratify the appointment of Marcum, LLP, as the Company’s independent registered public accounting firm, is a routine matter that brokers are entitled to vote upon without receiving instructions.

Determination of whether a matter specified in the Notice of Annual Meeting of Shareholders has been approved will be determined as follows:

Those persons will be elected directors who receive a plurality of the votes cast at the Meeting in person or by proxy and entitled to vote on the election. Accordingly, abstentions or directions to withhold authority will have no effect on the outcome of the vote;

The Reincorporation will require the affirmative vote of the holders of a majority of the total outstanding shares as of the record date. Consequently, abstentions will have the effect of a vote against the reincorporation;

Approval of the conversion of 378,776 shares of the Company's Series D Preferred Stock into and exercisability of Warrants to purchase up to 1,000,000 shares of Common Stock, each as issued in accordance with the Share Exchange Agreement dated April 28, 2017, in order to comply with listing Rule 712 of the NYSE American, LLC and California law will require the affirmative vote of the holders of a majority of the total outstanding shares as of the record date. Consequently, abstentions will have the effect of a vote against the reincorporation; and

For each other matter specified in the Notice of Annual Meeting of Shareholders, the affirmative vote of a majority of the shares of Common Stock present at the meeting in person or by proxy and entitled to vote on such matter is required for approval. Abstentions will be considered shares present by proxy and entitled to vote and, therefore, will have the effect of a vote against the matter. Broker non-votes will be considered shares not present for this purpose and will have no effect on the outcome of the vote.

Directions to withhold authority to vote for directors, abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present for the Meeting.

QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING

What is the purpose of the 2017 Annual Meeting?

At the 2017 Annual Meeting, the shareholders will be asked:

1. To elect the six (6) director nominees named in the Proxy Statement to hold office until the next annual meeting of shareholders;

2. To ratify the appointment of Marcum, LLP, as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017;

3. To approve the Reincorporation of the Company from California to Delaware and the related name change to DPW Holdings, Inc.;

4. To approve the conversion of up to 500,000 shares of the Company's Series B Preferred Stock into shares of Common Stock and the exercisability of warrants to purchase shares of Common Stock, in accordance with the Preferred Stock Purchase Agreement dated March 9, 2017, in order to comply with listing Rule 713 of the NYSE American, LLC;

5. To approve the conversion of 378,776 shares of the Company's Series D Preferred Stock and exercisability of warrants to purchase up to 1,000,000 shares of Common Stock, each as issued in accordance with the Share Exchange Agreement dated April 28, 2017, in order to comply with listing Rule 712 of the NYSE American, LLC and California law;

6. To approve the conversion of 10,000 shares of the Company's Series E Preferred Stock into shares of Common Stock in accordance with the Share Exchange Agreement, dated April 28, 2017, in order to comply with listing Rule 713 of the NYSE American, LLC;

7. To approve the conversion of a $400,000 Convertible Note convertible into 727,273 shares of Common Stock at $0.55 per share and related Warrants to purchase 666,667 shares of Common Stock at $1.10 per share in accordance with the Convertible Note Purchase Agreement dated August 3, 2017, in order to comply with listing Rule 713 of the NYSE American, LLC;

8.

To approve the conversion of $880,000 of Convertible Notes convertible into the aggregate of 1,466,667 shares of Common Stock at $0.60 per share and related warrants to purchase 1,466,667 shares of Common Stock at $0.66 per share in accordance with the Convertible Note Purchase Agreement dated August 10, 2017, in order to comply with listing Rule 713 of the NYSE American, LLC;

9. To approve the exercisability of (i) warrants to purchase 317,460 shares of Common Stock at an exercise price of $0.01 per share and (ii) options to purchase 1,000,000 shares of Common Stock at an exercise price of $0.65 per share, and the issuance of the shares of Common Stock issuable upon exercise of such options and warrants, in accordance with the Executive Employment Agreement dated November 30, 2016, as subsequently amended on February 22, 2017, in order to comply with listing Rule 711 of the NYSE American, LLC;

10. To approve 2017 Stock Incentive Plan; and

11. To act on such other matters as may properly come before the meeting or any adjournment thereof.

Who is entitled to vote?

The Record Date for the meeting is November 7, 2017. Only shareholders of record at the close of business on that date are entitled to vote at the meeting. The only class of stock entitled to be voted at the meeting is our Common stock and Series C Preferred Stock. On the Record Date, there were 15,092,393 shares of Common Stock outstanding; and 454,986 shares of Series C Convertible Preferred Stock issued and outstanding and entitled to vote. Each share of Series C Convertible Preferred is convertible into four shares of Common Stock and will vote on an as converted basis.

Why am I receiving these materials?

We have sent you these proxy materials because the Board of Digital Power Corporation (sometimes referred to as the "**Company**," "**DPW**," "**we**" or "**us**") is soliciting your proxy to vote at the 2017 Annual Meeting of Shareholders. According to our records, you were a shareholder of the Company as of the end of business on November 7, 2017, the Record Date for the Annual Meeting.

You are invited to vote on the proposals described in this proxy statement.

The Company intends to mail these proxy materials on or about November 17, 2017 to all shareholders of record on the Record Date.

What is included in these materials?

These materials include:

- this Proxy Statement for the Annual Meeting;
- our Annual Report on Form 10-K for the year ended December 31, 2016;
- The Agreement and Plan of Merger between DPW and DPW Holdings, Inc.;

The Certificate of Incorporation and Bylaws of DPW Holdings, Inc.; and

The 2017 Stock Incentive Plan.

What is the proxy card?

The proxy card enables you to appoint Amos Kohn, our Chief Executive Officer, and Milton C. “Todd” Ault, III, our Executive Chairman of the Board of Directors, as your representative at the Annual Meeting. By completing and returning a proxy card, you are authorizing these individuals to vote your shares at the Annual Meeting in accordance with your instructions on the proxy card. This way, your shares will be voted whether or not you attend the Annual Meeting.

Can I view these proxy materials over the Internet?

Yes. The Notice of Meeting, this Proxy Statement and accompanying proxy card, our Annual Report on Form 10-K for the year ended December 31, 2016 and the other documents appended hereto are available at: www.edocumentview.com/DPW.

How do I vote?

Either (1) mail your completed and signed proxy card(s) to Digital Power Corporation, 48430 Lakeview Blvd, 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.

Am I entitled to vote if my shares are held in "street name"?

If your shares are held by a bank, brokerage firm or other nominee, you are considered the "beneficial owner" of shares held in "street name." If your shares are held in street name, the proxy materials are being made available to you by your bank, brokerage firm or other nominee (the "record holder"), along with voting instructions. As the beneficial owner, you have the right to direct your record holder how to vote your shares, and the record holder is required to vote your shares in accordance with your instructions. If you do not give instructions to your record holder, it will nevertheless be entitled to vote your shares in its discretion on the ratification of the appointment of the independent registered public accounting firm (Proposal 2), but not on any other proposal.

As the beneficial owner of shares, you are invited to attend the annual meeting. If you are a beneficial owner, however, you may not vote your shares at the meeting unless you obtain a legal proxy, executed in your favor, from the record holder of your shares.

You will be able to attend the 2017 Annual Meeting, vote, and submit your questions during the meeting via live webcast by visiting www.proxyvote.com if you are a beneficial owner and hold your shares in "street" name and at www.investorvote.com/DPW if you are a registered holder.

How many shares must be present to hold the meeting?

A quorum must be present at the meeting for any business to be conducted. The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of Common Stock outstanding on the Record Date will constitute a quorum. Proxies received but marked as abstentions or treated as broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

What if a quorum is not present at the meeting?

If a quorum is not present or represented at the meeting, the holders of a majority of the shares entitled to vote at the meeting who are present in person or represented by proxy, or the chairman of the meeting, may adjourn the meeting until a quorum is present or represented. The time and place of the adjourned meeting will be announced at the time the adjournment is taken, and no other notice will be given.

Is there a deadline for submitting proxies electronically or by telephone or mail?

Proxies submitted electronically or by telephone as described above must be received by 11:59 pm PT on December 27, 2017. Proxies submitted by mail should be received before 9:00 am PT on December 28, 2017.

Can I revoke my proxy and change my vote?

You may change your vote at any time prior to the taking of the vote at the meeting. If you are the shareholder of record, you may change your vote by (1) granting a new proxy bearing a later date (which automatically revokes the earlier proxy) using any of the methods described above (and until the applicable deadline for each method), (2) providing a written notice of revocation to the Company's CEO at Digital Power Corporation, 48430 Lakeview Blvd., Fremont, California 94538-3158, prior to your shares being voted, or (3) attending the meeting and voting. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, bank, trustee or nominee following the instructions they provided, or, if you have obtained a legal proxy from your broker, bank, trustee or nominee giving you the right to vote your shares, by attending the meeting and voting.

Who can participate in the meeting?

Only shareholders eligible to vote or their authorized representatives in possession of a valid control number will be admitted as participants to the meeting.

Will my vote be kept confidential?

Yes, your vote will be kept confidential and not disclosed to the Company unless:

- required by law;
- you expressly request disclosure on your proxy; or
- there is a proxy contest.

How does the Board of Directors recommend I vote on the proposals?

Our Board recommends that you vote your shares as follows:

- "**FOR**" the election of each of the six (6) nominees for director;
- "**FOR**" the ratification of Marcum, LLP, as independent registered public accountants of the Company for its fiscal year ending December 31, 2017;
- "**FOR**" approval of the Reincorporation of the Company from California to Delaware;
- "**FOR**" approval of the conversion of up to 500,000 shares of the Company's Series B Preferred Stock into shares of Common Stock and warrants to purchase shares of Common Stock, in accordance with the Preferred Stock Purchase Agreement dated March 9, 2017;

- "**FOR**" approval of the conversion of 378,776 shares of the Company's Series D Preferred Stock into shares of Common Stock and warrants to purchase up to 1,000,000 shares of Common Stock, in accordance with the Share Exchange Agreement dated April 28, 2017;

- "**FOR**" approval of the conversion of 10,000 shares of the Company's Series E Preferred Stock into shares of Common Stock, in accordance with the Share Exchange Agreement, dated April 28, 2017;

- **"FOR"** approval of the conversion of a $400,000 Convertible Note convertible into 727,273 shares of Common Stock at $0.55 per share and related warrants to purchase 666,667 shares of Common Stock at $1.10 per share in accordance with the Convertible Note Purchase Agreement dated August 3, 2017;

- **"FOR"** approval of the conversion of $880,000 in the aggregate of Convertible Notes convertible into 1,466,667 shares of Common Stock at $0.60 per share and related warrants to purchase 1,466,667 shares of Common Stock at $0.66 per share in accordance with the Convertible Note Purchase Agreement dated August 10, 2017;

- "**FOR**" approval of the exercisability of (i) warrants to purchase 317,460 shares of Common Stock at an exercise price of $0.01 per share and (ii) options to purchase 1,000,000 shares of Common Stock at an exercise price of $0.65 per share, and the issuance of the shares of Common Stock issuable upon exercise of such options and warrants, in accordance with the Executive Employment Agreement (defined herein) dated November 30, 2016, as subsequently amended on February 22, 2017; and

- "**FOR**" approval of the adoption of the 2017 Stock Incentive Plan.

Unless you provide other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board as set forth in this Proxy Statement.

What if I do not specify how my shares are to be voted?

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted in accordance with the Board's recommended votes set forth immediately above, and if any other matter is properly presented at the meeting, your proxy holder (one of the individuals named on your proxy card) will vote your shares using his best judgment.

Will any other business be conducted at the meeting?

The Company's by-laws require shareholders to give advance notice of any proposal intended to be presented at the meeting. The deadline for this notice has passed and we have not received any such notices. If any other matter properly comes before the shareholders for a vote at the meeting, however, the proxy holders will vote your shares in accordance with their best judgment.

How many votes are needed to approve each proposal?

For the election of directors, each of the six (6) nominees receiving "**For**" votes at the meeting in person or by proxy will be elected. Approval of all other matters requires the favorable vote of a majority of the votes cast on the applicable matter at the Annual Meeting other than the Reincorporation, which require the favorable vote of a majority of the issued and outstanding shares.

How will abstentions be treated?

Abstentions will be treated as shares present for quorum purposes and entitled to vote, and will have the same practical effect as votes against a proposal except in the case of the election of directors, in which case an abstention will have no impact.

What are "broker non-votes"?

Broker non-votes occur when a beneficial owner of shares held in "street name" does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed "non-routine." Generally, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the broker or nominee holding the shares. If the beneficial owner does not provide voting instructions, the broker or nominee can still vote the shares with respect to matters that are considered to be "routine," but not with respect to "non-routine" matters. Under the rules and interpretations of the New York Stock Exchange, "non-routine" matters include director elections (whether contested or uncontested) and matters involving a contest or a matter that may substantially affect the rights or privileges of shareholders.

In connection with the treatment of abstentions and broker non-votes, the proposals at this meeting to (i) elect directors, (ii) approve a proposed change in corporate domicile from California to Delaware, (iii) approve the issuance of up to 500,000 shares of the Company's Series B Preferred Stock and the issuance of warrants to purchase shares of Common Stock in accordance with the Preferred Stock Purchase Agreement, (iv) approve the issuance of 378,776 shares of the Company's Series D Preferred Stock, (v) approve the issuance of 10,000 shares of the Company's Series E Preferred Stock; (vi) approve the conversion of a $400,000 Convertible Note convertible into 727,273 shares of Common Stock at $0.55 per share and related warrants to purchase 666,667 shares of Common Stock at $1.10 per share; (vii) approve the conversion of $880,000 in the aggregate of Convertible Notes convertible into 1,466,667 shares of Common Stock at $0.60 per share and related warrants to purchase 1,466,667 shares of Common Stock at $0.66; (viii) approve the 2017 Stock Incentive Plan to increase in the number of shares of Common Stock to 2,000,000 shares of Common Stock under the plan; and (ix) approve the issuance of warrants to purchase 317,460 shares and options to purchase 1,000,000 shares in accordance with the Executive Employment Agreement, are considered "non-routine" matters, and brokers are not entitled to vote uninstructed shares with respect to these proposals. Only the proposal to ratify the appointment of Marcum, LLP, as the Company's independent registered public accounting firm is a routine matter that brokers are entitled to vote shares without receiving instructions.

Our election of directors (Proposal No. 1), approval of the proposed change in corporate domicile from California to Delaware (Proposal No. 3), approval of the conversion of up to 500,000 shares of the Company's Series B Preferred Stock into Common Stock and the issuance of warrants to purchase shares of Common Stock in accordance with the Preferred Stock Purchase Agreement (Proposal No. 4), approval of the conversion of 378,776 shares of the Company's Series D Preferred Stock into Common Stock in accordance with the Share Exchange Agreement (Proposal No. 5), approval of the conversion of up to 10,000 shares of the Company's Series E Preferred Stock into shares of Common Stock in accordance with the Share Exchange Agreement (Proposal No. 6), approval of the conversion of a $400,000 Convertible Note convertible into 727,273 shares of Common Stock at $0.55 per share and related warrants to purchase 666,667 shares of Common Stock at $1.10 per share (Proposal No. 7); approval of the conversion of $880,000 in the aggregate of Convertible Notes convertible into 1,466,667 shares of Common Stock at $0.60 per share and related warrants to purchase 1,466,667 shares of Common Stock at $0.66 (Proposal No. 8); approval of the issuance of warrants to purchase 317,460 shares and options to purchase 1,000,000 shares in accordance with the Executive Employment Agreement (Proposal 9), and approval to adopt the 2017 Stock Incentive Plan (Proposal 10), are considered to be "non-routine" matters and as a result, brokers or nominees cannot vote your shares on these proposals in the absence of your direction.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors and employees may also solicit proxies in person, by telephone or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies but may be reimbursed for out-of-pocket expenses incurred in connection with the solicitation. We will also reimburse brokerage firms, banks and other agents for their reasonable out-of-pocket expenses incurred in forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one set of proxy materials?

If you receive more than one set of proxy materials, your shares may be registered in more than one name or in different accounts. Please complete, sign and return each proxy card to ensure that all of your shares are voted.

I share the same address with another shareholder of the Company. Why has our household only received one set of proxy materials?

The Securities and Exchange Commission's ("**SEC's**") rules permit us to deliver a single set of proxy materials to one address shared by two or more of our shareholders. This practice, known as "householding," is intended to reduce the Company's printing and postage costs. We have delivered only one set of proxy materials to shareholders who hold their shares through a bank, broker or other holder of record and share a single address, unless we received contrary instructions from any shareholder at that address.

How can I find out the results of the voting at the Annual Meeting?

Final voting results will be disclosed in a Form 8-K filed after the Annual Meeting.

Who can help answer my questions?

You can contact our corporate headquarters, at Digital Power Corporation, 48430 Lakeview Blvd., Fremont, California 94538-3158, or by sending a letter to Amos Kohn, our Chief Executive Officer, with any questions about the proposal described in this proxy statement or how to execute your vote.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Information about the Nominees

At the Annual Meeting, the shareholders will elect six (6) directors to serve until the next annual meeting of Shareholders or until their respective successors are elected and qualified. In the event any nominee is unable or unwilling to serve as a director at the time of the Annual Meeting, the proxies may be voted for the balance of those nominees named and for any substitute nominee designated by the present Board or the proxy holders to fill such vacancy, or for the balance of the nominees named without nomination of a substitute, or the size of the Board may be reduced in accordance with the Bylaws of the Company. The Board has no reason to believe that any of the persons named below will be unable or unwilling to serve as a nominee or as a director if elected.

Assuming a quorum is present, the six (6) nominees receiving the highest number of affirmative votes of shares entitled to be voted for them will be elected as directors of the Company for the ensuing year. Unless marked otherwise, proxies received will be voted “FOR” the election of each of the eight nominees named below. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner as will ensure the election of as many of the nominees listed below as possible, and, in such event, the specific nominees to be voted for will be determined by the proxy holders. All of the director nominees currently serve as directors.

NAME	AGE	CURRENT POSITION
Amos Kohn	57	President, Chief Executive Officer, Chief Financial Officer and Director (Principal Executive and Financial Officers)
Milton “Todd” Ault, III*	47	Executive Chairman of the Board of Directors
Kristine Ault*	47	Director
Robert O. Smith	73	Director
William Horne*	49	Director
Moti Rosenberg	70	Director

* Pursuant to a Securities Purchase Agreement (the “Agreement”) dated September 5, 2016, by and among the Company, Philou Ventures, LLC, a Wyoming limited liability company, and Telkoor Telecom Ltd., an Israeli company, Philou Ventures has the right to designate up to four directors to the Board.

The following information with respect to the principal occupation or employment of each nominee for director, the principal business of the corporation or other organization in which such occupation or employment is carried on, and such nominee's business experience during the past five years, as well as the specific experiences, qualifications, attributes and skills that have led the Board to determine that such Board members should serve on our Board, has been furnished to the Company by the respective director nominees:

Amos Kohn. Mr. Kohn has served as a member of our board of directors since 2003, as our President and Chief Executive Officer since 2008. From March 2011 until August 2013 Mr. Kohn also served as interim Chief Financial Officer. Mr. Kohn has more than 20 years of successful global executive management experience, including multiple C-level roles across private and established publicly-traded companies. Mr. Kohn has successfully managed cross-functional teams, driven corporations to high profitability, built customer loyalty and led businesses through expansion and sustained growth. His areas of expertise include operations, technology innovation, manufacturing, strategic analysis and planning and M&A. Mr. Kohn was Vice President of Business Development at Scopus Video Networks, Inc., a Princeton, New Jersey company that develops and markets digital video networking products (2006-2007); 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 (2003-2006); Chief Architect at Liberate Technologies, a leading company in the development of a full range of digital media processing for telecom and cable TV industries, located in San Carlos, California (2000-2003); and Executive Vice President of Engineering and Technology at Golden Channel & Co., 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 (1989-2000). Mr. Kohn holds a degree in electrical and electronics engineering and is named as an inventor on 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 as a director on our board since 2003, give him the qualifications and skills to serve as one of our directors.

Milton C. "Todd" Ault, III. Mr. Ault was appointed Executive Chairman of the Board on March 16, 2017. Mr. Ault is a seasoned business professional and entrepreneur that has spent more than twenty-seven years identifying value in various financial markets including equities, fixed income, commodities, and real estate. Mr. Ault founded on February 25, 2016 Alzamend Neuro, Inc., a biotechnology firm dedicated to finding the treatment, prevention and cure for Alzheimer's Disease and has served as its Chairman since. Mr. Ault has served as Chairman of Ault & Company, a holding company since December 2015, and as Chairman of Avalanche International Corp since September 2014. Since January, 2011, Mr. Ault has been the Vice President of Business Development for MCKEA Holdings, LLC, a family office. Through this position, Mr. Ault has consulted for a few publicly traded and privately held companies, providing each of them the benefit of his diversified experience, that range from development stage to seasoned businesses. He was the President, Chief Executive Officer, Director and Chairman of the Board of Zealous, Inc. from August 2007 until June 4, 2010 and again from February 2011 through May 1, 2011. Mr. Ault was a registered representative at Strome Securities, LP, from July 1998 until December 2005, where he was involved in portfolio management and worked on several activism campaigns including Taco Cabana, Jack In The Box (formerly Foodmaker), and 21st Century Holdings Co. Mr. Ault became majority shareholder of Franklin Capital Corp and was elected to its board of directors in July 2004 and became its Chairman and Chief Executive Officer in October 2004 serving until January 2006, and again from July 2006 to January 2007. In April 2005, the company changed its name to Patient Safety Technologies, Inc. (OTCQB: PSTX) ("**PST**") and purchased SurgiCount Medical, Inc. Stryker Corporation (NYSE:SYK) acquired PST at the beginning of 2014 in a deal valued at approximately one hundred twenty million dollars ($120,000,000). PST's wholly owned operating subsidiary, SurgiCount Medical, Inc., is the company that developed the SafetySponge® System a bar coding technology for inventory control that aims to detect and prevent the incidence of foreign objects left in the body after surgery. We believe that Mr. Ault's business background demonstrates he has the qualifications to serve as one of our directors and as Chairman.

Kristine Ault. Ms. Ault has served as a member of our board of directors since October 13, 2016. She is a seasoned business woman who has served as the managing member of a private holding company that makes equity investments in other operating businesses since 2011 and has served as a member of our board of directors since October 2016. Prior to that, she worked in the finance department of Strome Securities, L.P. in Santa Monica, California. Ms. Ault was appointed as Trustee for a private trust in 1997 and currently administers four private trusts. Her work experience ranges from ABC Cable Networks to the vineyards of Sonoma and Napa Valley. Ms. Ault holds a B.A. degree in Radio-Television-Film and minor in Business Administration from California State University Northridge. She also received an A.A in Natural Sciences and Mathematics from Napa Valley College. We believe that Ms. Ault's experiences, attributes and abilities in business administration and accounting with equity investments give her the qualifications and skill set to serve as one of our directors.

Robert O. Smith. Mr. Smith serves as one of our independent directors. Previously, he served as a member of our Board of Directors from November 2010 until May 2015, and served as a member of our Advisory Board from 2002 until 2015. 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 Directors 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 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, and his

service on our Board from November 2010 until May 2015, give him the qualifications and skills to serve as one of our directors.

William Horne. Mr. Horne has served as an independent member of our board of directors since October 13, 2016. He has served as the Chief Financial Officer of Targeted Medical Pharma, Inc. (OTCBB: TRGM) since August 2013 and has served as a member of our board of directors since October 2016. Mr. Horne is a director of and chief financial officer to Avalanche International, Co. Mr. Horne previously held the position of Chief Financial Officer in various companies in the healthcare and high-tech field, including OptimisCorp, from January 2008 to May 2013, a privately held, diversified healthcare technology company located in Los Angeles, California. Mr. Horne served as the Chief Financial Officer of Patient Safety Technologies, Inc. (OTCBB: PSTX), a medical device company located in Irvine, California, from June 2005 to October 2008 and as the interim Chief Executive Officer from January 2007 to April 2008. In his dual role at Patient Safety Technologies, Mr. Horne was directly responsible for structuring the divestiture of non-core assets, capital financings and debt restructuring. Mr. Horne held the position of Managing Member & Chief Financial Officer of Alaska Wireless Communications, LLC, a privately held, advanced cellular communications company, from its inception in May 2002 until November 2007. Mr. Horne was responsible for negotiating the sale of Alaska Wireless to General Communication Inc. (NASDAQ: GNCMA). From November 1996 to December 2001, Mr. Horne held the position of Chief Financial Officer of The Phoenix Partners, a venture capital limited partnership located in Seattle, Washington. Mr. Horne has also held supervisory positions at Price Waterhouse, LLP and has a Bachelor of Arts Magna Cum Laude in Accounting from Seattle University. We believe that Mr. Horne’s extensive financial and accounting experience in diversified industries and with companies involving complex transactions give him the qualifications and skills to serve as one of our directors.

Moti Rosenberg. Mr. Rosenberg serves as one of our independent directors. He has served as an independent consultant to various companies in the design and implementation of homeland security systems in Europe and Africa since 2010. From 2004 to 2009, he served as a special consultant to Bullet Plate Ltd., a manufacturer of armor protection systems, and NovIdea Ltd., a manufacturer of perimeter and border security systems. From 2000 to 2003, Mr. Rosenberg was the general manager of ZIV U.P.V.C Products Ltd.'s doors and window factory. Mr. Rosenberg is an active reserve officer and a retired colonel from the Israeli Defense Force (IDF), where he served for 26 years and was involved in the development of weapon systems. In the IDF, Mr. Rosenberg served in various capacities, including platoon, company, battalion, and brigade commander, head of the training center for all IDF infantry, and head of the Air Force's Special Forces. Mr. Rosenberg received a B.A in History from the University of Tel Aviv and a Master of Arts in Political Science from the University of Haifa in Israel. We believe that Mr. Rosenberg's business background give him the qualifications to serve as one of our directors.

Directors serve until the next annual meeting of shareholders or until their successors are elected and qualified. Officers serve at the discretion of the Board.

Involvement in Certain Legal Proceedings

Except as disclosed below, to our knowledge, none of our current directors or executive officers has, during the past ten years:

- been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;
- been found by a court of competent jurisdiction in a civil action or by the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

1. Mr. Ault held series 7, 24, and 63 licenses and managed four domestic hedge funds and one bond fund from 1998 through 2008. On April 26, 2012, as a result from an investigation by FINRA involving activities during 2008, Mr. Ault agreed to a settlement with FINRA in which he did not admit to any liability or violation of any laws or regulatory rules and that included restitution and a suspension from association with a FINRA member firm for a period of two years. As part of that settlement, Mr. Ault agreed that he would make restitution to certain investors. Mr. Ault did not within the prescribed time period make a restitution payment to certain of the investors as he was unable to locate all of them, nor did he forward the undistributed restitution in the state where the investor was known to have resided, as directed by FINRA.

2. Mr. Ault was CEO, President and Chairman of Zealous Holdings, Inc. that filed for bankruptcy protection under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) on February 20, 2009, in the U.S. Bankruptcy Court, Central District of California. This Chapter 11 filing was subsequently converted to a Chapter 7 filing by order of the Bankruptcy Court. Zealous Holdings, Inc. was not an entity that was entitled to a discharge under the bankruptcy code. As such Zealous Holdings, Inc. did not receive a discharge. Ultimately, Zealous Holdings, Inc. ceased doing business and was permanently closed.

3. Mr. Ault filed for bankruptcy protection under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) on December 8, 2009, in the U.S. Bankruptcy Court, Central District of California. This Chapter 13 filing was subsequently converted to a Chapter 7 filing by order of the Bankruptcy Court and months later, the petition being withdrawn and dismissed without prejudice.

Except as set forth in our discussion below in “Certain Relationships and Related Transactions,” none of our directors or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

Family Relationships.

Milton C. Ault, III and Kristine Ault are spouses.

Board Independence

Our Board has undertaken a review of the independence of each director and director nominee and has determined that Messrs. Smith, Horne and Rosenberg are independent, and that each director who serves on or is nominated for each of its committees is independent, as such term is defined by standards of the SEC and the NYSE American. None of Messrs. Kohn and Ault nor Ms. Ault meets the independence standards.

Shareholder Communications with the Board

The Company’s shareholders may communicate with the Board, including non-executive directors or officers, by sending written communications addressed to such person or persons in care of Digital Power Corporation., Attention: Secretary, 48430 Lakeview Blvd., Fremont, California 94538-3158. All communications will be compiled by the Secretary and submitted to the addressee. If the Board modifies this process, the revised process will be posted on the Company’s website.

Meetings and Committees of the Board

During the fiscal year ended December 31, 2016, the Board held five meetings, the Audit Committee held three meetings, the Nominating and Governance Committee held one meeting and the Compensation Committee held one meeting. The Board and Board committees also approved certain actions by unanimous written consent. We encourage, but do not require, our Board members to attend the annual meeting of shareholders. Amos Kohn attended our 2016 Annual Meeting of Shareholders.

Board Committees

The Board has standing Audit and Compensation and Nominating and Governance Committees. Information concerning the membership and function of each committee is as follows:

Name	Audit Committee	Compensation Committee	Nominating and Governance Committee
Amos Kohn			
Milton “Todd” Ault, III			
Kristine Ault			
Robert O. Smith	*	**	*
William Horne	** ***	*	*
Moti Rosenberg	*	*	**

* Member of Committee

** Chairman of Committee

*** “Audit committee financial expert” as defined in SEC regulations.

Audit Committee

Messrs. Horne, Smith, and Rosenberg currently comprise the Audit Committee of our Board. Our Board has determined that each of the current members of the Audit Committee satisfies the requirements for independence and financial literacy under the standards of the SEC and the NYSE American. Our Board has also determined that Mr. Horne qualifies as an “audit committee financial expert” as defined in SEC regulations and satisfies the financial sophistication requirements set forth in the NYSE American Rules. Mr. Horne serves as Chairman of the Audit Committee.

The Audit Committee is responsible for, among other things, selecting and hiring our independent auditors, 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. The Audit Committee reviewed and discussed with management the Company's audited financial statements for the year ended December 31, 2016.

Compensation Committee

Messrs. Horne, Smith, and Rosenberg currently comprise the Compensation Committee of our Board. Our Board has determined that each of the current members of the Compensation Committee meets the requirements for independence under the standards of the NYSE American. Mr. Smith serves as Chairman of the Compensation Committee.

The Compensation Committee is responsible for, among other things, reviewing and approving executive compensation policies and practices; reviewing and approving 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.

Nominating and Governance Committee

Messrs. Smith, Horne, and Rosenberg currently comprise the Nominating and Governance Committee of our Board. Our Board has determined that each of the current members of the Nominating and Governance Committee meets the requirements for independence under the standards of the NYSE American. Mr. Rosenberg serves as Chairman of the Nominating and Governance Committee.

The Nominating 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.

The Nominating and Governance Committee considers diversity when identifying Board candidates. In particular, it considers such criteria as a candidate's broad-based business and professional skills, experiences and global business

and social perspective.

In addition, the Committee seeks directors who exhibit personal integrity and a concern for the long-term interests of shareholders, as well as those who have time available to devote to Board activities and to enhancing 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.

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.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors and persons who own more than ten percent of a registered class of our equity securities to file an initial report of ownership on Form 3 and changes in ownership on Form 4 or Form 5 with the SEC. Executive officers, directors and ten percent shareholders are also required by SEC rules to furnish us with copies of all Section 16(a) forms they file. Based solely upon our review of Forms 3, 4 and 5 received by us, or written representations from certain reporting persons, we believe that during the during current fiscal year and the year ended December 31, 2016, all such filing requirements applicable to our officers, directors and ten percent shareholders were fulfilled with the following exceptions.

During the fiscal year 2016, Messrs. Horne, Smith and Rosenberg, and Ms. Ault each inadvertently filed late one Form 4 reporting one transaction and Mr. Kohn inadvertently file three Forms 4s late reporting eight transactions.

Code of Ethics

The Board has established a corporate Code of Conduct which qualifies as a "code of ethics" as defined by Item 406 of Regulation S-K of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). The Board has adopted the Code of Ethical Conduct that applies to our principal executive officer, principal financial officer, principal accounting officer, controller or person performing similar functions (collectively, the "**Financial Managers**"). 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. Upon request to our President and CEO, Amos Kohn, we will provide without charge, a copy of our Code of Ethical Conduct.

Among other matters, the Code of Conduct is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting of violations of the Code of Conduct to appropriate persons identified in the code; and
- accountability for adherence to the Code of Conduct.

Waivers to the Code of Conduct may be granted only by the Board upon recommendation of the Audit Committee. In the event that the Board grants any waivers of the elements listed above to any of our officers, we expect to promptly disclose the waiver as required by law or the private regulatory body.

Director Compensation

For 2016, and thereafter, the Company pays each independent director $20,000 annually, other than Mr. Smith, who will receive $30,000 annually due to anticipated additional services to be provided by Mr. Smith as a lead independent director.

On November 22, 2016, each non-employee director received options to purchase 200,000 shares of Common Stock at an exercise price of $0.70 per share. The options are subject to vesting of which one-third vested immediately and the remaining unvested options will vest equally on the subsequent anniversary dates.

On December 28, 2016, the shareholders approved the 2016 Stock Incentive Plan (the "**2016 Stock Incentive Plan**"), under which options to acquire up to 4,000,000 shares of Common Stock may be granted to the Company's directors, officers, employees and consultants. The 2016 Stock Incentive Plan is in addition to the Company's current 2012 Plan, which provides for the issuance of a maximum of 1,372,630 shares of the Company's Common Stock to be offered to the Company's directors, officers, employees, and consultants.

Effective November 1, 2016, Executive Chairman of the Board of Directors, Milton C. "Todd" Ault, III, began receiving a monthly fee of $15,000 pursuant to a consulting agreement entered into with the Company.

The table below sets forth, for each non-employee director, the total amount of compensation related to his or her service during the year ended December 31, 2016:

Name	Fees Earned or Paid in Cash	Warrant Awards	Option Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total ($)
Robert Smith [1]	$5,000	-	$32,145 [5]	-	-	-	$37,145
Kristine Ault [2]	-		$32,145 [5]				$32,145
William B Horne [2]	$3,333		$32,145 [5]				$35,478
Moti Rosenberg	$11,666		$33,355 [5]				$45,021
Ben-Zion Diamant [3]			$24,693			$ 85,983	$110,676
Haim Yatim [4]	$13,498		$1,758				$15,256
Israel Levi [4]	$7,500		$1,758				$9,258

(1) Mr. Smith was appointed to the Board on September 22, 2016.

(2) Ms. Ault and Mr. Horne were each appointed to the Board on October 13, 2016.

(3) On September 12, 2011, our Board of Directors approved the payment of monthly consulting fees of $6,000 to Ben-Zion Diamant, our former Chairman of the Board of Directors. On March 21, 2016, the Compensation Committee and Board of Directors approved an increase to the monthly consulting fee to Mr. Diamant to $7,500 effective as of March 21, 2016. Mr. Diamant resigned as a director on September 22, 2016, but as part of a Securities Purchase Agreement by and among the Company, Philou Ventures and Telkoor, Mr. Diamant will continue to receive $7,500 for a period of 18 months from September 5, 2016.

(4) Messrs. Yatim and Levi each resigned from the board on September 22, 2016.

(5) Effective November 2016, the non-employee director received options to purchase 200,000 shares at $.70 per share with one-third of the grant to vest immediately and the remaining two-thirds to vest over the remaining two anniversary dates.

Required Vote and Board Recommendation

The election of the directors of the Company requires the affirmative vote of a plurality of the shares of the Company's Common Stock present in person or represented by Proxy at the Annual Meeting, which will be the nominees receiving the largest number of votes, which may or may not constitute a majority.

The Board unanimously recommends a vote "FOR" each of its nominees

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PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed the firm of Marcum, LLP, as the independent registered public accounting firm of the Company for the year ending December 31, 2017, subject to ratification of the appointment by the Company's shareholders. A representative of Marcum, LLP, is expected to attend the Annual Meeting to respond to appropriate questions and will have an opportunity to make a statement if he or she so desires.

Review of the Company's Audited Financial Statements for the Fiscal Year Ended December 31, 2016

The Audit Committee met and held discussions with management and the independent auditors. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States, and the Audit Committee reviewed and discussed the consolidated financial statements with management and the independent auditors. The Audit Committee also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 114 (Codification of Statements on Auditing Standards, AU 380), as amended.

In addition, the Audit Committee discussed with the independent auditors the auditors' independence from the Company and its management, and the independent auditors provided to the Audit Committee the written disclosures and letter required by the Independence Standards Board Standard No. 1 (Independence Discussions With Audit Committees).

The Audit Committee discussed with the Company's independent auditors the overall scope and plans for their respective audits. The Audit Committee met with the independent auditors, with and without management present, to discuss the results of their examinations and the overall quality of the Company's internal controls and financial reporting.

Based on the reviews and discussions referred to above, the Audit Committee approved the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for filing with the SEC.

Fees Paid to Auditors

Audit Fees

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountants Marcum, LLP, with respect to the year ended December 31, 2016 ("**Marcum**") and Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, with respect to the year ended December 31, 2015 ("**Kost Forer**"), for our audit of annual financial statements and review of financial statements included in our quarterly reports or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years were:

Marcum	2016	$129,545
Kost Forer	2015	$100,000

Audit-Related Fees

We did not incur fees to our independent registered public accounting firm for audit related fees during the fiscal years ended December 31, 2016 and 2015.

Tax and Other Fees

We did not incur fees to our independent registered public accounting firm for tax services during the fiscal years ended December 31, 2016 and 2015.

Pre-Approval Policies and Procedures

Consistent with SEC policies and guidelines regarding audit independence, the Audit Committee is responsible for the pre-approval of all audit and permissible non-audit services provided by our principal accountants on a case-by-case basis. Our Audit Committee has established a policy regarding approval of all audit and permissible non-audit services provided by our principal accountants. Our Audit Committee pre-approves these services by category and service. Our Audit Committee has pre-approved all of the services provided by our principal accountants.

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REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

*The Audit Committee of the Board of Digital Power Corporation has furnished the following report on its activities during the fiscal year ended December 31, 2016. The report is not deemed to be "soliciting material" or "filed" with the SEC or subject to the SEC's proxy rules or to the liabilities of Section 18 of the Exchange Act, and the report shall not be deemed to be incorporated by reference into any prior or subsequent filing under the Securities Act of 1933, as amended (the "**Securities Act**"), or the Exchange Act, except to the extent that Digital Power Corporation specifically incorporates it by reference into any such filing.*

The Audit Committee oversees the financial reporting process on behalf of the Board. Management has the primary responsibility for the financial reporting process, principles and internal controls as well as preparation of our financial statements. For the fiscal year ended December 31, 2016, the members of the Audit Committee were Messrs. Horne, Smith and Rosenberg, each of whom was an independent director as defined by the applicable NYSE American and SEC rules.

In fulfilling its responsibilities, the Audit Committee appointed independent auditors Marcum, LLP, for the fiscal year ended December 31, 2016. The Audit Committee reviewed and discussed with the independent auditors the overall scope and specific plans for their audit. The Audit Committee also reviewed and discussed with the independent auditors and with management the Company's audited financial statements and the adequacy of its internal controls. The Audit Committee met with the independent auditors, without management present, to discuss the results of our independent auditor's audits, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting.

The Audit Committee monitored the independence and performance of the independent auditors. The Audit Committee discussed with the independent auditors the matters required to be discussed by Public Company Accounting Oversight Board ("**PCAOB**") Auditing Standard No. 16—Communications with Audit Committees. The Company's independent auditors have provided the Audit Committee with the written disclosures and the letter required by applicable requirements of the PCAOB regarding the independent auditors' communications with the Audit Committee concerning independence, and the Audit Committee has discussed with the independent auditor the independent auditor's independence. Based upon the review and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2016, for filing with the SEC.

Mr. William B. Horne, Mr. Robert O. Smith, Mr. Moti Rosenberg

Required Vote and Board Recommendation

The ratification of the appointment of the Company's independent auditors requires the receipt of the affirmative vote of a majority of the shares of the Company's Common Stock present in person or by proxy and voting at the Annual Meeting.

The Board unanimously recommends a vote "FOR" the ratification of Marcum, LLP, as the Company's independent registered public accounting firm for the year ending December 31, 2017

PROPOSAL NO. 3

APPROVAL OF THE REINCORPORATION OF THE COMPANY FROM CALIFORNIA TO DELAWARE

Overview

We are seeking shareholder approval to grant the Board discretionary authority to change the Company's state of incorporation from California to Delaware (the "**Reincorporation**"). If our shareholders approve this Proposal, the Board will have the sole discretion, until the 2018 Annual Meeting of Shareholders, to effectuate the Reincorporation. The Board has unanimously approved effectuating the Reincorporation, subject to approval by our shareholders, potentially securing certain third-party consents and approvals that the Board determines are in the best interests of the Company to obtain and other factors that the Board may consider. If authorized by the Board, the Reincorporation will be effectuated pursuant to the terms of a merger agreement providing for us to merge with and into a newly formed, wholly-owned subsidiary of the Company incorporated in the State of Delaware ("**DPW-Delaware**"). The name of the Company after the Reincorporation will be "DPW Holdings, Inc." Even if our shareholders approve this Proposal, the Board reserves the right not to effect the Reincorporation if the Board does not deem it to be in the best interests of the Company's shareholders. The Board believes that granting this discretion provides the Board with maximum flexibility to act in the best interests of the Company's shareholders. If this Proposal is approved by the shareholders, the Board will have the authority, in its sole discretion, without further action by the shareholders, to effect the Reincorporation. For purposes of the discussion below, the Company as it currently exists as a corporation organized under the laws of the State of California is referred to as "DPW-California" or as "we" or "us."

Shareholders are urged to read this proposal carefully, including the exhibits attached to this Proxy Statement, before voting on the Reincorporation Proposal. The following discussion summarizes material provisions of the proposed Reincorporation. This summary is subject to and qualified in its entirety by the Agreement and Plan of Merger (the "**Reincorporation Agreement**") that will be entered into in the event of Reincorporation by DPW-California and DPW-Delaware in substantially the form attached hereto as Appendix B, the Certificate of Incorporation of DPW-Delaware to be effective immediately following the Reincorporation (the "**Delaware Certificate**"), in substantially the form attached hereto as Appendix C, and the Bylaws of DPW-Delaware to be effective immediately following the Reincorporation (the "**Delaware Bylaws**"), in substantially the form attached hereto as Appendix D. Copies of the Articles of Incorporation of DPW-California filed in California, as amended to date (the "**California Articles**"), and the Bylaws of DPW-California, as amended to date (the "**California Bylaws**"), are publicly available as exhibits to the reports we have filed with the SEC and also are available for inspection at our principal executive offices. Additionally, we will send copies to shareholders free of charge upon written request to Digital Power Corporation, 48430 Lakeview Blvd., Fremont, California 94538-3158.

Reasons for the Reincorporation

Because state corporate law governs the internal affairs of a corporation, choice of a state domicile is an extremely important decision for a public company. Management and boards of directors of corporations look to state corporate law, and judicial interpretations of state law, to guide their decision-making on many key issues, including determining appropriate governance policies and procedures, ensuring that boards satisfy their fiduciary obligations to shareholders and evaluating key strategic alternatives for a corporation, including mergers, acquisitions and divestitures. Our Board and management believe that it is important for us to be able to draw upon well-established principles of corporate governance in making legal and business decisions. The primary purpose for effecting the Reincorporation, should the Board choose to effect it, would be the prominence and predictability of Delaware corporate law, which provides a reliable foundation on which our governance decisions can be based. We believe that our shareholders will benefit from the responsiveness of Delaware corporate law and the Delaware judiciary to their needs and to the needs of the corporation they own. The principal factors the Board considered in deciding to pursue and recommending that our shareholder approve the proposed Reincorporation are summarized below:

- greater predictability, flexibility and responsiveness of Delaware law to corporate needs;
- access to specialized courts;
- enhanced ability of Delaware corporations to attract and retain directors and officers; and
- more certainty with respect to indemnification and limitation of liability for directors.

Predictability, Flexibility and Responsiveness of Delaware Law. Delaware has adopted comprehensive and flexible corporate laws that are updated regularly to meet changing business circumstances. The Delaware legislature is sensitive to and experienced in addressing issues regarding corporate law and is especially responsive to developments in modern corporate law. The Delaware Secretary of State is viewed as particularly flexible and responsive in its administration of the filings required for mergers, acquisitions and other corporate transactions. Delaware has become a preferred domicile for many major American corporations and its corporate law and administrative practices have become comparatively well-known and widely understood. In addition, Delaware case law provides a well-developed body of law defining the proper duties and decision making processes expected of boards of directors in evaluating potential or proposed extraordinary corporate transactions. As a result of these factors, it is anticipated that Delaware law provides more efficiency, predictability and flexibility in our legal affairs than is presently available under California law.

Access to Specialized Courts. Delaware offers a system of specialized Chancery Courts to adjudicate cases involving corporate law issues. These courts have developed considerable expertise in dealing with corporate legal issues, as well as a substantial and influential body of case law construing Delaware's corporate law and have streamlined procedures and processes that help provide relatively quick decisions. In contrast, California does not have a similar specialized court established to hear only corporate law cases. Disputes involving questions of California corporate law are either heard by the California Superior Court, the general trial court in California that hears all manner of cases, from criminal to civil (including personal injury and marital dissolution cases) or, if federal jurisdiction exists, a federal district court.

Enhanced Ability to Attract and Retain Directors and Officers. The Board believes that the Reincorporation enhances our ability to attract and retain qualified directors and officers, as well as encourage directors and officers to continue to make independent decisions in good faith on behalf of the Company. We are in a competitive industry and compete for talented individuals to serve on our management team and on our Board. The majority of public companies are incorporated in Delaware. Not only is Delaware law more familiar to directors, it also offers greater certainty and stability from the perspective of those who serve as corporate officers and directors. The parameters of director and officer liability have been more extensively addressed in Delaware court decisions and, accordingly, are better defined and better understood than under California law. The Board believes that the Reincorporation provides appropriate protection for shareholders from possible abuses by directors and officers, while enhancing our ability to recruit and retain directors and officers. Please note that directors' personal liability is not, and cannot be, eliminated under Delaware law for intentional misconduct, bad faith conduct or any transaction from which the director derives an improper personal benefit. We believe that the better understood and comparatively stable corporate environment afforded by Delaware law would enable us to compete more effectively with other public companies in the recruitment of talented and experienced directors and officers.

More Certainty Regarding Indemnification and Limitation of Liability for Directors. In general, both California and Delaware permit a corporation to include a provision in its charter which reduces or limits the monetary liability of directors for breaches of fiduciary duties, subject to certain exceptions further discussed in "Elimination of Director Personal Liability for Monetary Damages" below. The increasing frequency of claims and litigations directed against directors and officers has greatly expanded the risks facing directors and officers of corporations in exercising their respective duties. The amount of time and money required to respond to such claims and to defend such litigation can be substantial and distracting to the directors and officers. It is our desire to reduce these risks to our directors and officers and to limit situations in which monetary damages can be recovered against directors so that we may continue to attract and retain qualified directors who otherwise might be unwilling to serve because of the risks involved. In addition, enhanced protection of directors is expected to reduce the extent to which directors, due to the threat of personal liability, are inhibited from making business decisions which, though entailing some degree of risks, are in the best interests of the Company and its shareholders. We believe that, in general, Delaware law provides greater protection to directors than California law, and that Delaware case law regarding a corporation's ability to limit director liability is more developed and provides more guidance than California law. However, the shareholders should be aware that such protection and limitation of liability inure to the benefit of directors, and the interest of the Board in recommending the approval of this Proposal may therefore not be aligned with the interests of the shareholders.

Mechanics of the Reincorporation

If the Proposal is approved by our shareholders, the Board, in its sole discretion, will determine whether the Reincorporation remains in the best interests of the Company and its shareholders. Should the Board choose to exercise this discretion and effect the Reincorporation, the Reincorporation will be effectuated by the merger of DPW-California with and into DPW-Delaware, a wholly-owned subsidiary of the Company that recently has been incorporated under the Delaware General Corporation Law (the "**DGCL**") for purposes of the Reincorporation. The Company, as it currently exists as a California corporation, will cease to exist as a result of the merger, and DPW-Delaware will be the surviving corporation and will continue to operate our businesses as it exists prior to the Reincorporation. The existing holders of our Common Stock will own all of the outstanding shares of DPW-Delaware Common Stock, and there will be no change in number of shares owned by or in the percentage ownership of any shareholder as a result of the Reincorporation (but see "Differences between the Charters and Bylaws of DPW-California and DPW-Delaware – Classes of Common Stock" below). Assuming approval of the Reincorporation Proposal at the Annual Meeting and a decision by our Board to consummate with the Reincorporation, we currently anticipate that we will effectuate the Reincorporation as soon as reasonably practicable thereafter.

In the Reincorporation, all outstanding equity awards, including stock options to purchase DPW-California Common Stock and restricted stock units representing the right to receive DPW-California Common Stock upon vesting, that are outstanding under DPW-California's equity incentive plans, including employee benefit and incentive compensation plans immediately prior to the Reincorporation (the "**Equity Plans**"), as well as options, restricted stock units or other equity awards granted under the Equity Plans in the future, will automatically be assumed by DPW-Delaware and will represent an option or restricted stock unit, as applicable, to acquire or receive shares of DPW-Delaware on the basis of one share of DPW-Delaware Common Stock for each one share of DPW-California Common Stock relating to such award and, in the case of stock options, at an exercise price equal to the exercise price of the DPW-California option. Other than a change in the identity of the corporation to which the awards granted under the Equity Plans are subject, the terms and conditions of these equity awards will not change. In particular, the merger of DPW-California into DPW-Delaware will not be treated as a "Change in Control" under any of the Equity Plans, and therefore the provisions of the Equity Plans that provide for more favorable treatment to holders of awards in that event will not apply.

If and at the time and date on which the Reincorporation becomes effective (the "**Effective Time**"), we will be governed by the Delaware Certificate, the Delaware Bylaws and the DGCL. Although the Delaware Certificate and the Delaware Bylaws contain provisions that are similar to the provisions of the California Articles and the California Bylaws, they also include certain provisions that are different from the provisions contained in the California Articles and the California Bylaws or under the California General Corporation Law (the "**CGCL**"), as described in more detail below.

Changes to the Business of the Company as a Result of the Reincorporation

In addition to the change in corporate domicile, the Company will increase its number of authorized shares from 2,000,000 shares of Preferred Stock and 30,000,000 shares of Common Stock to 25,000,000 shares of preferred stock and 225,000,000 shares of Common Stock. The Reincorporation will not result in any change in the business, physical location, management, assets or liabilities of the Company, nor will it result in any change in location of our current officers or employees. Upon consummation of the Reincorporation, our daily business operations will continue as they are presently conducted at our principal executive offices located at 48430 Lakeview Blvd., Fremont, California 94538-3158. The consolidated financial condition and results of operations of DPW-Delaware immediately after consummation of the Reincorporation will be the same as those of DPW-California immediately prior to the consummation of the Reincorporation. In addition, upon the effectiveness of the Reincorporation, the Board of Directors of DPW-Delaware will be comprised of the persons who were elected to the Board of Directors of DPW-California at the Annual Meeting and will continue to serve until the next annual stockholders' meeting and until their successors are elected. There will be no changes in our executive officers or in their responsibilities. Upon effectiveness of the Reincorporation, DPW-Delaware will be the successor in interest to DPW-California, and the stockholders will become stockholders of DPW-Delaware, owning the same number of shares of its Common Stock as they owned of DPW-California's Common Stock.

All of our employee benefit and incentive compensation plans existing immediately prior to the Reincorporation, including the Equity Plans, will be continued by DPW-Delaware, and, as described above, each outstanding option to purchase shares of DPW-California's Common Stock and each outstanding restricted stock unit representing the right to receive one share of DPW-California Common Stock upon vesting will be converted into an option to purchase the same number of shares of DPW-Delaware's Common Stock or a restricted stock unit relating to the same number of shares of DPW-Delaware's Common Stock on the same terms, at the same price, and subject to the same conditions. The registration statements of DPW-California on file with the SEC immediately prior to the Reincorporation will be assumed by DPW-Delaware, and the shares of DPW-Delaware will continue to be listed on NYSE American.

IN THE EVENT OF A REINCORPORATION, DPW-CALIFORNIA SHARE CERTIFICATES AND BOOK-ENTRY POSITIONS WILL AUTOMATICALLY REPRESENT SHARES AND BOOK-ENTRY POSITIONS OF DPW-DELAWARE UPON THE EFFECTIVENESS OF THE REINCORPORATION. SHAREHOLDERS WHO HOLD DPW-CALIFORNIA SHARE CERTIFICATES WILL NOT BE REQUIRED TO SURRENDER OR EXCHANGE THEIR DPW-CALIFORNIA SHARE CERTIFICATES SOLELY IN CONNECTION WITH THE REINCORPORATION.

The Reincorporation Agreement provides that the Board may abandon the Reincorporation at any time prior to the Effective Time if the Board determines that the Reincorporation is inadvisable for any reason. For example, the DGCL or CGCL, may be changed to reduce the benefits that the Board is seeking to achieve through the Reincorporation, or the costs of operating as a Delaware corporation may be increased, although we do not know of any such changes under consideration. The Reincorporation Agreement may be amended at any time prior to the Effective Time, either before or after the shareholders have voted to adopt the proposal, subject to applicable law. We will re-solicit shareholder approval of the Reincorporation if the terms of the Reincorporation Agreement are materially changed.

Anti-Takeover Implications

Delaware, like many other states, permits a domestic corporation to adopt various measures designed to reduce a corporation's vulnerability to unsolicited takeover attempts through provisions in the corporate charter or bylaws or otherwise, and provides default legal provisions in the DGCL that apply to certain publicly held corporations that have not affirmatively opted out, which further limits such vulnerability. The Reincorporation was not proposed to prevent such a change in control; nor is it a response to any specific attempt to acquire control known to our Board.

Nevertheless, the Reincorporation may have certain anti-takeover effects by virtue of the Company being subject to Delaware law instead of California law. For example, Section 203 of the DGCL generally prohibits certain "business combinations" (including mergers, sales and leases of assets, issuances of securities and similar transactions) with "interested stockholders" (generally a person who beneficially owns 15% or more of a corporation's voting stock) for three years following the date that a person becomes an interested stockholder, unless: (a) before such stockholder becomes an "interested stockholder," the board of directors approves the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (b) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the outstanding stock of the corporation at the time of the transaction (excluding stock owned by certain persons); or (c) at the time or after the stockholder became an interested stockholder, the board of directors and at least 66 2/3% of the outstanding voting stock of the corporation approves the transaction, excluding shares held by the interested stockholder.

Our Board believes that unsolicited takeover attempts may be unfair or disadvantageous to the Company and its shareholders because a non-negotiated takeover bid may: (a) be timed to take advantage of temporarily depressed stock prices; (b) be designed to foreclose or minimize the possibility of more favorable competing bids; (c) involve the acquisition of only a controlling interest in our Company's stock or a two-tiered bid, without affording all shareholders the opportunity to receive the same economic benefits; or (d) be predicated on confidential and/or proprietary information that is not generally known by our shareholders, thereby creating a disparity of information that could negatively prejudice our shareholders. By contrast, in a transaction in which an acquirer must negotiate with our Company, our Board would evaluate our Company's assets and business prospects to attempt to force the bidder to offer consideration equal to the true value of our Company, or to withdraw the bid.

Although our Board believes the advantages of the Reincorporation outweigh the disadvantages, our Board has carefully considered and will continue to carefully consider the detriments of the Reincorporation proposal. These include the possibility that future takeover attempts that are not approved by our Board, but which a majority of our shareholders may nonetheless deem to be in its best interests, may be discouraged. In addition, to the extent that the provisions of the DGCL would better enable the board of directors of DPW-Delaware to resist a takeover or a change in control, it could become more difficult to remove existing directors and management.

Possible Negative Considerations

Notwithstanding the belief of the Board as to the benefits to our shareholders of the Reincorporation, Delaware law has been criticized by some commentators and shareholders on the grounds that it does not afford minority shareholders the same substantive rights and protections as are available in certain other states, including California. In addition, the Delaware Certificate and the Delaware Bylaws, in comparison to the California Articles and the California Bylaws, contain certain provisions that may have the effect of reducing the rights of minority shareholders. The Reincorporation may have the effect of making it more difficult for minority shareholders to call special meetings of shareholders. In addition, the minimum annual franchise taxes payable by us in Delaware may be greater than in California.

It should also be noted that the interests of the Board of Directors and management in voting on the Reincorporation proposal may not be the same as those of shareholders since some substantive provisions of California and Delaware law apply only to directors and officers. See “Interests of Our Directors and Executive Officers in the Reincorporation” below. For a comparison of shareholders’ rights and the material substantive provisions that apply to the Board of Directors and management under Delaware and California law, see “Differences between the Charters and Bylaws of DPW-California and DPW-Delaware” below.

The members of the Board have considered the potential disadvantages of the Reincorporation and they have unanimously concluded at this time that the potential benefits of the Reincorporation outweigh the possible disadvantages of the Reincorporation.

Differences between the Charters and Bylaws of DPW-California and DPW-Delaware

The following is a comparison of certain key provisions in the Articles of Incorporation and the Bylaws of DPW-California and comparable provisions in the Certificate of Incorporation and the Bylaws of DPW-Delaware, as well as certain provisions of California law and Delaware law. These comparisons summarize certain difference that shareholders may deem important, but are not intended to list all differences, and is qualified in its entirety by reference to those documents and to the DGCL and CGCL. Shareholders are encouraged to read the Certificate of Incorporation and the Bylaws of DPW-Delaware and the Articles of Incorporation and the Bylaws of DPW-California, in their entirety. Copies of the Certificate of Incorporation and the Bylaws of DPW-Delaware are attached as Appendices C and D, respectively, to this proxy statement, and the Articles of Incorporation and the Bylaws of DPW-California are filed publicly as exhibits to the periodic reports we have previously filed with the SEC.

Provision	DPW-California	DPW-Delaware
Authorized Shares	30,000,000 shares of Common Stock, no par value per share. 1,000,000 shares of Preferred Stock, no par value per share.	225,000,000 shares of Common Stock, par value $0.001 per share, consisting of 200,000,000 shares of Class A Common Stock and 25,000,000 shares of Class B Common Stock. 25,000,000 shares of Preferred Stock, par value $0.001 per share.
Classes of Common Stock	Only one class of Common Stock	Two classes of Common Stock. The Class A Common Stock is substantially identical to the Company's Common Stock; the Class B Common Stock carries the voting power of 10 shares of Class A Common Stock.
Vote Required to Approve Merger or Sale of Company	Except in limited circumstances, California law requires the affirmative vote of a majority of the outstanding shares entitled to vote in order to approve a merger of the corporation or a sale of all or substantially all the assets of the corporation, including, in the case of a merger, the affirmative vote of each class of outstanding stock. The California Articles do not include any voting requirements with respect to the approval of a merger or sale.	Substantially similar to California. The Delaware Certificate does not include super-majority voting requirements with respect to the approval of a merger or such an asset sale.
50/90 Rule Restriction on Cash Mergers	Under California law, a merger may not be consummated for cash if the purchaser owns more than 50%, but less than 90%, of the then outstanding shares (the "**50/90 Rule**"), unless either (i) all the shareholders consent, which is not practical for a public company, or (ii) the California Department of Business Oversight approves the merger. The 50/90 Rule may make it more difficult for certain acquirors to make an-all cash acquisition of the Company if the acquisition were to be opposed by the Board of DPW-California. Specifically, the 50/90 rule	Delaware law does not have a provision similar to California's 50/90 Rule.

encourages an acquiror making an unsolicited tender offer to either tender for less than 50% of the outstanding shares or more than 90% of the outstanding shares. A purchase by such acquiror of less than 50% of the outstanding shares, however, does not allow the acquiror to gain ownership of a majority of the outstanding shares needed to approve a second step merger (for purposes of enabling the acquiror to acquire the remaining shares of the Company) and, therefore, creates risk for such an acquiror that such a favorable vote will not be obtained. On the other hand, a tender offer conditioned upon receipt of tenders from at least 90% of the outstanding shares also creates risk for the acquiror, because it is likely to be very difficult to obtain tenders from holders of at least 90% of the outstanding shares. Consequently, it is possible that these risks would discourage some potential acquirors from pursuing an all cash acquisition of the Company that is opposed by the Board of Directors.

Restrictions on Statutory Mergers or Company Sales Transactions with Interested Shareholders	Section 1203 of the CGCL, which applies to mergers or corporate acquisition transactions with interested shareholders or their affiliates, makes it a condition to the consummation of a merger or other acquisition transaction with an interested shareholder that an affirmative opinion be obtained in writing as to the fairness of the consideration be received by the shareholders of the corporation being acquired.	Section 203 of the DGCL generally prohibits "business combinations," including mergers, sales and leases of assets, issuances of securities and similar transactions, by a corporation or a subsidiary with an "interested stockholder" who beneficially owns 15% or more of a corporation's voting stock, within three years after the person or entity becomes an interested stockholder, unless certain conditions, which are described in more detail above, are satisfied. Delaware corporation may elect not to be governed by Section 203 of the DGCL; however, DPW-Delaware has not made such an election. Section 203 makes certain types of unfriendly or hostile corporate takeovers, or other non-board approved transactions involving a corporation and one or more of its significant stockholders, more difficult.
Bylaw Amendments	The California Bylaws may be amended by the affirmative vote of a majority of the outstanding shares or by action of the Board of Directors, except (i) a bylaw or amendment changing the authorized number of directors (except to fix the authorized number of directors pursuant to a by-law providing for a variable number of directors); and (ii) if the California Articles set forth the number of authorized directors of the corporation, the authorized number of directors may be changed only by an amendment as required by applicable law.	Under Delaware law, the stockholders possess the right to amend, alter or repeal the bylaws. In addition, the Delaware Certificate provides the Board the power to amend, alter or repeal the bylaws. The Delaware Bylaws may be amended by the Board or by the affirmative vote of the holders of a majority of the voting power of the Company's outstanding shares that are entitled to vote on the amendment.
Shareholder Action by Written Consent	The California Bylaws provide that any action that may be taken at any annual or special meeting of shareholders may be taken without a meeting and without prior notice if a consent in writing, setting forth the actions so taken, is filed with the Secretary of the Company after having been signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.	The Delaware Bylaws provide that any action that may be taken at any annual or special meeting of stockholders may be taken without a meeting and without prior notice if a consent in writing, setting forth the action so taken, is signed by holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and is delivered to the Company.

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The California Bylaws provide that, in the case of election of directors, such a consent shall be effective only if signed by the holders of all outstanding shares entitled to vote for the election of directors and that shareholders may elect a director to fill a vacancy, other than a vacancy created by removal, by the written consent of a majority of all outstanding shares entitled to vote for the election of directors.

Ability of Shareholders to Call Special Meetings	As prescribed by California law, the California Bylaws provide that a special meeting of shareholders may be called by the Board, the Chairman of the Board, the President, or holders of shares entitled to cast not less than 10% of the votes at such meeting.	Under the DGCL, a special meeting of shareholders may be called by the board of directors or by any person authorized to do so in the certificate of incorporation or the bylaws. The Delaware Bylaws provide that a special meeting of shareholders may be called by the Board or stockholders owning shares representing not less than 20% of the voting power of the stock entitled to vote at such meeting.
Exclusive Forum Selection Provision	The California Bylaws do not contain an exclusive forum selection provision that requires certain legal actions, including shareholder derivative lawsuits, to be brought in courts located in California.	The Delaware Certificate and Bylaws contain an exclusive forum selection provision that requires certain legal actions, including stockholder derivative lawsuits, to be brought in courts located in Delaware.
Shareholder Proposal Notice Provisions	The California Bylaws provide that a written notice containing the name of any person to be nominated by any shareholder for election as a director of the Company or containing any shareholder proposal to be presented at an upcoming shareholders meeting must generally be received by the Secretary of the Company not less than 70 days prior to the first anniversary of the date the Company's proxy statement for the prior year's annual meeting was first released to shareholders.	The Delaware Bylaws contain notice provisions that are similar to those contained in the California Bylaws that require advance notice in order for a stockholder submitted director nomination or business proposal (other than proposals included in DPW-Delaware's notice of meeting pursuant to Rule 14a-8 promulgated under the Securities Exchange Act of 1934) to be properly brought before a stockholder meeting. These notice provisions are similar to the provisions in the California Bylaws except that, to be timely, the notice must be generally delivered not earlier than the close of business on the 120th day prior to such meeting and not later than the close of business on the later of the 90th day prior to such meeting or the 10th day following the day on which public announcement is first made of the date of the meeting.
Change in Number of Directors	Under California law, a change in the number of directors must generally be approved by the shareholders, but the board of directors may fix the exact number of directors within a stated range set forth in the articles of incorporation or the bylaws, if the range has been approved by the	Under the DGCL, the number of directors will be fixed by or in the manner provided in the bylaws, unless the Delaware Certificate fixes the number of directors.

shareholders. The California Bylaws provide that the number of directors of the Company shall not be less than five nor more than nine, with the exact number of directors to be fixed, within the limit specified, by approval of the board or the shareholders in the manner provided in the by-laws and Section 204(a) of the California Corporations Code.	The Delaware Certificate does not fix the number of directors, but provides that the Board may by resolution fix the number of directors, subject to any minimum and maximum number of directors set forth in the Bylaws.

Classified Board	The California Bylaws do not provide for a classified board. Instead, directors are elected annually.	The Delaware Certificate does not provide for a classified board. As a result, DPW-Delaware's directors will be elected annually.
Filling Vacancies on the Board	The California Bylaws provide that vacancies on the Board not caused by removal may be filled by a majority of the directors then in office, regardless of whether they constitute a quorum, or by a sole remaining director. The shareholders may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors, but any such election other than to fill a vacancy created by removal, if by written consent, shall require the consent of the holders of a majority of the outstanding shares entitled to vote thereon	The Delaware Bylaws provide that any vacancies on the Board shall, subject to the right of the holders of any series of Preferred Stock and unless the Board otherwise determines, be filled solely by the affirmative vote of a majority of the directors then in office.
Removal of Directors	Under California law, any or all of the directors may be removed without cause if the removal is approved by the outstanding shares; *provided* that no director may be removed (unless the entire board is removed) when the votes cast against removal, or not consenting in writing to the removal, would be sufficient to elect the director if voted cumulatively at an election at which the same total number of votes were cast (or, if the action is taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of the director's most recent election were then being elected.	Under Delaware law, directors may be removed with or without cause, provided that directors may only be removed for cause if a corporation has either a classified board or cumulative voting. Because the DPW-Delaware Certificate does not establish a classified board or authorize cumulative voting, directors may be removed with or without cause.
Cumulative Voting; Vote Required to Elect Directors; Majority Vote Standard	The California Articles and the California Bylaws do not provide for cumulative voting. California law provides that if any shareholder has given notice of his or her intention to cumulate votes for the election of directors, all other shareholders of the corporation are also entitled to cumulate their votes at such election. In the absence of such notification, directors are elected by a plurality of the votes cast. California law permits a corporation that is listed on a national securities exchange to amend its articles or bylaws to eliminate cumulative voting by approval of the board of directors and of the outstanding shares voting together as a single class.	The Delaware Certificate does not provide for cumulative voting. Under Delaware law, cumulative voting is not permitted unless a corporation provides for cumulative voting rights in its certificate of incorporation. The default voting standard for the election of directors under Delaware law is a plurality vote; however, the certificate of incorporation or bylaws may specify a different vote required for the election of directors.

Indemnification	California law requires indemnification when the indemnitee has defended the action successfully on the merits. Expenses incurred by an officer or director in defending an action may be paid in advance, if the director or officer undertakes to repay such amounts if it is ultimately determined that he or she is not entitled to indemnification. California law authorizes a corporation to purchase indemnity insurance for the benefit of its officers, directors, employees and agents whether or not the corporation would have the power to indemnify against the liability covered by the policy.	The DGCL generally requires a corporation to indemnify a current or former director or officer against expenses incurred in defending a proceeding related to such person's service to the corporation to the extent such person has been successful on the merits or otherwise in such proceeding. In addition, Delaware law generally provides that a corporation may indemnify, among others, its present and former directors and officers against expenses (including attorney's fees), judgments, fines and amounts paid in settlement of actions, if certain requirements are met including that the individual acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the corporation; except that no indemnification may be paid for judgments and settlements in actions by or in the right of the corporation.
	California law permits a corporation to provide rights to indemnification beyond those provided therein to the extent such additional indemnification is authorized in the corporation's articles of incorporation. Thus, if so authorized, rights to indemnification may be provided pursuant to agreements or bylaw provisions which make mandatory the permissive indemnification provided by California law.	A Delaware corporation generally may not indemnify a person against expenses to the extent the person is adjudged liable to the corporation.
	The California Articles and Bylaws authorize indemnification to the fullest extent permissible under California law.	The Delaware Bylaws generally provide that DPW-Delaware will indemnify, to the fullest extent authorized by the DGCL, among others, any person who was or is a party to any threatened, pending or completed action, suit or proceeding by reason of the fact

		that such person is or was a director or officer of the Company against all expense, liability and loss (including attorneys' fees) incurred by such person in connection, therewith, subject to certain exceptions.
Elimination of Director Personal Liability for Monetary Damages	California law permits a corporation to eliminate the personal liability of directors for monetary damages, except where such liability is based on: • Intentional misconduct or knowing and culpable violation of law; • Acts or omissions that a director believes to be contrary to the best interests of the corporation or its shareholders or that involve the absence of good faith on the part of the director; • Receipt of an improper personal benefit; • Acts or omissions that show reckless disregard for the director's duty to the corporation or its shareholders, where the director in the ordinary course of performing a director's duties should be aware of a risk of serious injury to the corporation or its shareholders; • Acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation and its shareholders; • Transactions between the corporation and a director who has a material financial interest in such transaction; or • Liability for improper distributions, loans or guarantees.	The DGCL permits a corporation to eliminate the personal liability of directors for monetary damages, except where such liability is based on: • Breaches of the director's duty of loyalty to the corporation or its shareholders; • Acts or omissions not in good faith or involving intentional misconduct or knowing violations of law; • The payment of unlawful dividends or unlawful stock repurchases or redemption under Section 174 of the DGCL; or • Transactions in which the director derived an improper personal benefit. Such a limitation of liability provision also may not limit a director's liability for violation of, or otherwise relieve the Company or the directors from the necessity of complying with, federal or state securities laws, or affect the availability of non-monetary remedies such as injunctive relief or rescission. The Delaware Certificate eliminates the liability of directors for monetary damages to the fullest extent permissible under the DGCL.

The California Articles eliminate the liability of directors for monetary damages to the fullest extent permissible under California law.

Dividends and Repurchases of Shares	Under California law, a corporation may not make any distribution to its shareholders or repurchase its shares unless either:	The DGCL is more flexible than California law with respect to payment of dividends and the implementation of share repurchase programs. The DGCL generally provides that a corporation may redeem or repurchase its shares out of its surplus. Surplus is defined as the excess of a corporation's net assets (i.e., its total assets minus its total liabilities) over a corporation's statutory capital, which the Board may generally increase or decrease by resolution, subject to a statutory requirement that at a minimum a corporation's capital must equal the aggregate par

		value of its issued shares.
	• The amount of retained earnings of the corporation immediately prior to the distribution or payment of the price of the shares being repurchased equals or exceeds the sum of (i) the amount of the proposed distribution, *plus* (ii)the preferential dividends arrears amount, if any; or • Immediately after the distribution or share repurchase, the value of the corporation's assets would equal or exceed the sum of its total liabilities, *plus* the preferential rights amount, if any. For purposes of determining whether a California corporation meets either of these tests, the determination may be based on any of the following: •The corporation's financial statements; •A fair valuation; or •Any other method that is reasonable under the circumstances. These tests are applied to California corporations on a consolidated basis.	
Dissolution	Under California law, holders of 50% or more of a corporation's total voting power may authorize the corporation's dissolution, with or without approval of the corporation's board of directors, and this right may not be modified by the articles of incorporation.	Under the DGCL, unless the Board of Directors approves the proposal to dissolve, the dissolution must be unanimously approved by all the stockholders entitled to vote on the matter. Only if the dissolution is initially approved by the Board of Directors may the dissolution be approved by a simple majority of the outstanding shares entitled to

vote. The DGCL allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with such a board-initiated dissolution, but the Delaware Certificate contains no such supermajority voting requirement.

		Delaware courts have upheld the right of Delaware corporations to include forum selection provisions in their bylaws. Such provisions normally provide that shareholders bringing derivative claims or claims alleging breaches of fiduciary duties arising from the DGCL or otherwise implicating the internal affairs of the corporation be brought exclusively in Delaware state or federal courts.
Forum Selection	Not addressed.	Under the Delaware Certificate, unless we consent in writing to the selection of an alternative forum, the Delaware Court of Chancery will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of the corporation, any action asserting a claim of breach of a fiduciary duty owed by any director, officer, other employee or stockholder of the corporation to the corporation or the corporation's stockholders, any action asserting a claim arising pursuant to any provision of the DGCL or as to which the DGCL confers jurisdiction upon the Delaware Court of Chancery, any action asserting a claim arising pursuant to any provision of our Delaware Certificate or Delaware Bylaws, or any action asserting a claim governed by the internal affairs doctrine.

Interest of the Company's Directors and Executive Officers in the Reincorporation

The shareholders should be aware that certain of our directors and executive officers may have interests in the transaction that are different from, or in addition to, the interests of the shareholders generally. For example, the Reincorporation may provide officers and directors of the Corporation with more clarity and certainty in the reduction of their potential personal liability in their fiduciary roles for the Corporation, and to strengthen the ability of directors to resist takeover bids on behalf of shareholders. The Board has considered these interests, among other matters, in reaching its decision to recommend that our shareholders vote in favor of this proposal.

Certain U.S. Federal Income Tax Consequences

The following discussion summarizes certain U.S. federal income tax consequences of the Reincorporation to holders of our Common Stock. The discussion is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), regulations promulgated under the Code by the U.S. Treasury Department (including proposed and temporary regulations), rulings, current administrative interpretations and official pronouncements of the Internal Revenue Service (the "**IRS**"), and judicial decisions, all as currently in effect and all of which are subject to differing interpretations or to change, possibly with retroactive effect. Such change could materially and adversely affect the U.S. federal income tax consequences described below. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described herein.

This discussion is for general information only, and does not purport to discuss all aspects of U.S. federal income taxation that may be important to a particular holder in light of its investment or tax circumstances or to holders subject to special tax rules, such as partnerships, subchapter S corporations or other pass-through entities (and investors in such entities), banks, financial institutions, tax-exempt entities, insurance companies, regulated investment companies, real estate investment trusts, trusts and estates, dealers in stocks, securities or currencies, traders in securities that have elected to use the mark-to-market method of accounting for their securities, persons holding our Common Stock as part of an integrated transaction, including a "straddle," "hedge," "constructive sale," or "conversion transaction," persons whose functional currency for tax purposes is not the U.S. dollar, former citizens or residents of the United States, persons who acquired our Common Stock pursuant to the exercise of stock options or otherwise as compensation, persons who hold our Common Stock as qualified small business stock within the meaning of Section 1202 of the Code and persons subject to the alternative minimum tax provisions of the Code. This discussion does not address any U.S. federal taxes (other than U.S. federal income taxes), any state or local taxes, or of any foreign taxes, that may be applicable to a particular holder.

This discussion is directed solely to holders that hold our Common Stock as capital assets within the meaning of Section 1221 of the Code, which generally means as property held for investment. In addition, the following discussion only addresses "U.S. persons" for U.S. federal income tax purposes, generally defined as beneficial owners of our Common Stock who are, for U.S. federal income tax purposes:

- Individuals who are citizens or residents of the United States;
- Corporations created or organized in or under the laws of the United States or of any state of the United States or the District of Columbia;
- Estates the income of which is subject to U.S. federal income taxation regardless of its source;
- Trusts if a court within the United States is able to exercise primary supervision over the administration of any such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust; or
- Trusts in existence on August 20, 1996 that have valid elections in effect under applicable Treasury regulations to be treated as U.S. persons.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our Common Stock, the U.S. federal income tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. A partner of a partnership holding our Common Stock should consult its own tax advisor regarding the U.S. federal income tax consequences to the partner of the Reincorporation.

This discussion does not purport to be a complete analysis of all of the Reincorporation's tax consequences that may be relevant to holders. We urge you to consult your own tax advisor regarding your particular circumstances and the U.S. federal income and other federal tax consequences to you of the Reincorporation, as well as any tax consequences arising under the laws of any state, local, foreign or other tax jurisdiction and the possible effects of changes in U.S. federal or other tax laws.

We have not requested a ruling from the IRS or an opinion of counsel regarding the U.S. federal income tax consequences of the Reincorporation. However, the Reincorporation is intended to qualify as a tax-free reorganization under Section 368(a) of the Code. Assuming that the Reincorporation qualifies as a tax-free reorganization under Section 368(a) of the Code, and subject to the qualifications and assumptions described in this proxy statement: (a) holders of DPW-California Common Stock will not recognize any gain or loss as a result of the consummation of the Reincorporation, (b) the aggregate tax basis of the DPW-Delaware Common Stock held by each holder immediately following the consummation of the Reincorporation will equal the aggregate tax basis of the DPW-California Common Stock converted therefor and (c) the holding period of the DPW-Delaware Common Stock held by each holder following the consummation of the Reincorporation will include the period during which such holder held the DPW-California Common Stock converted therefor.

Required Vote and Board Recommendation

Approval of the proposed change in corporate domicile from California to Delaware requires the receipt of the affirmative vote of the holders of a majority of the Company's issued and outstanding shares of Common Stock as of the Record Date.

Shareholders are urged to read this proposal carefully, including all of the related Exhibits attached to this Proxy Statement, before voting on Shareholder approval of the Reincorporation. The discussion above is qualified in its entirety by the Merger Agreement in substantially the form attached hereto as Appendix B, the Delaware Certificate in substantially the form attached hereto as Appendix C, and the Delaware Bylaws in substantially the form attached hereto as Appendix D.

The Board unanimously recommends a vote "FOR" the approval of the proposed change in corporate domicile from California to Delaware

PROPOSAL NO. 4

APPROVAL OF THE CONVERSION OF UP TO 500,000 SHARES OF SERIES B PREFERRED STOCK INTO SHARES OF COMMON STOCK AND THE EXERCISE OF WARRANTS TO PURCHASE SHARES OF COMMON STOCK IN ORDER TO COMPLY WITH RULE 713 OF THE NYSE AMERICAN

Terms of the Transaction

On March 9, 2017, the Company entered into a Preferred Stock Purchase Agreement (the "**Preferred Stock Purchase Agreement**") with Philou Ventures, LLC ("**Philou**"). Philou is the Company's largest shareholder and Kristine Ault, a director of the Company, controls and is a Manager of Philou. Pursuant to the terms of the Preferred Stock Purchase Agreement, Philou will invest up to $5,000,000 in the Company through the purchase of Series B Convertible Preferred Stock (the "**Series B Preferred Stock**") over the Term, as specified herein. In addition, for each share of Series B Preferred Stock purchased by Philou, Philou will receive warrants (the "**Series B Warrants**") to purchase shares of Common Stock in a number equal to the stated value of each share of Series B Preferred Stock of $10.00 purchased divided by $0.70 at an exercise price equal to $0.70 per share of Common Stock (the "**Series B Conversion Price**"). In connection with the Preferred Stock Purchase Agreement, the Company entered into a registration rights agreement with Philou.

For each share of Series B Preferred Stock purchased by Philou, Philou will receive a Series B Warrant to purchase shares of Common Stock in a number equal to the stated value of all shares of Series B Preferred Stock sold divided by $0.70 for an exercise price equal to $0.70 per share (the "**Series B Warrant Exercise Price**"). The exercise period will begin on the six month after, and end on the fifth year and six month anniversary of, the date of issuance. The exercise price of the Series B Warrant is subject to adjustment for stock splits, stock dividends, combinations or similar events. The Series B Warrant may be exercised for cash or, upon the failure to maintain an effective registration statement, on a cashless basis.

Pursuant to the Preferred Stock Purchase Agreement, the Company agreed to recommend that its shareholders approve the Reincorporation at its next annual meeting. In addition, the Company agreed to use its best efforts to obtain its shareholders' approval, pursuant to NYSE American Rule 713, for the actions contemplated by the Preferred Stock Purchase Agreement as soon as possible.

Each share of Series B Preferred Stock shall be purchased at $10.00 up to a maximum issuance of 500,000 shares of Series B Preferred Stock. Philou guaranteed that it would purchase, no later than May 31, 2017, the greater of: (i) 100,000 shares of Series B Preferred Stock or (ii) a sufficient number of shares of Series B Preferred Stock to ensure that the Company has sufficient stockholders' equity to meet the minimum continued listing standards of the NYSE

American. Philou has purchased 100,000 shares of Series B Preferred Stock. In addition, for as long as any shares of Series B Preferred Stock remain outstanding during the Term, Philou agreed to purchase additional shares of Series B Preferred Stock in a sufficient amount in order for the Company to meet the NYSE American's minimum stockholders' equity continued listing requirement subject to the maximum number of 500,000 shares of Series B Preferred Stock (collectively, "**Guaranteed Purchases**"). In addition, at any time during the Term, Philou may, in its sole and absolute discretion, purchase additional shares of Series B Preferred Stock, up to the 500,000 share maximum ("**Voluntary Purchases**"). All consideration for Voluntary Purchases shall be delivered through a series of varying payments ("**Payments**") by Philou, at its sole and absolute discretion, during the period commencing on the closing date and ending 36 months therefrom (the "**Term**"). The Company shall have the right to request, with 90-day written notice to Philou, that Guaranteed Purchases be accelerated to meet deadlines for maintaining the minimum stockholders' equity required by the NYSE American. The Series B Preferred Stock shall not be callable by the Company for 25 years from the closing date.

Pursuant to the Preferred Stock Purchase Agreement, at any time while no fewer than one hundred thousand (100,000) Series B Preferred Stock are issued and outstanding and held by Philou, Philou shall have the right to participate in the Company's future financings under substantially the same terms and conditions as other investors in those respective financings in order to maintain its then percentage ownership interest in the Company. Philou's right to participate in such financings shall accrue and accumulate provided that it still owns at least 100,000 shares of Series B Preferred Stock.

In order to comply with NYSE American Rule 713, Philou may not (i) vote the shares of Series B Preferred Stock; (ii) convert such shares of Series B Preferred Stock into shares of Common Stock or (iii) exercise its rights under the Series B Warrant until the requirement of NYSE American Rule 713 has been met at a meeting, or by the requisite written consent, of the holders of the outstanding shares of Common Stock.

Description of the Series B Preferred Stock

Each share of Series B Preferred Stock has a stated value of $10.00 per share and may be convertible at the holder's option into shares of Common Stock of the Company at a conversion rate of $0.70 per share, subject to customary adjustment, upon the earlier to occur of: (i) 60 months from the closing date, or (ii) upon the filing by the Company of one or more periodic reports that, singly or collectively, evidence(s) that the Company's gross revenues have reached no less than $10,000,000 in the aggregate, on a consolidated reporting basis, over four consecutive quarters in accordance with U.S. generally accepted accounting principles.

The Series B Conversion Price will be subject to standard anti-dilution provisions in connection with any stock split, stock dividend, subdivision or similar reclassification of the Common Stock.

Each share of Series B Preferred Stock shall have the right to receive dividends equal to one ten millionth (0.0000001) of the Company's EBITDAS calculated for a particular calendar year. Assuming the purchase of the entire $5,000,000 of shares of Series B Preferred Stock, the holders thereof will be entitled to receive dividends equal to five percent (5%) in the aggregate of EBITDAS. Payment of dividends shall be calculated for a calendar year, payable on a quarterly basis, with payments to occur no later than 90 days in arrears from each reporting period subject to a year-end reconciliation. EBITDAS shall mean earnings before interest, taxes, depreciation, amortization, and stock-based compensation.

Philou shall have the right to designate a number of directors to the Company's Board of Directors equal to a percentage determined by the number of shares of Series B Preferred Stock (determined on an "as converted" basis) divided by the sum of the number of shares of Common Stock outstanding plus the number of shares of Series B Preferred Stock outstanding as determined on an as converted basis. Philou's percentage to designate a number of directors shall be determined each time Philou makes a purchase of shares of Series B Preferred Stock and cannot be decreased unless Philou converts or sells all or part of its shares of Series B Preferred Stock, in which case the number of directors that Philou may designate will be re-calculated. The right to designate a director shall be a contractual right granted to Philou and not to any potential subsequent owner of shares of Series B Preferred Stock.

In the case for the election of directors, the Series B Preferred Stock shall be voted on an "as converted" basis together with the Common Stock. In all other cases, the Series B Preferred Stock shall be voted in accordance with California law.

Each share of Series B Preferred Stock shall have dividend and liquidation rights in priority to any shares of Common Stock, the Company's Series A Preferred Stock (of which none are outstanding) and other subordinated securities.

At such time as (i) all shares of Common Stock issuable upon conversion of all outstanding shares of Series B Preferred Stock (the "**Series B Conversion Shares**") shall have been registered for resale pursuant to an effective Registration Statement covering such Series B Conversion Shares, (ii) but no earlier than the twenty-fifth (25th) anniversary of the effective date, the shares of Series B Preferred Stock shall be subject to redemption in cash at the option of the Company in an amount per share equal to 120% of the greater of (a) the stated value plus all accrued and unpaid dividends, if any and (b) the fair market value of such shares of Series B Preferred Stock.

Why the Company Needs Shareholder Approval

Rule 713 of the NYSE American requires shareholder approval of a transaction, other than a public offering, involving the sale, issuance or potential issuance by an issuer of Common Stock (or securities convertible into or exercisable for Common Stock) at a price less than the greater of book or market value which together with sales by officers, directors or principal shareholders of the issuer equals 20% or more of presently outstanding Common Stock, or equal to 20% or more of presently outstanding stock for less than the greater of book or market value of the stock, or when the issuance or potential issuance of additional shares will result in a change of control of the issuer. The initial Conversion Price of the Series B Preferred Stock and the initial Exercise Price of the Warrants were higher than the market price of our Common Stock on the execution date of the Preferred Stock Purchase Agreement but may be lower than the market price upon conversion.

Accordingly, Philou is prohibited from converting the Series B Preferred Stock and/or exercising the Series B Warrants and receiving shares of the Company's Common Stock unless shareholder approval is obtained for the Preferred Stock Purchase Agreement.

Effect of Proposal on Current Shareholders

If this Proposal No. 4 is adopted, based on the Series B Conversion Price and Series B Warrant Exercise Price (and provided the Company has sufficient authorized shares of Common Stock to allow for such conversion or exercise), up to a maximum of 2,857,142 shares of Common Stock would be issuable upon conversion of Series B Preferred Stock and exercise of the Series B Warrants. Based on the number of shares of Common Stock outstanding as of the Record Date, such shares would represent approximately 17.1% of our total outstanding shares (giving effect to such issuance). The issuance of such shares may result in significant dilution to our shareholders, and afford them a smaller percentage interest in the voting power, liquidation value and aggregate book value of the Company. The sale or any resale of the Common Stock issued upon conversion of Series B Preferred Stock and exercise of the Series B Warrants could cause the market price of our Common Stock to decline as well as result in substantial dilution to other shareholders since Philou may ultimately convert and sell the full amount issuable on conversion. This means that our current shareholders will own a smaller interest in our company and will have less ability to influence significant corporate decisions requiring shareholder approval.

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Further Information.

The terms of the Certificate of Determination for the Series B Preferred Stock and the Preferred Stock Purchase Agreement, the Form of Warrants, and Form of Registration Rights Agreement are complex and only briefly summarized above. For further information, please refer to the descriptions contained in the Company's Current Report on Form 8-K filed with the SEC on March 9, 2017, and the transaction documents filed as exhibits to such report. The discussion herein is qualified in its entirety by reference to such filed transaction documents.

Required Vote and Board Recommendation

The issuance of the Series B Preferred Stock requires the receipt of the affirmative vote of a majority of the shares of the Company's Common Stock present in person or by proxy and voting at the Annual Meeting.

The Board unanimously recommends a vote "FOR" the Approval of the conversion of up to 500,000 shares of Series B Preferred Stock into shares of Common Stock and the exercise of warrants to purchase shares of Common Stock in order to comply with Rule 713 of the NYSE American.

PROPOSAL NO. 5

APPROVAL OF THE ISSUANCE OF COMMON STOCK UPON THE CONVERSION OF 378,776 SHARES OF THE COMPANY'S SERIES D PREFERRED STOCK AND UPON THE EXERCISE OF WARRANTS TO PURCHASE UP TO 1,000,000 SHARES OF COMMON STOCK, IN ACCORDANCE WITH THE SHARE EXCHANGE AGREEMENT, DATED APRIL 28, 2017, IN ORDER COMPLY WITH RULE 712 OF THE NYSE AMERICAN AND CALIFORNIA LAW

Terms of the Transaction

On April 28, 2017, the Company entered into a Share Exchange Agreement (the "**Share Exchange Agreement**") with Microphase Corporation, a Delaware corporation ("**MPC**"); Microphase Holding Company LLC, a limited liability company organized under the laws of Connecticut ("**MHC**"), the Ergul Family Limited Partnership, a partnership organized under the laws of Connecticut ("**EFLP**") RCKJ Trust, a trust organized under the laws of New Jersey ("**RCKJ**" and with MHC and EFLP, the "**Significant Stockholders**") and those additional persons who have executed the Share Exchange Agreement under the heading "Minority Stockholders" (collectively, the "**Minority Stockholders**" and with the Significant Stockholders, the "**Stockholders**"). Upon the terms and subject to the conditions set forth in the Share Exchange Agreement, the Company acquires 1,603,434 shares (the "**Subject Shares**") of the issued and outstanding Common Stock of MPC (the "**MPC Common Stock**"), including such shares presently underlying the issued and outstanding preferred stock of MPC (the "**MPC Preferred Stock**" and with the MPC Common Stock, the "**MPC Shares**") from the Stockholders in exchange (the "**Exchange**") for the issuance by the Company of: (i) the Stockholders' portion of an aggregate of 2,600,000 shares of Common Stock, no par value, of the Company, comprised of 1,842,448 shares of DPW Common Stock and 378,776 shares of Series D Convertible Preferred Stock of the Company (collectively, the "**Exchange Shares**"), which shares of Series D Convertible Preferred Stock of the Company (the "**Series D Preferred Stock**") are, subject to shareholder approval, convertible into an aggregate of 757,552 shares of Common Stock as further described below and (ii) the Stockholders' portion of warrants (the "**Exchange Warrants**") to purchase an aggregate of 1,000,000 shares of DPW Common Stock (the "**Warrant Shares**"). The Exchange Shares and the Exchange Warrants are at times collectively referred to herein as the "**Exchange Securities**." Upon the closing of the Agreement (the "**Closing**"), the Subject Shares constituted approximately 56.4% of the issued and outstanding MPC Shares, or 50.7% on a fully diluted basis.

The Share Exchange Agreement was consummated on June 2, 2017 (the "**SEA Closing Date**"). On the SEA Closing Date, the Company executed and delivered to the Stockholders the Exchange Shares and Exchange Warrants to purchase an aggregate of 1,000,000 Warrant Shares. Commencing on the SEA Closing Date and for a period of three (3) years thereafter, the Exchange Warrants may be exercised at $1.10 per share or by means of a "cashless exercise," subject to limitations and adjustments set forth in such warrants. A holder of the Exchange Warrants shall not be entitled to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise thereof.

Certificate of Determination of Series D Convertible Preferred Stock

Pursuant to the Share Exchange Agreement, the Company issued and delivered to the Stockholders 378,776 shares designated as Series D Preferred Stock, no par value per share, none of which had been previously issued. Each share of Series D Preferred Stock shall automatically be converted into two shares of Common Stock ("**Conversion Ratio**"), subject to adjustments. In the event the Company shall be liquidated, dissolved or wound up, the holders of Series D Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Company to the holders of the Common Stock, the Company's Series A Preferred Stock, or to the holders of any other junior series of preferred stock, by reason of their ownership thereof and subject to the rights of the Company's Series B Preferred Stock, Series C Preferred Stock and any other class or series of Company stock subsequently issued that ranks senior to the Series D Preferred Stock, an amount per share in cash or equivalent value in securities or other consideration equal to its Stated Value of $0.01 per share. The holders of Series D Preferred Stock shall not be entitled to receive dividends and shall have no voting rights except as otherwise required by law. Upon the shareholders of Common Stock approving the issuance of the Series D Preferred Stock and for purposes of compliance with Rule 712 of the NYSE American, then each share of Series D Preferred Stock shall automatically be converted into two shares of Common Stock, for an aggregate of 757,552 shares of Common Stock.

Why the Company Needs Shareholder Approval

Rule 712 of the NYSE American requires shareholder approval of a transaction in which shares are to be issued as sole or partial consideration for an acquisition of the stock or assets of another company under certain circumstances. The Company has been advised by the NYSE American that, in its view, the issuance of the shares of Series D Preferred Stock will require shareholder approval, where the Company needs the affirmative vote of the majority shares of Common Stock present in person or by proxy at the Meeting. In addition, because the Series D Preferred Stock were issued in connection with a "share exchange" to acquire a controlling interest in Microphase, and the number of shares of Common Stock, or securities convertible into Common Stock, will exceed a threshold level, the Company will require the affirmative vote of a majority of the issued and outstanding shares of Common Stock to approve the conversion pursuant to Section 1201(b) of CGCL.

Effect of Proposal on Current Shareholders

If this Proposal No. 5 is adopted, based on the conversion of Series D Preferred Stock and the exercise of the Exchange Warrants (and provided the Company has sufficient authorized shares of Common Stock to allow for such conversion or exercise), up to a maximum of 1,757,552 shares of Common Stock would be issuable. Based on the number of shares of Common Stock outstanding as of the Record Date, such shares would represent 11.3% of our total outstanding shares (giving effect to such issuance). The issuance of such shares may result in significant dilution to our shareholders, and afford them a smaller percentage interest in the voting power, liquidation value and aggregate book value of the Company. The sale or any resale of the Common Stock issued upon conversion of Series D Preferred Stock and the exercise of the Exchange Warrants could cause the market price of our Common Stock to decline as well as result in substantial dilution to other shareholders since the Stockholders may ultimately convert and sell the full amount issuable on conversion. This means that our current shareholders will own a smaller interest in our company and will have less ability to influence significant corporate decisions requiring shareholder approval.

Further Information.

The terms of the Certificate of Determination for the Series D Preferred Stock and the Share Exchange Agreement are complex and only briefly summarized above. For further information, please refer to the descriptions contained in the Company's Current Reports on Form 8-K filed with the SEC on May 3, 2017 and June 8, 2017, and the transaction documents filed as exhibits to such reports. The discussion herein is qualified in its entirety by reference to such filed transaction documents.

Required Vote and Board Recommendation

The approval of the issuance of shares of Common Stock upon the conversion of the Series D Preferred Stock and warrants in order to comply with Rule 712 of the NYSE American and Section 1201(b) of CGCL requires the receipt of the affirmative vote of a majority of the issued and outstanding shares of Common Stock.

The Board unanimously recommends a vote "FOR" approval of the issuance of Common Stock upon the conversion of 378,776 shares of the Company's Series D Preferred Stock and upon the exercise of warrants to purchase up to 1,000,000 shares of Common Stock, in accordance with the Share Exchange Agreement, dated April 28, 2017, in order comply with Rule 712 of the NYSE American and Section 1201(b) of the CGCL.

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PROPOSAL NO. 6

APPROVAL OF THE ISSUANCE OF COMMON STOCK UPON THE CONVERSION OF 10,000 SHARES OF THE COMPANY'S SERIES E PREFERRED STOCK, IN ACCORDANCE WITH THE SHARE EXCHANGE AGREEMENT, DATED APRIL 28, 2017 IN ORDER TO COMPLY WITH NYSE AMERICAN RULE 712

Terms of the Transaction

In connection with the Share Exchange Agreement and the issuance to the stockholders of the Series D Preferred Stock discussed under Proposal 5, the Company agreed to cause MPC to issue and deliver a promissory note in the principal face amount of $450,000 (the "**Creditor Note**") as well as 10,000 shares designated as Series E Convertible Preferred Stock, no par value per share (the "**Series E Preferred Stock**") to an unsecured creditor of MPC (the "**Creditor**"). The Company has delivered the Creditor Note and a certificate evidencing the Series E Preferred Stock to the Creditor.

Each share of Series E Preferred Stock has a stated value equal to forty-five dollars ($45.00) per share and is deemed Series E Parity Stock. In the event the Company shall be liquidated, dissolved or wound up, the holders of Series E Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Company to the holders of the Common Stock, the Company's Series A Preferred Stock, or to the holders of any other junior series of preferred stock, by reason of their ownership thereof and subject to the rights of the Company's Series B Preferred Stock, Series C Preferred Stock and any other class or series of Company stock subsequently issued that ranks senior to the Series E Preferred Stock, an amount per share in cash or equivalent value in securities or other consideration equal to $0.01 per share. The holders of Series E Preferred Stock shall not be entitled to receive dividends and shall have no voting rights except as otherwise required by law. Upon the shareholders of Common Stock approving the issuance of the Series E Preferred Stock and for purposes of compliance with Rule 712 of the NYSE American, then each share of Series E Preferred Stock may be converted into sixty (60) shares of Common Stock, for an aggregate of 600,000 such shares.

Why the Company Needs Shareholder Approval

Rule 712 of the NYSE American requires shareholder approval of a transaction in which shares are to be issued as sole or partial consideration for an acquisition of the stock or assets of another company under certain circumstances. The Company has been advised by the NYSE American that, in its view, the issuance of the shares of Series E Preferred Stock will require shareholder approval.

Effect of Proposal on Current Shareholders

If this Proposal No. 6 is adopted, based on the conversion of Series E Preferred Stock (and provided the Company has sufficient authorized shares of Common Stock to allow for such conversion or exercise), up to 600,000 shares of Common Stock would be issuable. Based on the number of shares of Common Stock outstanding as of the Record Date, such shares would represent 3.8% of our total outstanding shares (giving effect to such issuance). The issuance of such shares may result in significant dilution to our shareholders and afford them a smaller percentage interest in the voting power, liquidation value and aggregate book value of the Company. The sale or any resale of the Common Stock issued upon conversion of Series E Preferred Stock could cause the market price of our Common Stock to decline as well as result in substantial dilution to other shareholders since the Creditor may ultimately convert and sell the full amount issuable on conversion. This means that our current shareholders will own a smaller interest in our company and will have less ability to influence significant corporate decisions requiring shareholder approval.

Further Information.

The terms of the Certificate of Determination for the Series E Preferred Stock are complex and only briefly summarized above. For further information, please refer to the descriptions contained in the Company's Current Report on Form 8-K filed with the SEC on May 3, 2017, and the transaction documents filed as exhibits to such report. The discussion herein is qualified in its entirety by reference to such filed transaction documents.

Required Vote and Board Recommendation

The issuance of the Series E Preferred Stock requires the receipt of the affirmative vote of a majority of the shares of the Company's Common Stock present in person or by proxy and voting at the Annual Meeting.

The Board unanimously recommends a vote "FOR" the approval of the issuance of 10,000 shares of the Company's Series E Preferred Stock, in accordance with the Share Exchange Agreement, dated April 28, 2017 in order to comply with Rule 712 of the NYSE American.

PROPOSAL NO. 7

APPROVAL OF THE CONVERSION OF A $400,000 CONVERTIBLE NOTE CONVERTIBLE INTO 727,273 SHARES OF COMMON STOCK AND RELATED WARRANTS TO PURCHASE 666,667 SHARES OF COMMON STOCK IN ACCORDANCE WITH THE CONVERTIBLE NOTE PURCHASE AGREEMENT DATED AUGUST 3, 2017 IN ORDER TO COMPLY WITH RULE 713 OF THE NYSE AMERICAN.

Terms of the Transaction

On August 3, 2017, we entered into a Securities Purchase Agreement to sell a 12% Convertible ("12% Convertible Note") and a Warrant to purchase 666,666 shares of Common Stock to an accredited investor. As described further below, the principal of the 12% Convertible Note may be converted into shares of Common Stock at $0.55 per share and under the terms of the Warrant, up to 666,666 shares of Common Stock may be purchased at an exercise price of $0.70 per share.

Description of the 12% Convertible Note

The 12% Convertible Note is in the principal amount of $400,000 and was sold for $360,000, bears interest at 12% simple interest on the principal amount, and is due on August 13, 2018. Interest only payments are due on a quarterly basis and the principal is due on August 3, 2018. The principal may be converted into our shares of Common Stock at $0.55 per share. Subject to certain beneficial ownership limitations, the investor may convert the principal amount of the 12% Convertible Note at any time into Common Stock. The conversion price of the 12% Convertible Note is subject to adjustment for customary stock splits, stock dividends, combinations or similar events.

Description of the Warrant

The Warrant entitles the holder to purchase, in the aggregate, up to 666,666 shares of Common Stock at an exercise price of $0.70 per share for a period of five years subject to certain beneficial ownership limitations. The Warrant is exercisable six months after the issuance date. The exercise price of the $0.70 Warrant is subject to adjustment for customary stock splits, stock dividends, combinations or similar events. The $0.70 Warrant may be exercised for cash or on a cashless basis.

Why the Company Needs Shareholder Approval

Rule 713 of the NYSE American requires shareholder approval of a transaction, other than a public offering, involving the sale, issuance or potential issuance by an issuer of Common Stock (or securities convertible into or exercisable for Common Stock) at a price less than the greater of book or market value which together with sales by officers, directors or principal shareholders of the issuer equals 20% or more of presently outstanding Common Stock, or equal to 20% or more of presently outstanding stock for less than the greater of book or market value of the stock, or when the issuance or potential issuance of additional shares will result in a change of control of the issuer. The initial conversion price of 12% Convertible Note was lower and the initial exercise price of the Warrants was greater than the market price of our Common Stock on the execution date of the Securities Purchase Agreement.

Accordingly, investor is prohibited from converting the 12% Convertible Note and exercising the Warrants and receiving shares of our Common Stock unless shareholder approval is obtained for the Securities Purchase Agreement.

Effect of Proposal on Current Shareholders

If this Proposal No. 7 is adopted, based on the conversion of 12% Convertible Note and exercise of Warrants, up to 1,393,940 shares of Common Stock would be issuable. Based on the number of shares of Common Stock outstanding as of the Record Date, such shares would represent 8.4% of our total outstanding shares (giving effect to such issuance). The issuance of such shares may result in significant dilution to our shareholders and afford them a smaller percentage interest in the voting power, liquidation value and aggregate book value of the Company. The sale or any resale of the Common Stock issued upon conversion of 12% Convertible Note and exercise of Warrants could cause the market price of our Common Stock to decline as well as result in substantial dilution to other shareholders since the investor may ultimately convert and sell the full amount issuable on conversion and exercise. This means that our current shareholders will own a smaller interest in our company and will have less ability to influence significant corporate decisions requiring shareholder approval.

Further Information.

The terms of the 12% Convertible Note and Warrants are complex and only briefly summarized above. For further information, please refer to the descriptions contained in the Company’s Current Report on Form 8-K filed with the SEC on August 9, 2017, and the transaction documents filed as exhibits to such report. The discussion herein is qualified in its entirety by reference to such filed transaction documents.

Required Vote and Board Recommendation

The conversion of 12% Convertible Note and exercise of Warrants requires the receipt of the affirmative vote of a majority of the shares of the Company's Common Stock present in person or by proxy and voting at the Annual Meeting.

The Board unanimously recommends a vote "FOR" the approval issuance of Common Stock upon of the conversion of a $400,000 12% Convertible Note convertible into 727,273 shares of Common Stock and Warrants to purchase 666,667 shares of Common Stock in accordance with the Securities Purchase Agreement dated August 3, 2017 in order to comply with Rule 713 of the NYSE American.

PROPOSAL NO. 8

APPROVAL OF THE CONVERSION OF $880,000 OF CONVERTIBLE NOTES INTO AN AGGREGATE OF 1,466,667 SHARES OF COMMON STOCK AT $0.60 PER SHARE AND RELATED EXERCISE OF WARRANTS TO PURCHASE 1,466,667 SHARES OF COMMON STOCK AT $0.66 PER SHARE IN ACCORDANCE WITH THE CONVERTIBLE NOTE PURCHASE AGREEMENT DATED AUGUST 10, 2017, IN ORDER TO COMPLY WITH RULE 713 OF THE NYSE AMERICAN;

Terms of the Transaction

On August 10, 2017, we entered into Securities Purchase Agreements with five institutional investors to sell for an aggregate purchase price of $800,000, 10% Senior Convertible Promissory Notes ("10% Convertible Notes") with an aggregate principal face amount of $880,000 and Warrants to purchase an aggregate of 1,466,667 shares of Common Stock. The principal of the 10% Convertible Notes and interest earned thereon may be converted into shares of Common Stock at $0.60 per share and under the terms of the Warrant, up to 1,466,667 shares of Common Stock may be purchased at an exercise price of $0.66 per share.

Description of the 10% Senior Convertible Promissory Notes

The 10% Convertible Notes are in the aggregate principal amount of $880,000 and were sold for $800,000 and bear simple interest at 10% on the principal amount, and principal and interest are due on February 10, 2018. Subject to certain beneficial ownership limitations, each investor may convert their respective principal amount of the 10% Convertible Note and accrued interest earned thereon at any time into shares of Common Stock at $0.60 per share. The conversion price of the 10% Convertible Notes is subject to adjustment for customary stock splits, stock dividends, combinations or similar events.

The 10% Convertible Notes contain standard and customary events of default including, but not limited to, failure to make payments when due under the 10% Convertible Note, failure to comply with certain covenants contained in the 10% Convertible Note, or bankruptcy or insolvency of the Company. In the event of default, the Company may be required to pay the investors the principal amount due plus accrued interest earned thereon times 125%, plus any other expenses.

Upon notice and other conditions, we may at any time prior to conversion prepay the outstanding principal balance of the 10% Convertible Notes and accrued interest earn thereon by paying the following multiples of the outstanding

principal balance and accrued interest earn thereon depending on the prepayment date (i) within 30 days - 105%; (ii) 31 to 60 days - 110%; 61 to 120 days - 115%; and 120 days to maturity - 120%. In addition, the investors may, at their option, require us to repay all or a portion of the 10% Convertible Notes and interest earned thereon in the event we issue, or in a series within 6 months issues, debt or equity in the aggregate amount of $2 million or more.

In addition, while any principal amount, interest or fees or expenses due under the 10% Convertible Notes remain outstanding and unpaid, we shall not enter into any public or private offering of its securities (including securities convertible into shares of Common Stock) with any other investor that has the effect of establishing rights or otherwise benefiting such other investor in a manner more favorable in any material respect to such other investor than the rights and benefits established in favor of the investor unless, in any such case, the investor has been provided with the same rights and benefits. Further, until the earlier of the 10% Convertible Notes repayment or conversion, we shall not enter into a variable rate transaction.

Description of Warrants

The Warrants entitles the holders to purchase, in the aggregate, up to 1,466,667 shares of Common Stock at an exercise price of $0.66 per share for a period of five years subject to certain beneficial ownership limitations. The Warrant is exercisable six months after the issuance date. The exercise price of $0.66 is subject to adjustment for customary stock splits, stock dividends, combinations or similar events. The Warrant may be exercised for cash or on a cashless basis.

Why the Company Needs Shareholder Approval

Rule 713 of the NYSE American requires shareholder approval of a transaction, other than a public offering, involving the sale, issuance or potential issuance by an issuer of Common Stock (or securities convertible into or exercisable for Common Stock) at a price less than the greater of book or market value which together with sales by officers, directors or principal shareholders of the issuer equals 20% or more of presently outstanding Common Stock, or equal to 20% or more of presently outstanding stock for less than the greater of book or market value of the stock, or when the issuance or potential issuance of additional shares will result in a change of control of the issuer. The initial conversion price of 10% Convertible Note was lower and the initial exercise price of the Warrants was greater than the market price of our Common Stock on the execution date of the Securities Purchase Agreement.

Accordingly, the investors are prohibited from converting the 10% Convertible Notes and exercising the Warrants and receiving shares of our Common Stock unless shareholder approval is obtained for the issuance under the Securities Purchase Agreement.

Effect of Proposal on Current Shareholders

If this Proposal No. 8 is adopted, based on the conversion of 10% Convertible Note and exercise of Warrants, up to 2,933,334 shares of Common Stock would be issuable. Based on the number of shares of Common Stock outstanding as of the Record Date, such shares would represent 16.3% of our total outstanding shares (giving effect to such issuance). The issuance of such shares may result in significant dilution to our shareholders and afford them a smaller percentage interest in the voting power, liquidation value and aggregate book value of the Company. The sale or any resale of the Common Stock issued upon conversion of 10% Convertible Note and exercise of Warrants could cause the market price of our Common Stock to decline as well as result in substantial dilution to other shareholders since the investor may ultimately convert and sell the full amount issuable on conversion and exercise. This means that our current shareholders will own a smaller interest in our company and will have less ability to influence significant corporate decisions requiring shareholder approval.

Further Information.

The terms of the 10% Convertible Notes and Warrants are complex and only briefly summarized above. For further information, please refer to the descriptions contained in the Company's Current Report on Form 8-K filed with the SEC on August 11, 2017, and the transaction documents filed as exhibits to such report. The discussion herein is qualified in its entirety by reference to such filed transaction documents.

Required Vote and Board Recommendation

The conversion of 10% Convertible Note and exercise of Warrants requires the receipt of the affirmative vote of a majority of the shares of the Company's Common Stock present in person or by proxy and voting at the Annual Meeting.

The Board unanimously recommends a vote "FOR" the approval issuance of Common Stock upon of the conversion of the 10% Convertible Note convertible into 1,466,667 shares of Common Stock and Warrants to purchase 1,466,667 shares of Common Stock in accordance with the Securities Purchase Agreement dated August 10, 2017 in order to comply with Rule 713 of the NYSE American.

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PROPOSAL NO. 9

APPROVAL OF ISSUANCE OF WARRANTS TO PURCHASE 317,460 SHARES OF COMMON STOCK AT AN EXERCISE PRICE OF $0.01 PER SHARE AND OPTIONS TO PURCHASE 1,000,000 SHARES OF COMMON STOCK AT AN EXERCISE PRICE OF $0.65 PER SHARE, AND ISSUANCE OF SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE OF SUCH WARRANTS AND OPTIONS, IN ACCORDANCE WITH THE EXECUTIVE EMPLOYMENT AGREEMENT, DATED NOVEMBER 30, 2016, AS SUBSEQUENTLY AMENDED ON FEBRUARY 22, 2017 IN ORDER TO COMPLY WITH NYSE AMERICAN RULE 711

Terms of the Transaction

On November 30, 2016, as amended on February 22, 2017, the Company entered into an employment agreement with Amos Kohn to serve as President and Chief Executive Officer with an effective date of September 22, 2016. For his services, Mr. Kohn will be paid a salary of $300,000 per annum increasing to $350,000 per annum provided that the Company achieves revenues in the aggregate amount of at least $10,000,000 as determined in accordance with U.S. GAAP for the trailing four calendar quarters.

In addition, Mr. Kohn shall be eligible for an annual cash bonus equal to a percentage of his annual base salary based on achievement of applicable performance goals determined by the Company’s compensation committee after conferring with Mr. Kohn. The target amount of Mr. Kohn’s annual performance bonus shall be 25% to 50% of his then annual base salary but may be greater upon mutual agreement between Mr. Kohn and the compensation committee.

Further, Mr. Kohn is entitled to receive equity participation as follows: (i) ten-year warrants to purchase 317,460 shares of the Company's Common Stock (the “**Warrant Grant**”) at an exercise price of $0.01 per share subject to vesting quarterly over two years effective January 1, 2017; and (ii) ten-year options to purchase 1,000,000 shares of the Company’s Common Stock at an exercise price of $0.65 per share. The option to purchase 1,000,000 shares of Common Stock is subject to the following vesting schedule: (1) options to purchase 500,000 shares of Common Stock shall vest upon the effective date; (2) options to purchase 250,000 shares of Common Stock shall vest ratably over six months beginning with the first month after the effective date; and (3) options to purchase 250,000 shares of Common Stock shall vest ratably over twelve months beginning with the first month after the effective date. As part of the grant of the options to purchase 1,000,000 shares, Mr. Kohn forfeited options to purchase 535,000 shares of Common Stock previously granted to him under the Company’s Incentive Share Option Plans.

In the event that Mr. Kohn is terminated by the Company without cause, or if Mr. Kohn resigns for good reason, Mr. Kohn shall be entitled to (i) all annual salary earned prior to the termination date, any earned but unpaid portion of Mr. Kohn's annual performance bonus for the year preceding in which such termination occurred and any earned but unpaid paid time off; (ii) an amount equal to 100% of Mr. Kohn's then in effect annual base salary plus an additional 1/12th of Mr. Kohn's annual base salary for each year of employment with the Company prior to such termination; (iii) an amount equal to the average of Mr. Kohn's two prior years' annual bonuses (with such average not to exceed 50% of the Mr. Kohn's annual base salary in effect at the time of termination) prorated for the portion of the year that executive was employed; (iv) accelerated vesting of all outstanding unvested stock options and other equity arrangements subject to vesting and held by Mr. Kohn through the termination date and the Company's right to repurchase Mr. Kohn's restricted stock shall cease; and (v) to the extent required by COBRA, continuation of group health benefits pursuant to the Company's standard programs or in effect at the termination date at Company expense for a period of not less than 18 months.

If Mr. Kohn is terminated without cause, or resigns for good reason within 12 months of a change of control, Mr. Kohn shall be entitled to receive: (i) payment in a lump sum of Mr. Kohn annual base salary for 24 months and any accrued, unused paid time-off; (ii) accelerated vesting of all outstanding unvested stock options and other equity arrangements subject to vesting and the Company's right to repurchase Mr. Kohn restricted stock shall cease; and (iii) to the extent required by COBRA, continuation of group health benefits pursuant to the Company's standard programs or in effect at the termination date at the Company's expense for a period of not less than 18 months.

Why the Company Needs Shareholder Approval

Rule 711 of the NYSE American requires shareholder approval with respect to the establishment of (or material amendment to) a stock option or purchase plan or other equity compensation arrangement pursuant to which options or stock may be acquired by officers, directors, employees, or consultants.

Effect of Proposal on Current Shareholders

If this Proposal No. 9 is adopted, based on the issuance of shares pursuant to the Executive Employment Agreement (and provided the Company has sufficient authorized shares of Common Stock to allow for such exercise), a maximum of 1,317,460 shares of Common Stock would be issuable. Based on the number of shares of Common Stock outstanding as of the Record Date, such shares would represent 8% of our total outstanding shares (giving effect to such issuance). The issuance of such shares may result in significant dilution to our shareholders, and afford them a smaller percentage interest in the voting power, liquidation value and aggregate book value of the Company. The sale or any resale of the Common Stock issued pursuant to the Executive Employment Agreement could cause the market price of our Common Stock to decline.

Further Information.

The terms of the Executive Employment Agreement are complex and only briefly summarized above. For further information, please refer to the descriptions contained in the Company's Current Report on Form 8-K filed with the SEC on December 5, 2016, and on February 27, 2017 and the transaction documents filed as exhibits to such report. The discussion herein is qualified in its entirety by reference to such filed transaction documents.

Required Vote and Board Recommendation

Approval of the Executive Employment Agreement requires the receipt of the affirmative vote of a majority of the shares of the Company's Common Stock present in person or by proxy and voting at the Annual Meeting.

The Board unanimously recommends a vote "FOR" the approval of the issuance of warrants to purchase 317,460 shares of Common Stock at an exercise price of $0.01 per share and options to purchase 1,000,000 shares of Common Stock at an exercise price of $0.65 per share, and shares of Common Stock issuable upon exercise of such warrants, in accordance with the Executive Employment Agreement, dated November 30, 2016, as subsequently amended on February 22, 2017 in order to comply with Rule 711 of the NYSE American.

PROPOSAL NO. 10

APPROVAL OF THE 2017 STOCK INCENTIVE PLAN

Overview

On September 18, 2017, the Board adopted, upon the recommendation of the Compensation Committee, the 2017 Stock Incentive Plan (the "**2017 Plan**"), subject to and effective upon shareholder approval at the Annual Meeting. We are asking our shareholders to approve the 2017 Plan in order to permit the Company to use the 2017 Plan to achieve the Company's performance, recruiting, retention and incentive goals.

The 2017 Plan includes a variety of forms of awards, including stock options, stock appreciation rights, restricted stock, restricted stock units and dividend equivalents to allow the Company to adapt its incentive program to meet the needs of the Company in the changing business environment in which the Company operates.

We strongly believe that the approval of the 2017 Plan is essential to our continued success. We believe that equity is an important and significant component of our employees' compensation. The Board further believes that equity incentives motivate high levels of performance, align the interests of our employees and shareholders by giving directors, employees and consultants the perspective of an owner with an equity stake in the Company, and provide an effective means of recognizing their contributions to the success of the Company. The Board and management believe that the ability to grant equity incentives will be important to the future success of the Company and is in the best interests of the Company's shareholders.

The potential dilution resulting from issuing all of the proposed 2,000,000 shares under the 2017 Plan would be 11.7% on a fully-diluted basis.

If approved, the 2017 Plan will constitute the first such plan ever adopted by the Company. Assuming shareholders approve the 2017 Plan, the 2017 Plan will be effective as the date of the Annual Meeting.

We are seeking shareholder approval of the 2017 Plan in order to satisfy certain legal requirements, including making awards under it eligible for beneficial tax treatment. In addition, the Board regards shareholder approval of the 2017 Plan as desirable and consistent with good corporate governance practices.

Summary of the 2017 Plan

The following is a description of the principal terms of the 2017 Plan. The summary is qualified in its entirety by the full text of the 2017 Plan, which is attached as Appendix E to this Proxy Statement.

General. The 2017 Plan would authorize the grant to eligible individuals of (1) stock options (incentive and nonstatutory), (2) restricted stock, (3) stock appreciation rights, or SARs, (4) restricted stock units, and (5) other stock-based compensation.

Stock Subject to the 2017 Plan. The maximum number of shares of our Common Stock that may be issued under the 2017 Plan is 2,000,000 shares, which amount will be increased to the extent that compensated granted under the 2017 Plan are forfeited, expire or are settled for cash (except as otherwise provided in the 2017 Plan).

Substitute awards (awards made or shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, in each case by a company acquired by the Company or any Company subsidiary or with which the Company or any subsidiary combines) will not reduce the shares authorized for grant under the 2017 Plan, nor will shares subject to a substitute award be added to the shares available for issuance or transfer under the 2017 Plan.

No Liberal Share Recycling. Notwithstanding anything to the contrary, any and all stock that is (i) withheld or tendered in payment of an option exercise price; (ii) withheld by the Company or tendered by the grantee to satisfy any tax withholding obligation with respect to any award; (iii) covered by a SAR that it is settled in stock, without regard to the number of shares of stock that are actually issued to the grantee upon exercise; or (vi) reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of options, shall not be added to the maximum number of shares of stock that may be issued under the 2017 Plan.

Limits per Participant. With respect to awards intended to qualify as performance-based compensation under Section 162(m) of the Code, the 2017 Plan provides that, subject to adjustment as provided in the 2017 Plan, no participant may, in any 12-month period (i) be granted options or SARs with respect to more than 750,000 shares of our Common Stock, (ii) earn more than 500,000 shares of our Common Stock under restricted stock awards, restricted stock unit awards, performance awards and/or other share-based awards, or (iii) earn more than $5,000,000 under an award; provided, however, that each of these limitations shall be multiplied by two (2) with respect to awards granted to a participant during the first calendar year in which the participant commences employment with us or any of our subsidiaries.

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Notwithstanding any other provision of the 2017 Plan to the contrary, no non-employee director may be granted awards during any calendar year in excess of $350,000 in total value, either in cash, shares of stock or a combination of cash and stock, provided, however, that in extraordinary circumstances, that limit can be increased to $500,000.

Eligibility. Employees of, and consultants to, our Company or its affiliates and members of our Board are eligible to receive equity awards under the 2017 Plan. Only our employees, and employees of our parent and subsidiary corporations, if any, are eligible to receive Incentive Stock Options. Employees, directors (including non-employee directors) and consultants of or for our Company and its affiliates are eligible to receive Nonstatutory Stock Options, Restricted Stock, Purchase Rights and any other form of award the 2017 Plan authorizes.

Purpose. The purpose of the 2017 Plan is to promote the interests of the Company and its shareholders by providing executive officers, employees, non-employee directors, and key advisors of the Company and its defined subsidiaries with appropriate incentives and rewards to encourage them to enter into and remain in their positions with the Company and to acquire a proprietary interest in the long-term success of the Company, as well as to reward the performance of these individuals in fulfilling their personal responsibilities for long-range and annual achievements.

Administration. Unless otherwise determined by the Board, the Compensation Committee administers the 2017 Plan. The Compensation Committee is composed solely of “non-employee directors” within the meaning of Rule 16b-3 under the Exchange Act, “outside directors” within the meaning of Section 162(m) of the Internal Revenue Code, and “independent directors” within the meaning of NYSE American listing standards. The Compensation Committee has the power, in its discretion, to grant awards under the 2017 Plan, to select the individuals to whom awards are granted, to determine the terms of the grants, to interpret the provisions of the 2017 Plan and to otherwise administer the 2017 Plan. Except as prohibited by applicable law or any rule promulgated by a national securities exchange to which the Company may in the future be subject, the Compensation Committee may delegate all or any of its responsibilities and powers under the 2017 Plan to one or more of its members, including, without limitation, the power to designate participants and determine the amount, timing and term of awards under the 2017 Plan. In no event, however, shall the Compensation Committee have the power to accelerate the payment or vesting of any award, other than in the event of death, disability, retirement or a change of control of the Company.

The 2017 Plan provides that members of the Compensation Committee shall be indemnified and held harmless by the Company from any loss or expense resulting from claims and litigation arising from actions related to the 2017 Plan.

Term. If approved, the 2017 Plan is effective December 28, 2017 and awards may be granted through December 27, 2027. No awards may be granted under the 2017 Plan subsequent to that date. The Board may suspend or terminate the 2017 Plan without shareholder approval or ratification at any time or from time to time.

Amendments. Subject to the terms of the 2017 Plan, the Compensation Committee as administrator has the sole discretion to interpret the provisions of the 2017 Plan and outstanding awards. Our Board generally may amend or terminate the 2017 Plan at any time and for any reason, except that no amendment, suspension, or termination may impair the rights of any participant without his or her consent, and except that approval of our shareholders is required for any amendment which:

Increases the number of shares of Common Stock subject to the 2017 Plan;
Decreases the price at which grants may be granted;
Reprices existing options;
Materially increases the benefits to participants; or
Changes the class of persons eligible to receive grants under the 2017 Plan.

Repricing Prohibition. Other than in connection with certain corporate events, the Compensation Committee shall not, without the approval of the Company's shareholders, (a) lower the option price per share of an option or SAR after it is granted, (b) cancel an Option or SAR when the exercise price per share exceeds the fair market value of one share in exchange for cash or another award (other than in connection with a change of control), or (c) take any other action with respect to an Option or SAR that would be treated as a repricing under the rules and regulations of the principal U.S. national securities exchange on which the Company's shares are then listed.

Minimum Vesting Requirement. Grantees of full-value awards (i.e., awards other than options and SARs), will be required to continue to provide services to the Company or an affiliated company) for not less than one-year following the date of grant in order for any such full-value Awards to fully or partially vest (other than in case of death, disability or a Change of Control). Notwithstanding the foregoing, up to five percent (5%) of the available shares of stock authorized for issuance under the 2017 Plan may provide for vesting of full-value awards, partially or in full, in less than one-year.

Adjustments upon Changes in Capitalization. In the event of any merger, reorganization, consolidation, recapitalization, dividend or distribution (whether in cash, shares or other property, other than a regular cash dividend), stock split, reverse stock split, spin-off or similar transaction or other change in our corporate structure affecting our Common Stock or the value thereof, appropriate adjustments to the 2017 Plan and awards will be made as the Board determines to be equitable or appropriate, including adjustments in the number and class of shares of stock available for issuance under the 2017 Plan, the number, class and exercise or grant price of shares subject to awards outstanding under the 2017 Plan, and the limits on the number of awards that any person may receive.

Change of Control. Agreements evidencing awards under the 2017 Plan may provide that upon a Change of Control (as defined in the 2017 Plan), unless otherwise provided in the agreement evidencing an award), outstanding Awards may be cancelled and terminated without payment if the consideration payable with respect to one share of Stock in connection with the Change of Control is less than the exercise price or grant price applicable to such Award, as applicable.

Notwithstanding any other provisions of the 2017 Plan to the contrary, the vesting, payment, purchase or distribution of an Award may not be accelerated by reason of a Change of Control for any participant unless the Grantee’s employment is involuntarily terminated as a result of the Change of Control as provided in the Award agreement or in any other written agreement, including an employment agreement, between us and the participant. If the Change of Control results in the involuntary termination of participant’s employment, outstanding awards will immediately vest, become fully exercisable and may thereafter be exercised.

Generally, under the 2017 Plan, a Change of Control occurs upon (i) the consummation of a reorganization, merger or consolidation of our Company with or into another entity, pursuant to which our shareholders immediately prior to the transaction do not own more than 50% of the total combined voting power after the transaction, (ii) the consummation of the sale, transfer or other disposition of all or substantially all of our assets, (iii) certain changes in the majority of our Board from those in office on the effective date of the 2017 Plan, (iv) the acquisition of more than 50% of the total combined voting power in our outstanding securities by any person, or (v) the Company is dissolved or liquidated.

Types of Awards

Stock Options. Incentive Stock Options and Nonstatutory Stock Options are granted pursuant to award agreements adopted by our Compensation Committee. Our Compensation Committee determines the exercise price for a stock option, within the terms and conditions of the 2017 Plan; provided, that the exercise price of an Incentive Stock Option cannot be less than 100% of the fair market value of our Common Stock on the date of grant. Options granted under the 2017 Plan vest at the rate specified by our Compensation Committee.

The Compensation Committee determines the term of stock options granted under the 2017 Plan, up to a maximum of 10 years, except in the case of certain Incentive Stock Options, as described below. The Compensation Committee will also determine the length of period during which an optionee may exercise their options if an optionee's relationship with us, or any of our affiliates, ceases for any reason; for Incentive Stock Options, this period is limited by applicable law. The Compensation Committee may extend the exercise period in the event that exercise of the option following termination of service is prohibited by applicable securities laws. In no event, however, may an option be exercised beyond the expiration of its term unless the term is extended in accordance with applicable law.

Acceptable consideration for the purchase of Common Stock issued upon the exercise of a stock option will be determined by the Compensation Committee and may include (a) cash or its equivalent, (b) delivering a properly executed notice of exercise of the option to us and a broker, with irrevocable instructions to the broker promptly to deliver to us the amount necessary to pay the exercise price of the option, (c) any other form of legal consideration that may be acceptable to the Compensation Committee or (d) any combination of (a), (b) or (c).

Unless the Compensation Committee provides otherwise, options are generally transferable in accordance with applicable law, provided that any transferee of such options agrees to become bound by the terms of the 2017 Plan. An optionee may also designate a beneficiary who may exercise the option following the optionee's death.

Incentive or Nonstatutory Stock Options. Incentive Stock Options may be granted only to our employees, and the employees of our parent or subsidiary corporations, if any. The Compensation Committee may grant awards of Incentive or Nonstatutory Stock Options that are fully vested on the date made, to any of our employees, directors or consultants. Option Awards are granted pursuant to award agreements adopted by our Compensation Committee. To the extent required by applicable law, the aggregate fair market value, determined at the time of grant, of shares of our Common Stock with respect to Incentive Stock Options that are exercisable for the first time by an optionee during any calendar year may not exceed $100,000. To the extent required by applicable law, no Incentive Stock Option may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our affiliates unless (a) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant and (b) the term of the incentive stock option does not exceed five years from the date of grant.

Stock Appreciation Rights. A SAR is the right to receive stock, cash, or other property equal in value to the difference between the grant price of the SAR and the market price of the Company's Common Stock on the exercise date. SARs may be granted independently or in tandem with an Option at the time of grant of the related Option. An SAR granted in tandem with an Option shall be exercisable only to the extent the underlying Option is exercisable. An SAR confers on the grantee a right to receive an amount with respect to each share of Common Stock subject thereto, upon exercise thereof, equal to the excess of (A) the fair market value of one share of Common Stock on the date of exercise over (B) the grant price of the SAR (which in the case of an SAR granted in tandem with an Option shall be equal to the exercise price of the underlying Option, and which in the case of any other SAR shall be such price as the Compensation Committee may determine but in no event shall be less than the fair market value of a share of Common Stock on the date of grant of such SAR).

Restricted Stock and Restricted Stock Units. Restricted Stock is Common Stock that the Company grants subject to transfer restrictions and vesting criteria. A Restricted Stock Unit is a right to receive stock or cash equal to the value of a share of stock at the end of a specified period that the Company grants subject to transfer restrictions and vesting criteria. The grant of these awards under the 2017 Plan are subject to such terms, conditions and restrictions as the Compensation Committee determines consistent with the terms of the 2017 Plan.

At the time of grant, the Compensation Committee may place restrictions on Restricted Stock and restricted stock units that shall lapse, in whole or in part, only upon the attainment of Performance Goals; provided that such Performance Goals shall relate to periods of performance of at least one fiscal year, and if the award is granted to a 162(m) Officer, the grant of the award and the establishment of the Performance Goals shall be made during the period required under Internal Revenue Code Section 162(m). Except to the extent restricted under the award agreement relating to the Restricted Stock, a grantee granted Restricted Stock shall have all of the rights of a shareholder including the right to vote Restricted Stock and the right to receive dividends.

Unless otherwise provided in an award agreement, upon the vesting of a Restricted Stock Unit, there shall be delivered to the grantee, within 30 days of the date on which such award (or any portion thereof) vests, the number of shares of Common Stock equal to the number of restricted stock units becoming so vested.

Other Stock-Based Awards. The 2017 Plan also allows the Compensation Committee to grant "Other Stock-Based Awards," which means a right or other interest that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Common Stock. Subject to the limitations contained in the 2017 Plan, this includes, without limitation, (i) unrestricted stock awarded as a bonus or upon the attainment of Performance Goals or otherwise as permitted under the 2017 Plan and (ii) a right to acquire stock from the Company containing terms and conditions prescribed by the Compensation Committee. At the time of the grant of Other Stock-Based Awards, the Compensation Committee may place restrictions on the payout or vesting of Other Stock-Based Awards that shall lapse, in whole or in part, only upon the attainment of Performance Goals; provided that such Performance Goals shall relate to periods of performance of at least one fiscal year, and if the award is granted to a 162(m) Officer, the grant of the Award and the establishment of the Performance Goals shall be made during the period required under Internal Revenue Code Section 162(m). Other Stock-Based Awards may not be granted with the

right to receive dividend equivalent payments.

Performance Awards. Performance awards provide participants with the opportunity to receive shares of our Common Stock, cash or other property based on performance and other vesting conditions. Performance awards may be granted from time to time as determined at the discretion of the Board, or the Compensation Committee (as applicable). Subject to the share limit and maximum dollar value set forth above under "*Limits per Participant*," the Board, or the Compensation Committee (as applicable), has the discretion to determine (i) the number of shares of Common Stock under, or the dollar value of, a performance award and (ii) the conditions that must be satisfied for grant or for vesting, which typically will be based principally or solely on achievement of performance goals.

Performance Criteria. With respect to awards intended to qualify as performance-based compensation under Code Section 162(m), a committee of "outside directors" (as defined in Code Section 162(m)) with authority delegated by our Board will determine the terms and conditions of such awards, including the performance criteria. The performance goals for restricted stock awards, restricted stock units, performance awards or other share-based awards shall be based on the attainment of specified levels of one or any combination of the following:

the attainment of certain target levels of, or a specified percentage increase in, revenues, earnings, income before taxes and extraordinary items, net income, operating income, earnings before or after deduction for all or any portion of income tax, earnings before interest, taxes, depreciation and amortization or a combination of any or all of the foregoing;
the attainment of certain target levels of, or a percentage increase in, after-tax or pre-tax profits including, without limitation, that attributable to continuing and/or other operations;
the attainment of certain target levels of, or a specified increase in, operational cash flow;
the achievement of a certain level of, reduction of, or other specified objectives with regard to limiting the level of increase in, all or a portion of, the Company's bank debt or other long-term or short-term public or private debt or other similar financial obligations of the Company, which may be calculated net of such cash balances and/or other offsets and adjustments as may be established by the Compensation Committee;
earnings per share or the attainment of a specified percentage increase in earnings per share or earnings per share from continuing operations;
the attainment of certain target levels of, or a specified increase in return on capital employed or return on invested capital;
the attainment of certain target levels of, or a percentage increase in, after-tax or pre-tax return on shareholders' equity;
the attainment of certain target levels of, or a specified increase in, economic value added targets based on a cash flow return on investment formula;
the attainment of certain target levels in, or specified increases in, the fair market value of the shares of the Company's Common Stock;
the growth in the value of an investment in the Company's Common Stock;
the attainment of a certain level of, reduction of, or other specified objectives with regard to limiting the level in or increase in, all or a portion of controllable expenses or costs or other expenses or costs;
gross or net sales, revenue and growth of sales revenue (either before or after cost of goods, selling and general administrative expenses, research and development expenses and any other expenses or interest);
total shareholder return;
return on assets or net assets;
return on sales;
operating profit or net operating profit;
operating margin;
gross or net profit margin;
cost reductions or savings;
productivity;
operating efficiency;
working capital;
market share;
customer satisfaction; and
to the extent that an Award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by the Board.

The performance goals may be based solely by reference to our performance or the performance of one or more of our subsidiaries, parents, divisions, business segments or business units, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies. The authorized committee of outside directors may also exclude under the terms of the performance awards, the impact of an event or occurrence that the committee determines should appropriately be excluded, including (i) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges, or (ii) changes in generally accepted accounting principles or practices.

In connection with the approval of the 2017 Plan, the shareholders also are being asked to approve the above criteria for purposes of Section 162(m) of the Code.

New Plan Benefits under the 2017 Plan

Because future awards under the 2017 Plan will be granted in the discretion of the Compensation Committee, the type, number, recipients, and other terms of such awards cannot be determined at this time.

U.S. Federal Income Tax Considerations

The following is a brief description of the material United States federal income tax consequences associated with awards under the 2017 Plan. It is based on existing United States laws and regulations, and there can be no assurance that those laws and regulations will not change in the future. Tax consequences in other countries may vary. This information is not intended as tax advice to anyone, including participants in the 2017 Plan.

Stock Options. Neither incentive stock option grants nor non-qualified stock option grants cause any tax consequences to the participant or the Company at the time of grant. Upon the exercise of a non-qualified stock option, the excess of the market value of the shares acquired over their exercise price is ordinary income to the participant and is deductible by the Company. The participant's tax basis for the shares is the market value thereof at the time of exercise. Any gain or loss realized upon a subsequent disposition of the stock will generally constitute capital gain, in connection with which the Company will not be entitled to a tax deduction.

Upon the exercise of an incentive stock option, the participant will not realize taxable income, but the excess of the fair market value of the stock over the exercise price may give rise to alternative minimum tax. When the stock acquired upon exercise of an incentive stock option is subsequently sold, the participant will recognize income equal to the difference between the sales price and the exercise price of the option. If the sale occurs after the expiration of two years from the grant date and one year from the exercise date, the income will constitute long-term capital gain. If the sale occurs prior to that time, the participant will recognize ordinary income to the extent of the lesser of the gain realized upon the sale or the difference between the fair market value of the acquired stock at the time of exercise and the exercise price; any additional gain will constitute capital gain. The Company will be entitled to a deduction in an amount equal to the ordinary income recognized by the participant, but no deduction in connection with any capital gain recognized by the participant. If the participant exercises an incentive stock option more than three months after his or her termination of employment due to retirement or other separation other than death or disability, or more than twelve months after his or her termination of employment due to death or permanent disability, he or she is deemed to have exercised a non-qualified stock option.

Compensation realized by participants on the exercise of non-qualified stock options or the disposition of shares acquired upon exercise of any incentive stock options should qualify as performance-based compensation under the Code and thus not be subject to the $1,000,000 deductibility limit of Code Section 162(m).

Stock Appreciation Rights. A participant granted a stock appreciation right under the 2017 Plan will not recognize income, and the Company will not be allowed a tax deduction, at the time the award is granted. When the participant exercises the stock appreciation right, the amount of cash and the fair market value of any shares of stock or other consideration received will be ordinary income to the participant and the Company will be allowed a corresponding federal income tax deduction at that time. Compensation realized by the participant on the exercise of the stock appreciation right should qualify as performance-based compensation under the Code and thus not be subject to the

$1,000,000 deductibility limit of Code Section 162(m).

Restricted Stock. Restricted stock is not taxable to a participant at the time of grant, but instead is included in ordinary income (at its then fair market value) when the restrictions lapse. A participant may elect, however, to recognize income at the time of grant, in which case the fair market value of the restricted shares at the time of grant is included in ordinary income and there is no further income recognition when the restrictions lapse. If a participant makes such an election and thereafter forfeits the restricted shares, he or she will be entitled to no tax deduction, capital loss or other tax benefit. The Company is entitled to a tax deduction in an amount equal to the ordinary income recognized by the participant, subject to any applicable limitations under Code Section 162(m).

A participant's tax basis for restricted shares will be equal to the amount of ordinary income recognized by the participant. The participant will recognize capital gain (or loss) on a sale of the restricted stock if the sale price exceeds (or is lower than) such basis. The holding period for restricted shares for purposes of characterizing gain or loss on the sale of any shares as long- or short-term commences at the time the participant recognizes ordinary income pursuant to an award. The Company is not entitled to a tax deduction corresponding to any capital gain or loss of the participant.

Restricted Stock Units. A participant will not recognize income, and the Company will not be allowed a tax deduction, at the time a restricted stock unit award is granted. Upon receipt of shares of stock (or the equivalent value in cash or any combination of cash and the Company Common Stock) in settlement of a restricted stock unit award, a participant will recognize ordinary income equal to the fair market value of the stock and cash received as of that date (less any amount he or she paid for the stock and cash), and the Company will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Code Section 162(m).

Performance Awards. A participant will not recognize income, and the Company will not be allowed a tax deduction, at the time a performance award is granted (for example, when the performance goals are established). Upon receipt of stock or cash (or a combination thereof) in settlement of a performance award, the participant will recognize ordinary income equal to the fair market value of the stock and cash received, and the Company will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Code Section 162(m).

Code Section 409A. If an award is subject to Code Section 409A (which relates to nonqualified deferred compensation plans), and if the requirements of Section 409A are not met, the taxable events as described above could apply earlier than described, and could result in the imposition of additional taxes and penalties. All awards that comply with the terms of the 2017 Plan, however, are intended to be exempt from the application of Code Section 409A or meet the requirements of Section 409A in order to avoid such early taxation and penalties.

Tax Withholding. The Company has the right to deduct or withhold, or require a participant to remit to the Company, an amount sufficient to satisfy federal, state and local taxes (including employment taxes) required by law to be withheld with respect to any exercise, lapse of restriction or other taxable event arising as a result of the 2017 Plan. The Compensation Committee may, at the time the award is granted or thereafter, require or permit that any such withholding requirement be satisfied, in whole or in part, by delivery of, or withholding from the award, shares having a fair market value on the date of withholding equal to the amount required to be withheld for tax purposes.

Required Vote and Board Recommendation

Approval of the 2017 Plan requires the receipt of the affirmative vote of the holders of a majority of the shares of the Company's Common Stock present in person or by proxy and voting at the Annual Meeting.

The Board unanimously recommends a vote “FOR” the approval of the 2017 Stock Incentive Plan

INFORMATION ABOUT THE EXECUTIVE OFFICERS

Executive Officers

The executive officers are elected by our Board and hold office until their successors are elected and duly qualified. There are no family relationships between any of our directors or executive officers other than that Mr. and Mrs. Ault are married. The current executive officers of the Company are as follows:

Name	Age	Offices Held
Amos Kohn*	57	President and CEO
Milton C. Ault, III	47	Executive Chairman of the Board
Uri Friedlander*	54	Vice President of Finance, Chief Accounting Officer

***** On July 6, 2017, Mr. Friedlander terminated his relationship with the Company. On July 13, 2017, Mr. Kohn became our Chief Financial Officer.

Biographical information about Mr. Amos is provided in "Proposal No. 1 – Election of Directors."

Biographical information about Mr. Ault is provided in "Proposal No. 1 – Election of Directors."

Uri Friedlander. Mr. Friedlander, age 54, has served as Vice President, Chief Accounting officer since October, 2015 until July 6, 2017. Since 1997, Mr. Fridlander has served as the Chief Financial Officer of Telkoor. From 1991 to 1997, Mr. Fridlander was the controller of I.T.L Ltd., a developer of electro optic military systems, and Q.P.S Ltd., a developer of power supplies, units of the Clal Electronics Ltd. Group. From 1986 until 1991 he served as an auditor for Lyboshitz & Kasirer (Arthur Andersen) public accountants. Mr. Friedlander earned a B.A. in accounting and economics from Tel-Aviv University.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following Summary Compensation Table sets forth all compensation earned in all capacities during the years ended December 31, 2016 and 2015, by our Chief Executive Officer ("**Named Executive Officer**"). Because we are a

Smaller Reporting Company, we only have to report information of our Chief Executive Officer as no other officer met the definition of Named Executive Officer within the meaning of SEC rules.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)(1)	Non-equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	Other Compensation ($)(2)	Total ($)
Amos Kohn Chief Executive Officer	2016	$234,866	-	-	$366,409	-	-	$ 36,269	$637,564
	2015	$215,118	-	-	$120,184	-	-	$ 43,677	$378,979

(1) Represents the equity-based compensation expenses recorded in our consolidated financial statements for the year ended December 31, 2016, based upon the option's fair value on the grant date, calculated in accordance with accounting guidance for equity-based compensation. For a discussion of the assumptions used in reaching this valuation, see Note 8 to our consolidated financial statements for the year ended December 31, 2016.

(2) The amounts in "All Other Compensation" consist of health insurance benefits, long-term and short-term disability insurance benefits, and 401K matching amounts.

Employment Agreement with Amos Kohn

On November 30, 2016, as amended on February 22, 2017, the Company entered into an employment agreement with Amos Kohn to serve as President and Chief Executive Officer with an effective date of September 22, 2016.

For his services, Mr. Kohn will be paid a salary of $300,000 per annum increasing to $350,000 per annum provided that the Company achieves revenues in the aggregate amount of at least $10,000,000 as determined in accordance with U.S. GAAP for the trailing four calendar quarters.

In addition, Mr. Kohn shall be eligible for an annual cash bonus equal to a percentage of his annual base salary based on achievement of applicable performance goals determined by the Company's compensation committee after conferring with Mr. Kohn. The target amount of Mr. Kohn's annual performance bonus shall be 25% to 50% of his then annual base salary but may be greater upon mutual agreement between Mr. Kohn and the compensation committee.

Further, Mr. Kohn is entitled to receive equity participation as follows: (i) ten-year warrants to purchase 317,460 shares of the Company's Common Stock (the "Warrant Grant") at an exercise price of $0.01 per share subject to vesting quarterly over two years effective January 1, 2017; and (ii) ten-year options to purchase 1,000,000 shares of the Company's Common Stock at an exercise price of $0.65 per share. The option to purchase 1,000,000 shares of Common Stock is subject to the following vesting schedule: (1) options to purchase 500,000 shares of Common Stock shall vest upon the effective date; (2) options to purchase 250,000 shares of Common Stock shall vest ratably over six months beginning with the first month after the effective date; and (3) options to purchase 250,000 shares of Common Stock shall vest ratably over twelve months beginning with the first month after the effective date. As part of the grant of the options to purchase 1,000,000 shares, Mr. Kohn forfeited options to purchase 535,000 shares of Common Stock previously granted to him under the Company's Incentive Share Option Plans.

In the event that Mr. Kohn is terminated by the Company without cause, or if Mr. Kohn resigns for good reason, Mr. Kohn shall be entitled to (i) all annual salary earned prior to the termination date, any earned but unpaid portion of Mr. Kohn's annual performance bonus for the year preceding in which such termination occurred and any earned but unpaid paid time off; (ii) an amount equal to 100% of Mr. Kohn's then in effect annual base salary plus an additional 1/12th of Mr. Kohn's annual base salary for each year of employment with the Company prior to such termination; (iii) an amount equal to the average of Mr. Kohn's two prior years' annual bonuses (with such average not to exceed 50% of the Mr. Kohn's annual base salary in effect at the time of termination) prorated for the portion of the year that executive was employed; (iv) accelerated vesting of all outstanding unvested stock options and other equity arrangements subject to vesting and held by Mr. Kohn through the termination date and the Company's right to repurchase Mr. Kohn's restricted stock shall cease; and (v) to the extent required by COBRA, continuation of group health benefits pursuant to the Company's standard programs or in effect at the termination date at Company expense for a period of not less than 18 months.

If Mr. Kohn is terminated without cause, or resigns for good reason within 12 months of a change of control, Mr. Kohn shall be entitled to receive: (i) payment in a lump sum of Mr. Kohn annual base salary for 24 months and any accrued, unused paid time-off; (ii) accelerated vesting of all outstanding unvested stock options and other equity arrangements subject to vesting and the Company's right to repurchase Mr. Kohn restricted stock shall cease; and (iii) to the extent required by COBRA, continuation of group health benefits pursuant to the Company's standard programs or in effect at the termination date at the Company's expense for a period of not less than 18 months.

Arrangement with Mr. Friedlander

On October 7, 2015 the Compensation Committee agree to pay Mr. Friedlander an annual payment of $58,000 (which includes compensation and business expenses and travel) and granted him 20,000 stock options under the 2012 Stock Option Plan. The options, which will have an exercise price equal to the closing price of the Company's shares on the close of business on October 7, 2015, vest over a four year period at 25% per year and expire 10 years from the date of grant. Mr. Friedlander does not have an employment contract. As of July 6, 2017, Mr. Friedlander is no longer associated with the Company.

Advisory Vote on Executive Compensation

At the annual meeting of shareholders on December 28, 2016, the shareholders approved, on an advisory basis, the compensation paid to the Company's named executive officers. In addition, shareholders voted, on an advisory basis, that an advisory vote on executive compensation should be held every three years.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information on outstanding equity awards as of December 31, 2016 to the Named Executive Officer.

Name	Option Award Number of securities underlying un exercised	Stock Award