

DIGITAL POWER CORP
Form 10-Q/A
November 14, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Amendment #1
FORM 10-Q/A

Quarterly report pursuant to Section 13 or
15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2017

Transition report pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the transition period from _____ to _____.

Commission file number 1-12711

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

California

94-1721931

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

48430 Lakeview Blvd
Fremont, CA 94538-3158
(Address of principal executive offices)

(510) 657-2635
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12(b)-2 of the Exchange Act). Yes No

At August 17, 2017 the registrant had outstanding 13,469,509 shares of common stock.

EXPLANATORY NOTE

This Amendment No. 1 to the Quarterly Report on Form 10-Q/A (the “Amendment”) amends the Quarterly Report on Form 10-Q of Digital Power Corporation (the “Company”) for the six months ended June 30, 2017 (the “Original Filing”), that was originally filed with the U.S. Securities and Exchange Commission on August 21, 2017. This Report only amends and restates Item 1 and Item 4 of Part I of the Original Report to reflect the restatement. The foregoing items have not been updated to reflect other events occurring after the date of the Original Report, or to modify or update those disclosures affected by subsequent events. In addition, the exhibit list in Item 6 has not been updated except that currently dated certification from the Company’s Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, are filed with this Form 10-Q/A as Exhibit 31.1 and 32.1. The Amendment is being filed to include the correct classification of a related party transaction in an investment in a property as a non-current asset as opposed to a current asset and to include additional information on certain subsequent event transactions included in the Company’s Notes to Interim Condensed Consolidated Financial Statements (Unaudited).

DIGITAL POWER CORPORATION

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Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that involve a number of risks and uncertainties. Words such as "anticipates," "expects," "intends," "goals," "plans," "believes," "seeks," "estimates," "continues," "may," "will," "would," "should," "could," and variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, uncertain events or assumptions, and other characterizations of future events or circumstances are forward-looking statements. Such statements are based on management's expectations as of the date of this filing and involve many risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include those described throughout this report and our Annual Report on Form 10-K for the year ended December 31, 2016, particularly the "Risk Factors" sections of such reports. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Readers are urged to carefully

review and consider the various disclosures made in this Form 10-Q and in other documents we file from time to time with the Securities and Exchange Commission that disclose risks and uncertainties that may affect our business. The forward-looking statements in this Form 10-Q do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that had not been completed as of August 21, 2017. In addition, the forward-looking statements in this Form 10-Q are made as of the date of this filing, and we do not undertake, and expressly disclaims any duty, to update such statements, whether as a result of new information, new developments or otherwise, except to the extent that disclosure may be required by law.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

DIGITAL POWER CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	June 30, 2017 (Restated) (Unaudited)	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 443	\$ 996
Accounts receivable, net	1,253	1,439
Inventories, net	1,609	1,122
Prepaid expenses and other current assets	359	285
TOTAL CURRENT ASSETS	3,664	3,842
Restricted cash	100	—
Intangible assets	93	—
Goodwill	6,002	—
Property and equipment, net	623	570
Investments - related parties, net of original issue discount of \$103 and \$45, respectively	2,582	1,036
Other investments, related party	698	—
Deposits and loans	219	24
TOTAL ASSETS	\$ 13,981	\$ 5,472
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 2,835	\$ 1,231
Accounts payable and accrued expenses, related party	100	—
Revolving credit facility	612	—
Notes payable	1,247	250
Notes payable, related parties	278	—
Convertible notes payable	250	—
Other current liabilities	427	398
TOTAL CURRENT LIABILITIES	5,749	1,879
LONG TERM LIABILITIES		
Notes payable	569	—
Notes payable, related parties	128	—

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Convertible notes payable, related party, net of discount of \$408 and \$496, respectively, at June 30, 2017 and December 31, 2016	122	34
TOTAL LIABILITIES	\$ 6,568	\$ 1,913

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

DIGITAL POWER CORPORATION AND SUBSIDIARY
 CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

U.S. dollars in thousands

	June 30, 2017 Restated (Unaudited)	December 31, 2016
COMMITMENTS AND CONTINGENCIES	—	—
STOCKHOLDERS' EQUITY		
Series A Redeemable Convertible Preferred Stock, no par value – 500,000 shares authorized; nil shares issued and outstanding at June 30, 2017 and December 31, 2016	—	—
Series B Redeemable Convertible Preferred Stock, \$10 stated value per share, no par value – 500,000 shares authorized; 100,000 and nil shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively (liquidation preference of \$1,000 and nil at June 30, 2017 and December 31, 2016, respectively)	—	—
Series C Redeemable Convertible Preferred Stock, \$2.40 stated value per share, no par value – 460,000 shares authorized; 455,002 and nil shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively (liquidation preference of \$1,092 and nil at June 30, 2017 and December 31, 2016, respectively)	—	—
Series D Redeemable Convertible Preferred Stock, \$0.01 stated value per share, no par value – 378,776 shares authorized; 378,776 and	—	—