

DIGITAL POWER CORP

FORM 8-K

(Unscheduled Material Events)

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Address	41920 CHRISTY ST FREMONT, California 94538
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CIK	0000896493
Industry	Electronic Instr. & Controls
Sector	Technology
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

Current Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) September 6, 2001

DIGITAL POWER CORPORATION

(Exact name of registrant as specified in its charter)

California

1-12711

94-1721931

(State or other
jurisdiction
of incorporation)

(Commission File No.)

(I.R.S. Employer
Identification No.)

41920 Christy Street, Fremont, California 94538-3158
(Address of principal executive offices)

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

Item 1. Change in Control of Registrant

On September 6, 2001, Digital Power Corporation, a California corporation (the "Company") entered into a securities purchase agreement with Telkooor Telecom Ltd., a limited liability company organized under the laws of Israel or one of its subsidiaries ("Telkooor"). Pursuant to the securities purchase agreement, Telkooor will pay U.S.\$1,250,000 to the Company for (i) 1,250,000 shares of common stock; (ii) a warrant to purchase an additional 900,000 shares of common stock at U.S.\$1.25 per share; and (iii) a warrant to purchase an additional 1,000,000 shares of common stock at U.S.\$1.50 per share. The 900,000 share warrant will expire sixty (60) days after the Company files its Form 10-KSB for the year ended December 31, 2002 and the 1,000,000 share warrant will expire on December 31, 2003.

Telkooor is an Israeli corporation, primarily engaged in developing, marketing and selling power supplies and power systems for the telecommunication equipment industry. Telkooor used its own funds to purchase the securities. Telkooor's initial investment of 1,250,000 shares represents 28% of the outstanding shares, with the right to increase their ownership to 49%, assuming all of the warrants are exercised.

Telkooor will have the right to appoint at least a majority of the Company's Board of Directors. Robert O. Smith will remain as a director and a consultant to the Company, but will resign as President and Chief Executive Officer and chairman. The completion of the securities purchase agreement is subject to certain conditions, including that the Company's net tangible assets have not decreased by 50% from June 30, 2001 to August 31, 2001 and will close ten (10) days after the Company delivers a financial report for the period ended August 31, 2001 to Telkooor, which is anticipated to occur at the end of October 2001.

Item 9. Regulation FD Disclosure

Exhibit No.	Exhibit Description
99.1	Press release announcing agreement with Telkooor Telecom Ltd. dated September 10, 2001

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**DIGITAL POWER CORPORATION,
a California Corporation**

Dated: 09/13/01

/s/ ROBERT O. SMITH

*Robert O. Smith,
Chief Executive Officer*

Press Release

SOURCE: Digital Power Corporation

**DIGITAL POWER CORPORATION ENTERS INTO A
STRATEGIC COOPERATION AND INVESTMENT
AGREEMENT OF UP TO \$3.875 MILLION WITH
TELKOOR TELECOM LTD.**

FREMONT, Calif., Sept. 10/PRNewswire/ -- Digital Power Corporation (Amex: DPW - news) announced today that it has entered into a strategic cooperation and investment agreement with Telkoor Telecom Ltd. Under the terms of the agreement, Telkoor Telecom will purchase 1,250,000 shares of Digital Power common stock at \$1.00 per share for an initial 28% interest, and receive warrants to purchase an additional 900,000 shares at \$1.25 per share and 1,000,000 shares at \$1.50 per share. If the warrants are exercised, Digital Power will receive an additional \$2.625 million making Telkoor Telecom's total potential investment in Digital Power of up to \$3.875 million for an approximate 49% interest. As part of the agreement, Telkoor Telecom will have the right to appoint at least a majority of Digital Power's Board of Directors. Further, upon completion of the agreement, Robert O. Smith will become a consultant to Digital Power and remain a member of the Board of Directors, but will step down as Chief Executive Officer and Chairman of the Board.

"This infusion of cash is tactically important because it will provide Digital Power with much needed working capital for the foreseeable future," stated Mr. Smith. Further, we believe that the financing is beneficial to Digital Power and its shareholders because the common stock purchase price and warrant exercise prices represent a premium to Digital Power's current trading price. Even more exciting for the shareholders of Digital Power are the potential strategic benefits of our relationship with Telkoor Telecom. Telkoor Telecom's product portfolio, including its recently announced family of CompactPCI power supplies, is very complimentary to Digital Power's products. Both companies intend to enter into strategic alliances to capitalize on their respective strengths in R & D, product development, quality management, global outsourcing, and sales and marketing channels to maximize profitable growth."

David Amitai, President & CEO, Telkoor Telecom, added "This strategic cooperation coupled with our substantial holding in Digital Power will enable both companies to reach an 'economic scale' crucial in current market environment. We strongly believe that Digital Power, together with Telkoor Telecom's strong balance sheet and advanced products, will enhance future sales growth and enable Digital Power's competitiveness in telecom and defense industries markets in Europe and North America."

Telkoor Telecom is an Israeli corporation that is primarily engaged in the development, marketing and sale of power supplies and power systems for the telecommunication equipment industry. Its products are targeted to both the private-commercial market and to military application markets. Telkoor Telecom shares are listed on the Tel Aviv Exchange under the symbol "TLKR." For the year ended December 31, 2000, Telkoor Telcom's consolidated revenues were approximately \$17 million and for the six months ended June 30, 2001, its consolidated revenues were approximately \$6.6 million. For a further description of Telkoor Telcom and its products, please visit their website at <http://www.telkoor.com>.

The completion of the investment agreement is subject to certain conditions and closing is anticipated to occur toward the end of October 2001.

Digital Power designs, develops, manufactures, and markets switching power supplies for sale to manufacturers of computer and other electronic equipment. The headquarters are located at 41920 Christy Street, Fremont, California 94538-3158, phone number 510-657-2635, or visit the website at <http://www.digipwr.com>.

The foregoing contains forward-looking statements which are subject to contingencies and uncertainties. Such forward-looking statements are not guarantees of future performance, and are based on numerous assumptions about future conditions that could prove to be inaccurate. Such forward-looking statements include, but are not limited to, that the agreement will be consummated, that strategic benefits will be obtained, that profitable growth will be maximized, that economies of scale will be achieved and that further sales growth will be enhanced. Further, Digital Power is subject to certain risks which are set forth in its filings with the Securities and Exchange Commission.

End of Filing

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