

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

ENOVA SYSTEMS INC
Form DEF 14A
November 12, 2002

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO. __)

Filed by the Registrant [X]
Filed by a party other than the Registrant []

Check the appropriate box:

[] Preliminary Proxy Statement [] Confidential, for Use of the
 [X] Definitive Proxy Statement Commission Only (as permitted by
 [] Definitive Additional Materials Rule 14a-6(e) (2))
 [] Soliciting Material Pursuant to
Rule 14a-11(c) or Rule 14a-12

ENOVA SYSTEMS, INC.

(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):

[X] No fee required.
 [] Fee computed on table below per Exchange Act Rules 14a-6(i) (4) and 0-11.

(1) Title of each class of securities to which transactions applies:
(2) Aggregate number of securities to which transactions 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:

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

ENOVA SYSTEMS, INC.
Notice of Annual Meeting of Shareholders
To Be Held December 5, 2002

To the Shareholders of ENOVA SYSTEMS, INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the "Annual Meeting") of Enova Systems, Inc., a California corporation (the "Company"), will be held at 19850 South Magellan Drive, Torrance, California 90502, on Thursday, December 5, 2002, at 9:00 a.m., local time, for the following purposes:

1. AUTHORIZATION FOR THE BOARD OF DIRECTORS TO EFFECT A REVERSE STOCK SPLIT IN A RATIO OF ONE-FOR-TWENTY. To authorize the Board of Directors to effect, any time until the next Annual Meeting of Shareholders, a reverse stock split of the Company's Common Stock in a ratio of one-for-twenty;

2. AUTHORIZATION FOR THE BOARD OF DIRECTORS TO EFFECT A REVERSE STOCK SPLIT IN A RATIO OF ONE-FOR-FIFTEEN. To authorize the Board of Directors to effect, any time until the next Annual Meeting of Shareholders, a reverse stock split of the Company's Common Stock in a ratio of one-for-fifteen;

3. AUTHORIZATION FOR THE BOARD OF DIRECTORS TO EFFECT A REVERSE STOCK SPLIT IN A RATIO OF ONE-FOR-TEN. To authorize the Board of Directors to effect, any time until the next Annual Meeting of Shareholders, a reverse stock split of the Company's Common Stock in a ratio of one-for-ten;

4. AUTHORIZATION FOR THE BOARD OF DIRECTORS TO EFFECT A REVERSE STOCK SPLIT IN A RATIO OF ONE-FOR-FIVE. To authorize the Board of Directors to effect, any time until the next Annual Meeting of Shareholders, a reverse stock split of the Company's Common Stock in a ratio of one-for-five;

5. AMENDMENT TO ARTICLE III, SECTION 2 OF ENOVA SYSTEMS, INC.'S BYLAWS TO AMEND THE VARIABLE AUTHORIZED NUMBER OF DIRECTORS. To approve an amendment to Article III, Section 2 of the Company's Bylaws to change the variable authorized number of directors from a range of four (4) to seven (7) to a range of six (6) to nine (9) and to fix the exact number of Board members at eight (8);

6. ELECTION OF DIRECTORS. To elect Directors of the Company as more fully described in the attached Proxy Statement to serve until the next Annual Meeting of Shareholders or until their respective successors are elected and qualified;

7. SELECTION OF INDEPENDENT AUDITORS. To ratify the appointment of Moss Adams LLP as the independent auditors for the Company for the fiscal year ending December 31, 2002; and

8. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement which is attached and made a part hereof.

2

The Board of Directors has fixed the close of business on October 14, 2002 as the record date for determining the shareholders entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

After careful consideration, the Company's Board of Directors has approved the proposals and recommends that you vote in favor of each such proposal.

By Order of the Board of Directors

/s/ Carl D. Perry

Carl D. Perry
Chief Executive Officer

Torrance, California
November 8, 2002

YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. PLEASE READ THE ATTACHED PROXY STATEMENT CAREFULLY. IF YOU DO NOT EXPECT TO ATTEND IN PERSON, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ACCOMPANYING ENVELOPE AS PROMPTLY AS POSSIBLE. IF YOU ATTEND THE ANNUAL MEETING AND VOTE BY BALLOT, YOUR PROXY WILL BE AUTOMATICALLY REVOKED AND ONLY YOUR VOTE AT THE ANNUAL MEETING WILL BE COUNTED.

1

Mailed to Shareholders on or about November 8, 2002

ENOVA SYSTEMS, INC.
19850 South Magellan Drive
Torrance, California 90502

PROXY STATEMENT

For the Annual Meeting of Shareholders
To Be Held on December 5, 2002

The enclosed proxy ("Proxy") is solicited on behalf of the Board of Directors (the "Board") of Enova Systems, Inc., a California corporation (the "Company"), for use at the 2002 Annual Meeting of Shareholders to be held on Tuesday, December 5, 2002 at 9:00 a.m., local time, at the Company's executive offices located at 19850 South Magellan Drive, Torrance, California 90502, and at any adjournment thereof.

This Proxy Statement and the accompanying form of Proxy are to be mailed to the shareholders entitled to vote at the Annual Meeting on or about November 8, 2002. The specific proposals to be considered and acted upon at the Annual Meeting are summarized in the accompanying Notice and are described in more detail in the Proxy Statement. All shareholders of record at the close of business on October 14, 2002 are entitled to notice of, and to vote at, the Annual Meeting.

Proxies

If any shareholder does not expect to attend the Annual Meeting in person, such shareholder may vote by proxy. The shares represented by the proxies received, properly marked, dated, executed and not revoked will be voted

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

at the Annual Meeting. Shareholders are urged to specify their choices on the enclosed proxy card. If a proxy card is signed and returned without choices specified, in the absence of contrary instructions, the shares of Common Stock, Series A Convertible Preferred Stock ("Series A Preferred Stock") and Series B Convertible Preferred Stock ("Series B Preferred Stock"), as the case may be, represented by such proxy card will be voted "FOR" Proposals 1, 2, 3, 4, 5, 6 and 7. The Company does not know of any other business that will be presented for action at the Annual Meeting but, if any matter is properly presented, the proxy holders will vote on such matters in the proxy holders' discretion

Revocability of Proxy

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is exercised by: (i) delivering to the Company at its executive offices, 19850 South Magellan Drive Torrance, California 90502 (to the attention of Carl D. Perry, the Company's President), a written notice of revocation or a duly executed proxy bearing a later date; or (ii) attending the Annual Meeting and voting in person.

Solicitation

The solicitation of proxies will be conducted by mail and the Company will bear all attendant costs. These costs will include the expense of preparing and mailing proxy materials for the Annual Meeting and reimbursements paid to brokerage firms and others for their expenses incurred in forwarding solicitation material regarding the Annual Meeting to beneficial owners of the Company's Common Stock. The Company may conduct further solicitation personally, telephonically or by facsimile through its officers, directors and regular employees, none of whom will receive additional compensation for assisting with the solicitation.

2

Record Date and Voting

The close of business on October 14, 2002 has been fixed as the record date (the "Record Date") for determining the holders of shares of Common Stock, Series A Preferred Stock, and Series B Preferred Stock of the Company entitled to notice of and to vote at the Annual Meeting. As of the close of business on the Record Date, the Company had 345,897,201 shares of Common Stock, 2,824,336 shares of Series A Preferred Stock, and 1,217,196 shares of Series B Preferred Stock, for an aggregate of 349,938,733 shares, outstanding and entitled to vote at the Annual Meeting.

The presence at the Annual Meeting of a majority of the shares of Common Stock, Series A Preferred Stock, and Series B Preferred Stock of the Company in the aggregate on an as converted basis, or approximately 175,319,305 of these shares on an as converted basis either in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting.

Each outstanding share of Common Stock and Series A Preferred Stock on the Record Date is entitled to one (1) vote, and each outstanding share of Series B Preferred Stock on the Record Date is entitled to two (2) votes on all matters voted on at the Annual Meeting, except that (i) the holders of the Series B Preferred Stock are voting as a separate class to fill two vacancies allotted to the Series B Preferred Stock by voting for two (2) directors and (ii) the holders of the Common Stock and Series A Preferred Stock are voting together as a single class for the election of five (5) or six (6) directors (as more fully described below). Cumulative voting may be used in the election of directors to be elected by the Common Stock and the Series A Preferred Stock, voting together as a class and in the election of directors elected by the

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

Series B Preferred Stock. Under cumulative voting, each holder of Common Stock and Series A Preferred Stock may cast for a single candidate, or distribute among the candidates as such holder chooses, a number of votes equal to the number of candidates (five (5) or six (6) at this meeting) multiplied by the number of shares held by such shareholder. Likewise, each holder of Series B Preferred Stock may cast for a single candidate or distribute between the two (2) candidates as such holder chooses, a number of votes equal to the number of candidate (two (2)) at this meeting multiplied by the number of shares held by such shareholders. Cumulative voting will apply only to those candidates whose names have been placed in nomination prior to voting. No shareholder shall be entitled to cumulate votes unless the shareholder has given notice at the meeting, prior to the voting, of the shareholder's intention to cumulate the shareholder's votes. If any one shareholder gives such notice, all shareholders may cumulate their votes for candidates in nomination, except to the extent that if a shareholder withholds votes from the nominees, the proxy holders named in the accompanying form of proxy, in their sole discretion, will vote such proxy for, and, if necessary, exercise cumulative voting rights to secure the election of the nominees listed below as directors of the Company.

The Common Stock, Series A Preferred Stock, and Series B Preferred Stock will vote together as a single class on all matters scheduled to be voted on at the Annual Meeting, other than: (i) Proposal No. 1, 2, 3 and 4, the authorization for the Board to effect a one-for-twenty, one-for-fifteen, one-for-ten or one-for-five reverse stock split, for which the affirmative vote of a majority of the outstanding Common Stock, voting as a separate class, will be required in addition to the affirmative vote of a majority of the outstanding Common Stock, Series A Preferred Stock, and Series B Preferred Stock, voting together as a single class; and (ii) Proposal No. 6, the election of directors, for which the Series B Preferred Stock, voting as a separate class, shall vote to elect two (2) of the directors, and for which the outstanding Common Stock and Series A Preferred Stock, voting together as a single class, shall vote to elect the remaining directors.

An affirmative vote of a majority of the issued and outstanding shares of Common Stock (not just shares present and voting at the meeting), and an affirmative vote of a majority of the issued and outstanding shares of Common Stock, Series A Preferred Stock, and Series B Preferred Stock in the aggregate voting together as a class (not just shares present and voting at the meeting) is required for approval of Proposal 1, 2, 3 and 4. An affirmative vote of a majority of the shares of Common Stock, Series A Preferred Stock, and Series B Preferred Stock, present and voting at the meeting, either in person or by proxy, is required for approval of Proposal 5 and 7. With respect to the election of directors (Proposal 6), the nominees receiving the highest number of affirmative shares entitled to be voted will be declared elected.

3

An automated system administered by the Company's Common Stock transfer agent will tabulate votes of the holders of Common Stock, Series A and Series B Preferred Stock cast by proxy. An employee of the Company will tabulate votes cast in person at the Annual Meeting. Abstentions and broker non-votes are each included in the determination of the number of shares present and voting, and each is tabulated separately. However, broker non-votes are not counted for purposes of determining the number of votes cast with respect to a particular proposal. In determining whether a proposal (other than the election of directors) has been approved, abstentions are counted as votes against the proposal and broker non-votes are not counted as votes for or against the proposal, except broker non-votes will have the effect of a negative vote for Proposals 1, 2, 3, and 4 since such proposals require the approval of an affirmative vote of a majority of the outstanding shares of the Company's Common Stock (not just shares present and voting at the meeting), and an affirmative vote of a majority of the Common Stock, Series A Preferred Stock, and Series B

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

Preferred Stock (not just shares present and voting at the meeting). As for the election of directors (Proposal 6), votes against, votes withheld, abstentions and broker non-votes will have no legal effect.

The Annual Report of the Company for the year ended December 31, 2001 has been mailed concurrently with the mailing of the Notice of Annual Meeting and Proxy Statement to all shareholders entitled to notice of and to vote at the Annual Meeting. The Annual Report is not incorporated into this Proxy Statement and is not considered proxy soliciting material.

Please mark, date, sign and return the enclosed Proxy in the accompanying postage-prepaid, return envelope as soon as possible so that, if you do not attend the Annual Meeting, your shares may be voted.

4

MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING

PROPOSAL NO. 1 AUTHORIZATION FOR THE BOARD TO EFFECT A ONE-FOR-TWENTY REVERSE STOCK SPLIT

General

The Company's shareholders are being asked at this annual meeting to approve four different reverse stock split proposals. The Board has directed that each of the reverse stock splits outlined in Proposals 1, 2, 3 and 4 of this Proxy be submitted to the Company's shareholders for consideration and action. The Board may subsequently approve and effect, in its sole discretion, one of the reverse stock splits approved by the shareholders based on its determination of which reverse stock split will allow adequate additional shares of Common Stock to be issued for potential future financing and which results in the greatest marketability and liquidity of the Common Stock.

The Company's shareholders are being asked in Proposal 1 to act upon a proposal to authorize the Board to effect a reverse stock split in the ratio of one-for-twenty at any time prior to the next Annual Meeting of Shareholders. At the last annual meeting, held on November 13, 2001, reverse stock splits identical to those proposed herein were approved by the shareholders. However, the Company did not implement any one of these reverse stock splits.

Except as may result from the rounding of fractional shares as described below, each shareholder will hold the same percentage of Common Stock outstanding immediately following a one-for-twenty reverse stock split as each shareholder did immediately prior to a one-for-twenty reverse stock split. If approved by the shareholders of the Company, one of the four proposed reverse stock splits would become effective on any date (the "Effective Date") selected and approved by the Board on or prior to the Company's next Annual Meeting of Shareholders. If none of the reverse stock splits adopted by the shareholders is subsequently approved by the Board and effected by such date, the Board will again seek shareholder approval.

An amendment of the Company's Articles of Incorporation is required to effect a reverse stock split. The complete text of the form of an amendment to the Articles of Incorporation for the one-for-twenty reverse stock split is set forth in Exhibit A to this Proxy Statement; however, such text is subject to amendment to include such changes as may be required by the California Secretary of State. If any of the four reverse stock splits set forth in Proposals 1, 2, 3, or 4 is approved by the requisite vote of the Company's shareholders and thereafter approved by the Board, upon filing of the applicable Amendment to the Articles with the California Secretary of State on the Effective Date, a reverse

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

stock split will be effective. For example, if the one-for-twenty reverse stock split is approved, upon the filing of the one-for-twenty reverse stock split amendment to the Articles of Incorporation, each share of the Common Stock issued and outstanding immediately prior thereto (the "Old Common Stock"), will be, automatically and without any action on the part of the shareholders, converted into and reconstituted into 1/20th, of a share of the Company's Common Stock (the "New Common Stock"); provided, however, that no fractional shares of New Common Stock will be issued as a result of any of the one-for-twenty reverse stock split. In lieu of any such fractional share interest, each holder of Old Common Stock who would otherwise be entitled to receive a fractional share of New Common Stock will receive cash in lieu of such fractional share of New Common Stock in an amount equal to the product obtained by multiplying (a) the average of the high-bid and low-asked per share prices of the Common Stock as reported on the NASDAQ electronic "Bulletin Board" on the Effective Date (adjusted if necessary to reflect the per share price of the Old Common Stock without giving effect to the reverse stock splits) by (b) the number of shares of Old Common Stock held by such holder that would otherwise have been exchanged for such fractional share interest.

Shortly after the Effective Date, shareholders will be asked to surrender certificates representing shares of Old Common Stock in accordance with the procedures set forth in a letter of transmittal to be sent by the Company. Upon such surrender, a certificate representing the number of shares of Common Stock each such shareholder is deemed to

5

own (after giving effect to the applicable reverse stock split) will be issued and forwarded to the shareholders (and cash in lieu of any fractional share interest). However, pending surrender, each certificate representing shares of Old Common Stock will continue to be valid but will represent the number of shares of newly issued Common Stock (and cash in lieu of fractional shares of old Common Stock, as described above) that such shareholder is deemed to own after giving effect to the reverse stock split. SHAREHOLDERS SHOULD NOT SEND THEIR STOCK CERTIFICATES UNTIL THEY RECEIVE A TRANSMITTAL LETTER.

Purposes of the Proposed Reverse Stock Splits

At the appropriate time, the Board believes any one of the four proposed reverse stock splits is desirable for several reasons. A reverse stock split should enhance the acceptability of the Common Stock by the financial community and the investing public. The reduction in the number of issued and outstanding shares of Common Stock caused by any one of the four proposed reverse stock splits is anticipated initially to increase proportionally the per share market price of the Common Stock. The Board also believes that the proposed reverse stock splits may result in a broader market for the Common Stock than that which currently exists. The expected increased price level may encourage interest and trading in the Common Stock and possibly promote greater liquidity for the Company's shareholders, although such liquidity could be adversely affected by the reduced number of shares of Common Stock outstanding after the Effective Date of any one of the four proposed reverse stock splits. Additionally, a variety of brokerage house policies and practices tend to discourage individual brokers within those firms from dealing with lower priced stocks. Some of those policies and practices pertain to the payment of broker's commissions and to time consuming procedures that function to make the handling of lower priced stocks economically unattractive to brokers. In addition, the structure of trading commissions also tends to have an adverse impact upon holders of lower priced stock because the brokerage commission on a sale of lower priced stock generally represents a higher percentage of the sales price than the commission on a relatively higher priced issue. The four proposed reverse stock splits could result in a price level for the Common Stock that will reduce, to some extent, the effect of the above-referenced policies and

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

practices of brokerage firms and diminish the adverse impact of trading commissions on the market for the Common Stock. Any reduction in brokerage commissions resulting from the one of the four proposed reverse stock splits may be offset, however, in whole or in part, by increased brokerage commissions required to be paid by shareholders selling "odd lots" created by such reverse stock splits.

However, there can be no assurance that any or all of these effects will occur; including, without limitation, that the market price per share of Common Stock after a reverse stock split will be equal to the applicable multiple of the market price per share of Old Common Stock before a reverse stock split, or that such price will either exceed or remain in excess of the current market price. Further, there is no assurance that the market for the Common Stock will be improved. Shareholders should note that the Board cannot predict what effect any one of the four Reverse Stock Split proposals will have on the market price of the Common Stock.

6

Effects of the One-for-Twenty Reverse Stock Split

Contingent upon shareholder and Board approval, one of the four proposed reverse stock splits will be effected by filing the applicable Amendment to the Company's Articles of Incorporation and will be effective immediately upon such filing. The Company reserves the right to forego or postpone filing a reverse stock split amendment to the Articles if such action is determined not to be in the best interests of the Company and its shareholders.

Without any further action on the part of the Company or the shareholders, after the filing of the applicable Amendment to the Company's Articles effecting one of the approved reverse stock splits, the shares of Old Common Stock will be converted into and reconstituted as the appropriate number of shares of Common Stock resulting from one of the proposed reverse stock splits (and, where applicable, cash in lieu of such fractional share, as described above). As a result of paying cash in lieu of fractional shares resulting from a twenty-for-one reverse stock split, the Company estimates that the entire interest of approximately 65 shareholders (those holding fewer than 20 shares of Common Stock) will be eliminated pursuant to a one-for-twenty reverse stock split. Because such transaction would be mandatory, such shareholders holding fewer than 20 shares who wish to retain their existing equity interest in the Company would be adversely affected. The Company expects that approximately 1,775 shares of currently outstanding shares of Common Stock would result in fractional share interests for which cash would be paid in the twenty-for-one reverse stock split. Shares of Common Stock no longer outstanding as a result of the fractional share settlement procedure will be returned to authorized but unissued shares of the Company.

After giving effect to the settlement of fractional shares of Common Stock, there will be no material differences between the rights of the shares of Common Stock outstanding prior to the one-for-twenty reverse stock split and those outstanding after the one-for-twenty reverse stock split is effected. The one-for-twenty reverse stock split will, however, result in certain adjustments to the voting rights and conversion ratios of the Series A Preferred Stock and the Series B Preferred Stock. Specifically, pursuant to the terms of the Company's Articles of Incorporation, the one-for-twenty reverse stock split will result in an adjustment to the voting rights of the Series A Preferred Stock and the Series B Preferred Stock so that once a reverse stock split is effected, the relative voting power of such shares to the voting power of the Common Stock and to the voting power of the other series of outstanding Preferred Stock will be in the same proportion as existed immediately prior to a one-for-twenty reverse stock split. For example, under Proposal No. 1, this adjustment would result in

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

a reduction in the voting power of each share of the Series A Preferred Stock from one vote per share to 1/20th of a vote per share and a reduction in the voting power of the Series B Preferred Stock from 2 votes per share to 1/10ths of a vote per share. Thus, the proportionate voting power of the holders of the stock of the Company would not be affected. All of the proposed reverse stock splits will also result in adjustments being made to the conversion ratios of the Series A Preferred Stock and the Series B Preferred Stock so that such shares will be convertible into such number of shares of Common Stock that a holder of such Preferred Stock would have been entitled to receive if such Preferred Stock were to have been converted into Common Stock immediately prior to a proposed reverse stock split. For example, under such adjustments, after the one-for-twenty reverse stock split is made effective, each share of the Series A Preferred Stock will be convertible into 1/20th of a share of Common Stock, as compared to one share of Common Stock prior to the one-for-twenty reverse stock split, and each share of the Series B Preferred Stock will be convertible into either 1/10ths, of a share of Common Stock, as compared to 2 shares of Common Stock prior to the twenty-for-one reverse stock split. Similar adjustments will also be made to the conversion ratios and exercise provisions of the Company's various other outstanding convertible or exercisable securities.

As proposed hereunder, shareholders have no right under California law to dissent from a reverse stock split of the Common Stock.

Consummation of a one-for-twenty reverse stock split will not alter the number of authorized shares of Common Stock which will remain at 500,000,000 shares. As discussed above, proportionate voting rights and other rights of the holders of Common Stock and Preferred Stock will not be altered by the one-for-twenty reverse stock split (other than as

7

a result of the payment of cash in lieu of fractional shares, as described above, and other than the change in the number of shares of Common Stock into which the outstanding shares of Series A Preferred Stock and Series B Preferred Stock are convertible).

Shareholders should note that certain disadvantages may result from the adoption of any of the proposed reverse stock splits. In the event either Proposals 1,2,3 or 4 is approved by the shareholders and one of the approved reverse stock splits is subsequently approved and effected by the Board, the number of outstanding shares of Common Stock would be decreased as a result of the reverse stock split, but the number of authorized shares of Common Stock would not be so decreased. The Company would therefore have the authority to issue a greater number of shares of Common Stock following the one-for-twenty reverse stock split without the need to obtain shareholder approval to authorize additional shares. Any such additional issuance may have the effect of significantly reducing the interest of the existing shareholders of the Company with respect to earnings per share, voting, liquidation value and book and market value per share.

As of October 18, 2002, the number of issued and outstanding shares of Old Common Stock was 345,627,000. The following table illustrates the effects of a one-for-twenty reverse stock split upon the number of shares of Old Common Stock issued and outstanding, and the number of authorized and unissued shares of Common Stock (assuming that no additional shares of Old Common Stock are issued by the Company after the Record Date).

Reverse Stock Split Ratio	Common Stock Outstanding(1)	Authorized and Unissued Common Stock(2)
1 for 20	17,281,350	482,718,650

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

- (1) The figures in this table are calculated based on August 10, 2002 issued and outstanding shares of Old Common Stock as reported in the Company's Form 10Q for the six months ended June 30, 2002, filed with the Securities and Exchange Commission on or about August 14, 2002. These figures do not take into account any reduction in the number of outstanding shares of Common Stock resulting from the procedures for cashing out fractional shares. In addition, the number of Common Stock shares outstanding does not include shares of Common Stock issuable upon exercise or conversion of outstanding options, warrants or convertible debt but does include the conversion of the Series A and Series B Preferred Stock
- (2) These figures are based on a pre-Reverse Stock Split number of 500,000,000 authorized shares as of August 10, 2002.

8

The Common Stock is currently registered under Section 12(g) of the Securities Exchange Act of 1934 (the "Exchange Act") and, as a result, the Company is subject to the periodic reporting and other requirements of the Exchange Act. The one-for-twenty reverse stock split will not effect the registration of the Common Stock under the Exchange Act. After the Effective Date, trades of the New Common Stock will continue to be reported on the NASDAQ electronic "Bulletin Board" under the Company's symbol "ENVA." The one-for-twenty reverse stock split will not result in a Rule 13e-3 transaction as defined under the Exchange Act.

Federal Income Tax Consequences of the Proposed Reverse Stock Splits

The Company has not sought and will not seek an opinion of counsel or a ruling from the Internal Revenue Service regarding the federal income tax consequences of the four proposed reverse stock splits. The Company, however, believes that because the proposed reverse stock splits are not part of a plan to increase any shareholder's proportionate interest in the assets or earnings and profits of the Company, all of the proposed reverse stock splits will have the following federal income tax effects:

1. A shareholder will not recognize gain or loss on the exchange of Old Common Stock for newly issued Common Stock resulting from a reverse stock split. In the aggregate, the shareholder's basis in shares of newly issued Common Stock resulting from a reverse stock split will equal his basis in shares of Old Common Stock, excluding any basis attributable to shares of Old Common Stock which the shareholder surrenders for cash in lieu of a fractional share of newly issued Common Stock resulting from a reverse stock split.
2. A shareholder's holding period for tax purposes for shares of Common Stock resulting from a reverse stock split will be the same as the holding period for tax purposes of the shares of Old Common Stock exchanged therefor.
3. All of the four proposed reverse stock splits will constitute a reorganization within the meaning of Section 368(a)(1)(E) of the Internal Revenue Code or will otherwise qualify for general nonrecognition treatment, and the Company will not recognize any gain or loss as a result of any of the proposed reverse stock splits.
4. To the extent a shareholder receives cash from the Company in lieu of a fractional share of Common Stock resulting from one of the proposed reverse stock splits, the shareholder will be treated for tax purposes as though he sold the fractional share to the Company. Such a

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

shareholder will recognize a gain equal to the excess of (i) his cash distribution over (ii) his tax basis in the fractional share deemed sold. The gain will be long-term capital gain if the shareholder's shares are capital assets in his hands and if he had held his shares for more than one year before a reverse stock split. If the shareholder's tax basis in the fractional share deemed sold exceeds his cash distribution, the shareholder will recognize a loss.

Vote Required for Shareholder Approval of a One-for-Twenty Reverse Stock Split

The approval of this Proposal No. 1 requires the affirmative vote of a majority of the outstanding shares of Common Stock, voting separately as a class, and the affirmative vote of a majority of the outstanding shares of Common Stock, Series A Preferred Stock and Series B Preferred Stock, voting together as a single class (with both the Common Stock and the Series A Preferred Stock having one vote per share and the Series B Preferred Stock having 2 votes per share).

THE BOARD RECOMMENDS A VOTE FOR THE AUTHORIZATION OF THE BOARD
TO AMEND THE ARTICLES OF INCORPORATION
PURSUANT TO THE RESOLUTIONS SET FORTH IN EXHIBIT A TO THIS PROXY STATEMENT TO
EFFECT A ONE-FOR-TWENTY REVERSE STOCK SPLIT

9

PROPOSAL NO. 2

AUTHORIZATION FOR THE BOARD TO
EFFECT A ONE-FOR-FIFTEEN
REVERSE STOCK SPLIT

General

The Company's shareholders are also being asked to act upon a proposal to authorize the Board to effect a reverse stock split in the ratio of one-for-fifteen at any time prior to the next Annual Meeting of Shareholders.

Shareholders are being asked to approve four different reverse stock split proposals. The Board has directed that each of the reverse stock splits outlined in Proposals 1, 2, 3 and 4 be submitted to the Company's shareholders for consideration and action. The Board may subsequently approve and effect, in its sole discretion, one of the reverse stock splits approved by the shareholders based on its determination of which of them will allow adequate additional shares of Common Stock to be issued for potential future financing and which results in the greatest marketability and liquidity of the Common Stock.

Except as may result from the rounding of fractional shares as described below, each shareholder will hold the same percentage of Common Stock outstanding immediately following the one-for-fifteen reverse stock split as each shareholder did immediately prior to the one-for-fifteen reverse stock split. If approved by the shareholders and Board of the Company, a reverse stock split would become effective on any date (the "Effective Date") approved and selected by the Board on or prior to the Company's next Annual Meeting of Shareholders. If none of the proposed reverse stock splits is effected by such date, the Board will again seek shareholder approval.

An amendment of the Company's Articles of Incorporation is required to effect a reverse stock split. The complete text of the form of an amendment to the Articles of Incorporation for the one-for-fifteen reverse stock split is set forth in Exhibit B to this Proxy Statement; however, such text is subject to

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

amendment to include such changes as may be required by the California Secretary of State. If any one of the four reverse stock splits set forth in Proposals 1, 2, 3, or 4 is approved by the requisite vote of the Company's shareholders and thereafter approved by the Board, upon filing of the applicable Amendment to the Articles with the California Secretary of State on the Effective Date, a reverse stock split will be effective. For example, if the one-for-fifteen reverse stock split is approved, upon the filing of the one-for-fifteen reverse stock split amendment to the Articles of Incorporation each share of the Common Stock issued and outstanding immediately prior thereto ("Old Common Stock"), will be, automatically and without any action on the part of the shareholders, converted into and reconstituted into 1/15th of a share of the Company's Common Stock (the "New Common Stock"); provided, however, that no fractional shares of New Common Stock will be issued as a result of the one-for-fifteen reverse stock split. In lieu of any such fractional share interest, each holder who would otherwise be entitled to receive a fractional share of New Common Stock will receive cash in lieu of such fractional share of New Common Stock in an amount equal to the product obtained by multiplying (a) the average of the high-bid and low-asked per share prices of the Common Stock as reported on the NASDAQ electronic "Bulletin Board" on the Effective Date (adjusted if necessary to reflect the per share price of the Old Common Stock without giving effect to the Reverse Stock Splits) by (b) the number of shares of Old Common Stock held by such holder that would otherwise have been exchanged for such fractional share interest.

10

Shortly after the Effective Date, shareholders will be asked to surrender certificates representing shares of Old Common Stock in accordance with the procedures set forth in a letter of transmittal to be sent by the Company. Upon such surrender, a certificate representing the number of shares of Common Stock each such shareholder is deemed to own (after giving effect to the applicable reverse stock split) will be issued and forwarded to the shareholders (and cash in lieu of any fractional share interest). However, pending surrender, each certificate representing shares of Old Common Stock will continue to be valid but will represent the number of shares of newly issued Common Stock (and cash in lieu of fractional shares of old Common Stock, as described above) that such shareholder is deemed to own after giving effect to the reverse stock split. SHAREHOLDERS SHOULD NOT SEND THEIR STOCK CERTIFICATES UNTIL THEY RECEIVE A TRANSMITTAL LETTER.

Purposes of the Proposed Reverse Stock Splits

For a discussion of the purposes of the reverse splits, see the caption entitled "Purposes of the Proposed Reverse Stock Splits" in Proposal No. 1.

Effects of the One-for-Fifteen Reverse Stock Split

Contingent upon shareholder and Board approval, one of the four proposed reverse stock splits will be effected by filing the applicable Amendment to the Company's Articles of Incorporation and will be effective immediately upon such filing. The Company reserves the right to forego or postpone filing a reverse stock split amendment to the Articles if such action is determined not to be in the best interests of the Company and its shareholders.

Without any further action on the part of the Company or the shareholders, after the filing of the applicable Amendment to the Company's Articles effecting a reverse stock split, the shares of Old Common Stock will be converted into and reconstituted as the appropriate number of shares of newly issued Common Stock resulting from a reverse stock split (and, where applicable, cash in lieu of such fractional share, as described above). As a result of paying cash in lieu of fractional shares resulting from a one-for-fifteen reverse stock split, the Company estimates that the entire interest of

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

approximately 50 shareholders (those holding fewer than 15 shares of Common Stock) will be eliminated pursuant to such reverse stock split. Because such transaction would be mandatory, such shareholders holding fewer than 15 shares who wish to retain their existing equity interest in the Company would be adversely affected. The Company expects that approximately 1,650 shares of currently outstanding shares of Common Stock would result in fractional share interests for which cash would be paid in the one-for-fifteen reverse stock split. Shares of Common Stock no longer outstanding as a result of the fractional share settlement procedure will be returned to authorized but unissued shares of the Company.

After giving effect to the settlement of fractional shares of Common Stock, there will be no material differences between the rights of the shares of Common Stock outstanding prior to the one-for-fifteen reverse stock split and those outstanding after the one-for-fifteen reverse stock split is effected. The one-for-fifteen reverse stock split will, however, result in certain adjustments to the voting rights and conversion ratios of the Series A Preferred Stock and the Series B Preferred Stock. Specifically, pursuant to the terms of the Company's Articles of Incorporation, the one-for-fifteen reverse stock split will result in an adjustment to the voting rights of the Series A Preferred Stock and the Series B Preferred Stock so that once the one-for-fifteen reverse stock split is effected, the relative voting power of such shares to the voting power of the Common Stock and to the voting power of the other series of outstanding Preferred Stock will be in the same proportion as existed immediately prior to the reverse stock split. For example, under this proposal, this adjustment would result in a reduction in the voting power of each share of the Series A Preferred Stock from one vote per share to 1/15th of a vote per share and a reduction in the voting power of the Series B Preferred Stock from 2 votes per share to 2/15ths of a vote per share. Thus, the proportionate voting power of the holders of the stock of the Company would not be affected. The one-for-fifteen reverse stock split will also result in adjustments being made to the conversion ratios of the Series A Preferred Stock and the Series B Preferred Stock so that such shares will be convertible into such number of shares of Common Stock that a holder of such Preferred Stock would have been entitled to receive if such Preferred Stock were to have been converted into Common Stock immediately prior to the reverse stock split. For

11

example, under such adjustments, after the one-for-fifteen reverse stock split is made effective, each share of the Series A Preferred Stock will be convertible into 1/15th of a share of Common Stock, as compared to one share of Common Stock prior to the one-for-fifteen reverse stock split, and each share of the Series B Preferred Stock will be convertible into either 2/15ths, of a share of Common Stock, as compared to 2 shares of Common Stock prior to the one-for-fifteen reverse stock split. Similar adjustments will also be made to the conversion ratios and exercise provisions of the Company's various other outstanding convertible or exercisable securities.

As proposed hereunder, shareholders have no right under California law to dissent from a reverse stock split of the Common Stock.

Consummation of the one-for-fifteen reverse stock split will not alter the number of authorized shares of Common Stock which will remain at 500,000,000 shares. As discussed above, proportionate voting rights and other rights of the holders of Common Stock and Preferred Stock will not be altered by the one-for-fifteen reverse stock split (other than as a result of the payment of cash in lieu of fractional shares, as described above, and other than the change in the number of shares of Common Stock into which the outstanding shares of Series A Preferred Stock and Series B Preferred Stock are convertible).

Shareholders should note that certain disadvantages may result from the

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

adoption of any of the proposed reverse stock splits. In the event either Proposals 1,2,3 or 4 is approved by the shareholders and one of the approved reverse stock splits is subsequently approved and effected by the Board, the number of outstanding shares of Common Stock would be decreased as a result of a reverse stock split, but the number of authorized shares of Common Stock would not be so decreased. The Company would therefore have the authority to issue a greater number of shares of Common Stock following any of the proposed reverse stock splits without the need to obtain shareholder approval to authorize additional shares. Any such additional issuance may have the effect of significantly reducing the interest of the existing shareholders of the Company with respect to earnings per share, voting, liquidation value and book and market value per share.

As of October 18, 2002, the number of issued and outstanding shares of Old Common Stock was 345,627,000. The following table illustrates the effects of the one-for-fifteen reverse stock split upon the number of shares of Old Common Stock issued and outstanding, and the number of authorized and unissued shares of Common Stock (assuming that no additional shares of Old Common Stock are issued by the Company after the Record Date).

Reverse Stock Split Ratio	Common Stock Outstanding(1)	Authorized and Unissued Common Stock(2)
1 for 15	23,041,800	476,958,200

(1) The figures in this table are calculated based on August 10, 2002 issued and outstanding shares of Old Common Stock as reported in the Company's Form 10Q for the six months ended June 30, 2002, filed with the Securities and Exchange Commission on or about August 14, 2002. These figures do not take into account any reduction in the number of outstanding shares of Common Stock resulting from the procedures for cashing out fractional shares. In addition, the number of Common Stock shares outstanding does not include shares of Common Stock issuable upon exercise or conversion of outstanding options, warrants or convertible debt but does include the conversion of the Series A and Series B Preferred Stock

(2) These figures are based on a pre-Reverse Stock Split number of 500,000,000 authorized shares as of August 10, 2002.

12

The Common Stock is currently registered under Section 12(g) of the Exchange Act and, as a result, the Company is subject to the periodic reporting and other requirements of the Exchange Act. The one-for-fifteen reverse stock split will not effect the registration of the Common Stock under the Exchange Act. After the Effective Date, trades of the New Common Stock will continue to be reported on the NASDAQ electronic "Bulletin Board" under the Company's symbol "ENVA." The one-for-fifteen reverse stock split will not result in a Rule 13e-3 transaction as defined under the Exchange Act.

Federal Income Tax Consequences of the Reverse Stock Split

The Company has not sought and will not seek an opinion of counsel or a ruling from the Internal Revenue Service regarding the federal income tax consequences of the Reverse Stock Split. For a discussion of the Federal income tax consequences of a reverse stock split see the caption entitled "Federal Income Tax Consequences of the Proposed Reverse Stock Splits" under Proposal No. 1.

Vote Required for Shareholder Approval of the One-for-Fifteen Reverse Stock Split

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

The approval of Proposal No. 2 requires the affirmative vote of a majority of the outstanding shares of Common Stock, voting separately as a class, and the affirmative vote of a majority of the outstanding shares of Common Stock, Series A Preferred Stock and Series B Preferred Stock, voting together as a single class (with both the Common Stock and the Series A Preferred Stock having one vote per share and the Series B Preferred Stock having 2 votes per share).

THE BOARD RECOMMENDS A VOTE FOR THE AUTHORIZATION OF THE BOARD
TO AMEND THE ARTICLES OF INCORPORATION
PURSUANT TO THE RESOLUTIONS SET FORTH IN EXHIBIT B TO THIS PROXY STATEMENT TO
EFFECT A ONE-FOR-FIFTEEN REVERSE STOCK SPLIT

13

PROPOSAL NO. 3
AUTHORIZATION FOR THE BOARD TO
EFFECT A ONE-FOR-TEN
REVERSE STOCK SPLIT

General

The Company's shareholders are also being asked to act upon a proposal to authorize the Board to effect a reverse stock split in the ratio of one-for-ten at any time prior to the next Annual Meeting of Shareholders.

Shareholders are being asked to approve four different reverse stock split proposals. The Board has directed that each of the reverse stock splits outlined in Proposals 1, 2, 3 and 4 be submitted to the Company's shareholders for consideration and action. The Board may subsequently approve and effect, in its sole discretion, one of the reverse stock splits approved by the shareholders based on its determination of which of them will allow adequate additional shares of Common Stock to be issued for potential future financing and which results in the greatest marketability and liquidity of the Common Stock.

Except as may result from the rounding of fractional shares as described below, each shareholder will hold the same percentage of Common Stock outstanding immediately following all of the reverse stock splits as each shareholder did immediately prior to a reverse stock split. If approved by the shareholders of the Company, a reverse stock split would become effective on any date (the "Effective Date") selected and approved by the Board on or prior to the Company's next Annual Meeting of Shareholders. If none of the proposed reverse stock splits is effected by such date, the Board will again seek shareholder approval.

One of the reverse stock splits approved by shareholders will be effected by an amendment of the Company's Articles of Incorporation. The complete text of the form of an amendment to the Articles of Incorporation for the one-for-ten reverse stock split is set forth in Exhibit C to this Proxy Statement; however, such text is subject to amendment to include such changes as may be required by the California Secretary of State. If the reverse stock splits set forth in Proposals 1, 2, 3, or 4 is approved by the requisite vote of the Company's shareholders and thereafter approved by the Board, upon filing of the applicable Amendment to the Articles with the California Secretary of State on the Effective Date, a reverse stock split will be effective. For example, if the one-for-ten reversed stock split is approved, upon the filing of the amendment to the Articles of Incorporation for the one-for-ten reverse split, each share of the Common Stock issued and outstanding immediately prior thereto (the "Old Common Stock"), will be, automatically and without any action on the

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

part of the shareholders, converted into and reconstituted into 1/10th of a share of the Company's Common Stock (the "New Common Stock"); provided, however, that no fractional shares of New Common Stock will be issued as a result of the Reverse Stock Splits. In lieu of any such fractional share interest, each holder of Old Common Stock who would otherwise be entitled to receive a fractional share of New Common Stock will receive cash in lieu of such fractional share of New Common Stock in an amount equal to the product obtained by multiplying (a) the average of the high-bid and low-asked per share prices of the Common Stock as reported on the NASDAQ electronic "Bulletin Board" on the Effective Date (adjusted if necessary to reflect the per share price of the Old Common Stock without giving effect to the Reverse Stock Splits) by (b) the number of shares of Old Common Stock held by such holder that would otherwise have been exchanged for such fractional share interest.

14

Shortly after the Effective Date, shareholders will be asked to surrender certificates representing shares of Old Common Stock in accordance with the procedures set forth in a letter of transmittal to be sent by the Company. Upon such surrender, a certificate representing the number of shares of Common Stock each such shareholder is deemed to own (after giving effect to the applicable reverse stock split) will be issued and forwarded to the shareholders (and cash in lieu of any fractional share interest). However, pending surrender, each certificate representing shares of Old Common Stock will continue to be valid but will represent the number of shares of newly issued Common Stock (and cash in lieu of fractional shares of old Common Stock, as described above) that such shareholder is deemed to own after giving effect to the reverse stock split. SHAREHOLDERS SHOULD NOT SEND THEIR STOCK CERTIFICATES UNTIL THEY RECEIVE A TRANSMITTAL LETTER.

Purposes of the Reverse Stock Split

For a discussion of the purposes of the reverse splits, see the caption entitled "Purposes of the Proposed Reverse Stock Splits" in Proposal No. 1.

Effects of the One-for-Ten Reverse Stock Split

Contingent upon shareholder and Board approval, one of the four proposed reverse stock splits will be effected by filing the applicable Amendment to the Company's Articles of Incorporation and will be effective immediately upon such filing. The Company reserves the right to forego or postpone filing a reverse stock split amendment to the Articles if such action is determined not to be in the best interests of the Company and its shareholders.

Without any further action on the part of the Company or the shareholders, after the filing of the Amendment to the Company's Articles effecting one of the four the Reverse Stock Splits, the shares of Old Common Stock will be converted into and reconstituted as the appropriate number of shares of newly issued Common Stock resulting from a reverse stock split (and, where applicable, cash in lieu of such fractional share, as described above). As a result of paying cash in lieu of fractional shares resulting from a one-for-ten reverse stock split, the Company estimates that the entire interest of approximately 35 shareholders (those holding fewer than 10 shares of Common Stock) will be eliminated pursuant to such reverse stock split. Because such transaction would be mandatory, such shareholders holding fewer than 10 shares who wish to retain their existing equity interest in the Company would be adversely affected. The Company expects that approximately 1,250 shares of currently outstanding shares of Common Stock would result in fractional share interests for which cash would be paid in the one-for-ten reverse stock split. Shares of Common Stock no longer outstanding as a result of the fractional share settlement procedure will be returned to authorized but unissued shares of the

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

Company.

After giving effect to the settlement of fractional shares of Common Stock, there will be no material differences between the rights of the shares of Common Stock outstanding prior to the one-for-ten reverse stock split and those outstanding after the one-for-ten reverse stock split is effected. The one-for-ten reverse stock split will, however, result in certain adjustments to the voting rights and conversion ratios of the Series A Preferred Stock and the Series B Preferred Stock. Specifically, pursuant to the terms of the Company's Articles of Incorporation, the one-for-ten reverse stock split will result in an adjustment to the voting rights of the Series A Preferred Stock and the Series B Preferred Stock so that once the one-for-ten reverse stock split is effected, the relative voting power of such shares to the voting power of the Common Stock and to the voting power of the other series of outstanding Preferred Stock will be in the same proportion as existed immediately prior to the reverse stock split. For example, under Proposal No. 3, this adjustment would result in a reduction in the voting power of each share of the Series A Preferred Stock from one vote per share to 1/10th of a vote per share and a reduction in the voting power of the Series B Preferred Stock from 2 votes per share to 1/5th of a vote per share. Thus, the proportionate voting power of the holders of the stock of the Company would not be affected. The one-for-ten reverse stock split will also result in adjustments being made to the conversion ratios of the Series A Preferred Stock and the Series B Preferred Stock so that such shares will be convertible into such number of shares of Common Stock that a holder of such Preferred Stock would have been entitled to receive if such

15

Preferred Stock were to have been converted into Common Stock immediately prior to the reverse stock split. For example, under such adjustments, after the one-for-ten reverse stock split is made effective, each share of the Series A Preferred Stock will be convertible into 1/10th of a share of Common Stock, as compared to one share of Common Stock prior to the one-for-ten reverse stock split, and each share of the Series B Preferred Stock will be convertible into either 1/5th, of a share of Common Stock, as compared to 2 shares of Common Stock prior to the one-for-ten reverse stock split. Similar adjustments will also be made to the conversion ratios and exercise provisions of the Company's various other outstanding convertible or exercisable securities.

As proposed hereunder, shareholders have no right under California law to dissent from a reverse stock split of the Common Stock.

Consummation of one-for-ten reverse stock split will not alter the number of authorized shares of Common Stock which will remain at 500,000,000 shares. As discussed above, proportionate voting rights and other rights of the holders of Common Stock and Preferred Stock will not be altered by the one-for-ten reverse stock split (other than as a result of the payment of cash in lieu of fractional shares, as described above, and other than the change in the number of shares of Common Stock into which the outstanding shares of Series A Preferred Stock and Series B Preferred Stock are convertible).

Shareholders should note that certain disadvantages may result from the adoption of the one-for-ten reverse stock split. In the event the one-for-ten reverse stock split is approved by the shareholders and is subsequently approved and effected by the Board, the number of outstanding shares of Common Stock would be decreased as a result of a one-for-ten reverse stock split, but the number of authorized shares of Common Stock would not be so decreased. The Company would therefore have the authority to issue a greater number of shares of Common Stock following the one-for-ten reverse stock split without the need to obtain shareholder approval to authorize additional shares. Any such additional issuance may have the effect of significantly reducing the interest of the existing shareholders of the Company with respect to earnings per share,

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

voting, liquidation value and book and market value per share.

As of October 18, 2002, the number of issued and outstanding shares of Old Common Stock was 345,627,000. The following table illustrates the effects of the one-for-ten reverse stock split upon the number of shares of Old Common Stock issued and outstanding, and the number of authorized and unissued shares of Common Stock (assuming that no additional shares of Old Common Stock are issued by the Company after the Record Date).

Reverse Stock Split Ratio	Common Stock Outstanding(1)	Authorized and Unissued Common Stock(2)
-----	-----	-----
1 for 10	34,627,000	465,373,000

- (1) The figures in this table are calculated based on August 10, 2002 issued and outstanding shares of Old Common Stock as reported in the Company's Form 10Q for the six months ended June 30, 2002, filed with the Securities and Exchange Commission on or about August 14, 2002. These figures do not take into account any reduction in the number of outstanding shares of Common Stock resulting from the procedures for cashing out fractional shares. In addition, the number of Common Stock shares outstanding does not include shares of Common Stock issuable upon exercise or conversion of outstanding options, warrants or convertible debt but does include the conversion of the Series A and Series B Preferred Stock
- (2) These figures are based on a pre-Reverse Stock Split number of 500,000,000 authorized shares as of August 10, 2002.

16

The Common Stock is currently registered under Section 12(g) of the Exchange Act and, as a result, the Company is subject to the periodic reporting and other requirements of the Exchange Act. The one-for-ten reverse stock split will not effect the registration of the Common Stock under the Exchange Act. After the Effective Date, trades of the New Common Stock will continue to be reported on the NASDAQ electronic "Bulletin Board" under the Company's symbol "ENVA." The one-for-ten reverse stock split will not result in a Rule 13e-3 transaction as defined under the Exchange Act.

Federal Income Tax Consequences of the Reverse Stock Split

The Company has not sought and will not seek an opinion of counsel or a ruling from the Internal Revenue Service regarding the federal income tax consequences of the Reverse Stock Split. For a discussion of the Federal income tax consequences of a reverse stock split see the caption entitled "Federal Income Tax Consequences of the Proposed Reverse Stock Splits" under Proposal No. 1.

Vote Required for Shareholder Approval of the One-for-Ten Reverse Stock Split

The approval of Proposal No. 3 requires the affirmative vote of a majority of the outstanding shares of Common Stock, voting separately as a class, and the affirmative vote of a majority of the outstanding shares of Common Stock, Series A Preferred Stock and Series B Preferred Stock, voting together as a single class (with both the Common Stock and the Series A Preferred Stock having one vote per share and the Series B Preferred Stock having 2 votes per share).

THE BOARD RECOMMENDS A VOTE FOR THE AUTHORIZATION OF THE BOARD
TO AMEND THE ARTICLES OF INCORPORATION

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

PURSUANT TO THE RESOLUTIONS SET FORTH IN EXHIBIT C TO THIS PROXY STATEMENT TO
EFFECT A ONE-FOR-TEN REVERSE STOCK SPLIT

17

PROPOSAL NO. 4
AUTHORIZATION FOR THE BOARD TO
EFFECT A ONE-FOR-FIVE
REVERSE STOCK SPLIT

General

The Company's shareholders are also being asked to act upon a proposal to authorize the Board to effect a reverse stock split in the ratio of one-for-five at any time prior to the next Annual Meeting of Shareholders.

Shareholders are being asked to approve four different reverse stock split proposals. The Board has directed that each of the reverse stock splits outlined in Proposals 1, 2, 3 and 4 be submitted to the Company's shareholders for consideration and action. The Board may subsequently approve and effect, in its sole discretion, one of the reverse stock splits approved by the shareholders based on its determination of which of them will allow adequate additional shares of Common Stock to be issued for potential future financing and which results in the greatest marketability and liquidity of the Common Stock.

Except as may result from the rounding of fractional shares as described below, each shareholder will hold the same percentage of Common Stock outstanding immediately following all of the reverse stock splits as each shareholder did immediately prior to a reverse stock split. If approved by the shareholders of the Company, a reverse stock split would become effective on any date (the "Effective Date") selected and approved by the Board on or prior to the Company's next Annual Meeting of Shareholders. If none of the proposed reverse stock splits is effected by such date, the Board will again seek shareholder approval.

One of the reverse stock splits approved by the shareholders will be effected by an amendment of the Company's Articles of Incorporation. The complete text of the form of an amendment to the Articles of Incorporation for the one-for-five reverse stock split is set forth in Exhibit D to this Proxy Statement; however, such text is subject to amendment to include such changes as may be required by the California Secretary of State. If any one of the four reverse stock splits set forth in Proposals 1, 2, 3, 4 is approved by the requisite vote of the Company's shareholders and thereafter approved by the Board, upon filing of the applicable Amendment to the Articles of Incorporation with the California Secretary of State on the Effective Date, a reverse stock split will be effective. For example, if the one-for-five reverse stock split is approved, upon the filing of the one-for-five reverse stock split amendment to the Articles of Incorporation, each share of the Common Stock issued and outstanding immediately prior thereto (the "Old Common Stock"), will be, automatically and without any action on the part of the shareholders, converted into and reconstituted into 1/5th of a share of the Company's Common Stock (the "New Common Stock"); provided, however, that no fractional shares of New Common Stock will be issued as a result of the one-for-five reverse stock split. In lieu of any such fractional share interest, each holder of Old Common Stock who would otherwise be entitled to receive a fractional share of New Common Stock will receive cash in lieu of such fractional share of New Common Stock in an amount equal to the product obtained by multiplying (a) the average of the high-bid and low-asked per share prices of the Common Stock as reported on the NASDAQ electronic "Bulletin Board" on the Effective Date (adjusted if necessary to reflect the per share price of the Old Common Stock without giving effect to the Reverse Stock Splits) by (b) the number of shares of Old Common Stock held

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

by such holder that would otherwise have been exchanged for such fractional share interest.

Shortly after the Effective Date, shareholders will be asked to surrender certificates representing shares of Old Common Stock in accordance with the procedures set forth in a letter of transmittal to be sent by the Company. Upon such surrender, a certificate representing the number of shares of Common Stock each such shareholder is deemed to own (after giving effect to the applicable reverse stock split) will be issued and forwarded to the shareholders (and cash in lieu of any fractional share interest). However, pending surrender, each certificate representing shares of Old Common Stock will continue to be valid but will represent the number of shares of newly issued Common Stock (and cash in lieu of fractional shares of old Common Stock, as described above) that such shareholder is deemed to own after giving effect

18

to the reverse stock split. SHAREHOLDERS SHOULD NOT SEND THEIR STOCK CERTIFICATES UNTIL THEY RECEIVE A TRANSMITTAL LETTER.

Purposes of the Reverse Stock Split

For a discussion of the purposes of the reverse stock split see the caption entitled "Purposes of the Proposed Reverse Stock Splits" in Proposal No. 1.

Effects of the One-for-Five Reverse Stock Split

Contingent upon shareholder and Board approval, one of the four reverse stock splits will be effected by filing the applicable Amendment to the Company's Articles of Incorporation and will be effective immediately upon such filing. The Company reserves the right to forego or postpone filing a reverse stock split amendment to the Articles if such action is determined not to be in the best interests of the Company and its shareholders.

Without any further action on the part of the Company or the shareholders, after the filing of the Amendment to the Company's Articles effecting one of the four the Reverse Stock Splits, the shares of Old Common Stock will be converted into and reconstituted as the appropriate number of shares of newly issued Common Stock resulting from a reverse stock split (and, where applicable, cash in lieu of such fractional share, as described above). As a result of paying cash in lieu of fractional shares resulting from a one-for-five reverse stock split, the Company estimates that the entire interest of approximately 20 shareholders (those holding fewer than 5 shares of Common Stock) will be eliminated pursuant to such reverse stock split. Because such transaction would be mandatory, such shareholders holding fewer than 5 shares who wish to retain their existing equity interest in the Company would be adversely affected. The Company expects that approximately 1,150 shares of currently outstanding shares of Common Stock would result in fractional share interests for which cash would be paid in the one-for-five reverse stock split. Shares of Common Stock no longer outstanding as a result of the fractional share settlement procedure will be returned to authorized but unissued shares of the Company.

After giving effect to the settlement of fractional shares of Common Stock, there will be no material differences between the rights of the shares of Common Stock outstanding prior to the one-for-five reverse stock split and those outstanding after the one-for-five reverse stock split is effected. The one-for-five reverse stock split will, however, result in certain adjustments to the voting rights and conversion ratios of the Series A Preferred Stock and the Series B Preferred Stock. Specifically, pursuant to the terms of the Company's

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

Articles of Incorporation, the one-for-five reverse stock split will result in an adjustment to the voting rights of the Series A Preferred Stock and the Series B Preferred Stock so that once the one-for-five reverse stock split is effected, the relative voting power of such shares to the voting power of the Common Stock and to the voting power of the other series of outstanding Preferred Stock will be in the same proportion as existed immediately prior to the one-for-five reverse stock split. For example, this adjustment would result in a reduction in the voting power of each share of the Series A Preferred Stock from one vote per share to 1/5th of a vote per share and a reduction in the voting power of the Series B Preferred Stock from 2 votes per share to 2/5ths of a vote per share. Thus, the proportionate voting power of the holders of the stock of the Company would not be affected. The one-for-five reverse stock split will also result in adjustments being made to the conversion ratios of the Series A Preferred Stock and the Series B Preferred Stock so that such shares will be convertible into such number of shares of Common Stock that a holder of such Preferred Stock would have been entitled to receive if such Preferred Stock were to have been converted into Common Stock immediately prior to the reverse stock split. For example, under such adjustments, after the one-for-five reverse stock split is made effective, each share of the Series A Preferred Stock will be convertible into 1/5th of a share of Common Stock, as compared to one share of Common Stock prior to the one-for-five reverse stock splits, and each share of the Series B Preferred Stock will be convertible into either 2/5ths, of a share of Common Stock, as compared to 2 shares of Common Stock prior to the reverse stock split. Similar adjustments will also be made to the conversion ratios and exercise provisions of the Company's various other outstanding convertible or exercisable securities.

19

As proposed hereunder, shareholders have no right under California law to dissent from a Reverse Stock Split of the Common Stock.

Consummation of the one-for-five reverse stock split will not alter the number of authorized shares of Common Stock which will remain at 500,000,000 shares. As discussed above, proportionate voting rights and other rights of the holders of Common Stock and Preferred Stock will not be altered by the one-for-five reverse stock split (other than as a result of the payment of cash in lieu of fractional shares, as described above, and other than the change in the number of shares of Common Stock into which the outstanding shares of Series A Preferred Stock and Series B Preferred Stock are convertible).

Shareholders should note that certain disadvantages may result from the adoption of this Proposal No. 4. In the event this Proposal No. 4 is approved by the shareholders and is subsequently approved and effected by the Board, the number of outstanding shares of Common Stock would be decreased as a result of a one-for-five reverse stock split, but the number of authorized shares of Common Stock would not be so decreased. The Company would therefore have the authority to issue a greater number of shares of Common Stock following the one-for-five reverse stock split without the need to obtain shareholder approval to authorize additional shares. Any such additional issuance may have the effect of significantly reducing the interest of the existing shareholders of the Company with respect to earnings per share, voting, liquidation value and book and market value per share.

As of October 18, 2002, the number of issued and outstanding shares of Old Common Stock was 345,627,000. The following table illustrates the effects of the one-for-five reverse stock split upon the number of shares of Old Common Stock issued and outstanding, and the number of authorized and unissued shares of Common Stock (assuming that no additional shares of Old Common Stock are issued by the Company after the Record Date).

Common Stock

Authorized and

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

Reverse Stock Split Ratio -----	Outstanding(1) -----	Unissued Common Stock(2) -----
1 for 5	69,125,400	430,876,400

(1) The figures in this table are calculated based on August 10, 2002 issued and outstanding shares of Old Common Stock as reported in the Company's Form 10Q for the six months ended June 30, 2002, filed with the Securities and Exchange Commission on or about August 14, 2002. These figures do not take into account any reduction in the number of outstanding shares of Common Stock resulting from the procedures for cashing out fractional shares. In addition, the number of Common Stock shares outstanding does not include shares of Common Stock issuable upon exercise or conversion of outstanding options, warrants or convertible debt but does include the conversion of the Series A and Series B Preferred Stock

(2) These figures are based on a pre-Reverse Stock Split number of 500,000,000 authorized shares as of August 10, 2002.

20

The Common Stock is currently registered under Section 12(g) of the Exchange Act and, as a result, the Company is subject to the periodic reporting and other requirements of the Exchange Act. The one-for-five reverse stock split will not effect the registration of the Common Stock under the Exchange Act. After the Effective Date, trades of the New Common Stock will continue to be reported on the NASDAQ electronic "Bulletin Board" under the Company's symbol "ENVA." The one-for-five reverse stock split will not result in a Rule 13e-3 transaction as defined under the Exchange Act.

Federal Income Tax Consequences of the Reverse Stock Split

The Company has not sought and will not seek an opinion of counsel or a ruling from the Internal Revenue Service regarding the federal income tax consequences of the Reverse Stock Split. For a discussion of the Federal income tax consequences of a reverse stock split see the caption entitled "Federal Income Tax Consequences of the Proposed Reverse Stock Splits" under Proposal No. 1.

Vote Required for Shareholder Approval of a One-for-five Reverse Stock Split

The approval of Proposal No. 4 requires the affirmative vote of a majority of the outstanding shares of Common Stock, voting separately as a class, and the affirmative vote of a majority of the outstanding shares of Common Stock, Series A Preferred Stock and Series B Preferred Stock, voting together as a single class (with both the Common Stock and the Series A Preferred Stock having one vote per share and the Series B Preferred Stock having 2 votes per share).

THE BOARD RECOMMENDS A VOTE FOR THE AUTHORIZATION OF THE BOARD
TO AMEND THE ARTICLES OF INCORPORATION
PURSUANT TO THE RESOLUTIONS SET FORTH IN EXHIBIT D TO THIS PROXY STATEMENT TO
EFFECT A ONE-FOR-FIVE REVERSE STOCK SPLIT

21

PROPOSAL NO. 5

AMENDMENT TO ARTICLE III, SECTION 2 OF THE COMPANY'S BYLAWS
TO CHANGE THE VARIABLE AUTHORIZED NUMBER OF DIRECTORS
FROM A RANGE OF FOUR (4) TO SEVEN (7) TO A RANGE OF SIX (6) TO NINE (9)
AND TO FIX THE EXACT NUMBER OF BOARD MEMBERS AT EIGHT (8)

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

The first two sentences of Section 2 of Article III of the Bylaws of the Company provide that the authorized number of directors of the Company shall not be less than four (4), nor more than seven (7) and that, until changed, the authorized number of directors is fixed at four (4). As permitted under the Company's Bylaws, the Board had previously changed the fixed number of authorized number of members of the Board of Directors to fix the exact number at seven (7), the current number of Board members. The Board of Directors recently adopted a resolution proposing to amend, and declaring the advisability of amending, the first two sentences of Section 2 of Article III of the Company's Bylaws to change the variable number of the authorized number of members of the Board of Directors from the range of four (4) to seven (7) members to a range of six (6) to nine (9) members and to fix the exact number of members within that range at eight (8) until such time as the number is changed by the Board or the shareholders of the Company to another fixed number within that range. The text of the proposed amendment is set forth in Exhibit E to this Proxy Statement. The Board believes this proposal will allow the Board more flexibility and to meet more frequently when desired. The Board directed that this proposed amendment be considered at the Annual Meeting of Shareholders on December 5, 2002. In the event that this Proposal 5 is approved by the shareholders, Article III, Section 2 of the Company's Bylaws will be deemed to be amended to read as set forth in Exhibit E to this Proxy Statement.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE
AMENDMENT TO ARTICLE III, SECTION 2 OF THE COMPANY'S BYLAWS
TO CHANGE THE VARIABLE AUTHORIZED NUMBER OF DIRECTORS
FROM A RANGE OF FOUR(4) TO SEVEN (7) TO A RANGE OF SIX (6) TO NINE (9)
AND TO FIX THE EXACT NUMBER OF BOARD MEMBERS AT EIGHT (8)

22

PROPOSAL NO. 6

ELECTION OF DIRECTORS

Assuming Proposal 5 described above is approved by the shareholders at the Annual Meeting, a slate of eight (8) Directors will be presented for election at the Annual Meeting, each of whom will serve until the next annual meeting of shareholders or until a successor is elected or appointed and qualified or until the Director's earlier resignation or removal. In the event that Proposal 5 is not approved by the shareholders of the Company at the Annual Meeting, a slate of seven (7) directors will be presented for election at the Annual Meeting, each of whom shall serve until the next annual meeting of shareholders or until a successor is elected or appointed and qualified or until the Director's earlier resignation or removal. The Company's Articles of Incorporation provide that the holders of the Series B Preferred Stock are entitled, voting as a separate class, to elect two members of the Board. The holders of the Common Stock and Series A Preferred Stock, voting together as a single class, are entitled to elect the balance of the authorized members of the Board. Two (2) nominees have been nominated for election by the holders of the Series B Preferred Stock and six (6) nominees will be elected by the holders of the Common Stock and Series A Preferred Stock or, if Proposal 5 is not approved by the shareholders of the Company at the Annual Meeting, five (5) nominees will be elected by the holders of the Common Stock and the Series A Preferred Stock.

The Series B Preferred Stock proxy holders will vote, as a separate class, the proxies received by them to elect as the Series B nominees Donald H. Dreyer and John J. Micek III. If Proposal 5 is approved by the shareholders at the Annual Meeting, the Common Stock and Series A Preferred Stock proxy holders will vote, as a single class, the proxies received by them to elect as their six (6) nominees Malcolm R. Currie, Ph.D., Carl D. Perry, Anthony Rawlinson, Edwin

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

O. Riddell, James M. Strock and John R. Wallace. If Proposal 5 is not so approved, the nominees of the Common Stock and the Series A Preferred Stock will be each of the persons named in the preceding sentence except John R. Wallace. With respect to any proposed nominee, if that nominee is unable or declines to serve as a Director at the time of the Annual Meeting, the proxies will be voted for any nominee designated by the proxy holders to fill such vacancy. However, it is not expected that any nominee will be unable or will decline to serve as a Director. If shareholders nominate persons other than the Company's nominees for election as Directors, the Common Stock, Series A Preferred Stock, and Series B Preferred Stock proxy holders may vote all proxies received by them in accordance with cumulative voting if invoked to assure the election of as many of the Company's nominees as possible. The term of office of each person elected as a Director will continue until the next annual meeting of shareholders or until the Director's successor has been elected or appointed or until the Director's earlier resignation or removal.

Currently, the Company's Bylaws provided that the authorized number of Directors is not less than four (4) nor more than seven (7), with the exact number in this range as established from time to time by the Board of Directors. The number of Directors on the Board is currently fixed at seven (7). Assuming approval of Proposal 5, the exact number of authorized directors will be deemed fixed at eight (8). Certain information about the nominees for the Board of Directors is furnished below.

Proposed Common Stock and Series A Preferred Stock Nominees:

Malcolm R. Currie, Ph.D, Director. Dr. Currie was re-elected to the Board of Directors in 1999. Dr. Currie had served as a Director of the Company from 1995 through 1997. Since 1994, he has served as Chairman of Electric Bicycle Co., a developer of electric bicycles. From 1986 until 1992, Dr. Currie served as Chairman and Chief Executive Officer of Hughes Aircraft Co., and from 1985 until 1988, he was the Chief Executive Officer of Delco Electronics. His career in electronics and management has included research with many patents and papers in microwave and millimeter wave electronics, laser, space systems, and related fields. He has led major programs in radar, commercial satellites, communication systems, and defense electronics. He served as Undersecretary of Defense for Research and Engineering, the Defense Science Board, and currently serves on the Boards of Directors of UNOCAL, Investment Company of America, and LSI Logic. He is President of the American Institute of Aeronautics and Astronautics, and is a Member of the Board of Trustees of the University of Southern California.

23

Carl D. Perry, Chief Executive Officer, President and Director. Mr. Perry served as a Director and as an Executive Vice President of the Company from July 1993 until November 1997. In November 1997, Mr. Perry was elected as Chairman of the Board and Chief Executive Officer of the Company, and was elected President in June 1999. In July 1999, Mr. Perry resigned his position as Chairman of the Board to allow Mr. Anthony Rawlinson to become Chairman. Mr. Perry continues as Chief Executive Officer and President and as a Director. Prior to joining the Company, he was an international aerospace and financial consultant from 1989 to 1993. Mr. Perry served as Executive Vice President of Canadair Ltd., Canada's largest aerospace corporation, from 1984 to 1989, where he conducted strategic planning, worldwide marketing, and international joint ventures. From 1979 to 1983, Mr. Perry served as Executive Vice President of the Howard Hughes Helicopter Company, now known as Boeing Helicopter Company, where he was responsible for general management, worldwide business development, and international operations.

Anthony Rawlinson, Chairman of the Board. Mr. Rawlinson was appointed Chairman of the Board in July 1999. Since 1996, Mr. Rawlinson has been Managing

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

Director of the Global Value Investment Portfolio Management Pte. Ltd., a Singapore based International Fund Management Company managing discretionary equity portfolios for institutions, pension funds and clients globally. Mr. Rawlinson has more than twenty years experience in international fund management. Mr. Rawlinson is a specialist in analysis and investment in high technology companies. From 1996 to 1999, Mr. Rawlinson was Chairman of IXLA Ltd., an Australian public company in the field of PC photography software and its wholly-owned subsidiary, photohighway.com. Mr. Rawlinson is currently Chairman of Matrix Oil NL, an Australian publicly listed company. Mr. Rawlinson is also a director of Cardsoft, Inc., a high technology software company with secure java based solutions for mobile phones and handheld devices.

Edwin O. Riddell, Director. Mr. Riddell has served as a Director of the Company since June 1995. From March 1999 to the present, Mr. Riddell has been President of CR Transportation Services, a consultant to the electric vehicle industry. From January 1991 to March 1999, Mr. Riddell has served as Manager of the Transportation Business Unit in the Customer Systems Group at the Electric Power Research Institute in Palo Alto, California, and from 1985 until November 1990, he served with the Transportation Group, Inc. as Vice President, Engineering, working on electric public transportation systems. From 1979 to 1985, he was Vice President and General Manager of Lift U, Inc., the leading manufacturer of handicapped wheelchair lifts for the transit industry. Mr. Riddell has also worked with Ford, Chrysler, and General Motors in the area of auto design (styling), and has worked as a member of senior management for a number of public transit vehicle manufacturers. Mr. Riddell has been a member of the American Public Transportation Association's (APTA) Member Board of Governors for over 15 years, and has served on APTA's Board of Directors. Mr. Riddell was also Managing Partner of the U.S. Advanced Battery Consortium.

James M. Strock, Director. Mr. Strock was elected a Director in July 2000. From 1991-1997, Mr. Strock served in Governor Pete Wilson's cabinet as California's first Secretary for Environmental Protection. He led an organization with an annual budget of more than \$800 million with 4,000 employees. The Agency includes many of the world's leading environmental improvement programs relating to air and water quality, toxics and pesticide regulation, and solid waste. From 1989 until 1991, Mr. Strock served in President Bush's subcabinet as Assistant Administrator for Enforcement (chief law enforcement officer) of the U.S. Environmental Protection Agency. Currently, he is principal of James Strock and Co., a San Francisco firm providing management consulting, communications and dispute resolution services. Mr. Strock is a graduate of Harvard College and Harvard Law School, and is a member of the Council on Foreign Relations. He is the author of Reagan on Leadership: Executive Lessons from the Great Communicator, and Theodore Roosevelt on Leadership: Executive Lessons from the Bully Pulpit.

John R. Wallace, Director. Mr. Wallace retired from the Ford Motor Company in 2002, and is currently serving as a consultant to the Company for fuel cell and hybrid electric vehicle strategy. Prior to his retirement, he was executive director of TH!NK Group. He has been active in Ford Motor Company's alternative fuel vehicle programs since 1990, serving first as: Director, Technology Development Programs; then as Director, Electric Vehicle Programs; Director, Alternative Fuel Vehicles and finally Director, Environmental Vehicles. He is past Chairman of the Board of Directors of TH!NK Nordic; he is past chairman of the United States Advanced Battery Consortium; Co-Chairman of the Electric Vehicle Association of the Americas, and past Chairman of the California Fuel Cell Partnership. He served as Director of Ford's Electronic Systems Research Laboratory, Research Staff, from 1988 through 1990. Prior to joining

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

Ford Research Staff, he was president of Ford Microelectronics, Inc., in Colorado Springs. His other experience includes work as program manager with Intel Corporation. He also served as Director, Western Development Center, for Perkin-Elmer Corporation and as President of Precision Microdesign, Inc.

Proposed Series B Preferred Stock Nominees:

Donald H. Dreyer, Director. Mr. Dreyer was elected a Director of the Company in January 1997. Mr. Dreyer is President and CEO of Dreyer & Company, Inc., a consultancy in credit, accounts receivable and insolvency services, which was established in 1990. Mr. Dreyer has served as Chairman of the Board of Credit Managers Association of California during the 1994 to 1995 term and continues to serve as a member of the Advisory Committee of that organization. Mr. Dreyer is currently the co-Chair of the Creditors Committees' Subcommittee of the American Bankruptcy Institute and is a member of the Western Advisory Committee of Dun & Bradstreet, Inc.

John J. Micek III, Director. Mr. Micek was elected a Director of the Company in April 1999. Mr. Micek served as the Company's Vice President, General Counsel and Secretary from March 1994 to March 1997. Mr. Micek is currently Managing Director of Silicon Prairie Partners, LP. He also is a practicing attorney specializing in corporate finance and business development in Palo Alto, CA. He is a Board Member of Universal Warranty and also sits on the boards of Burst.com and Pelion Systems, Inc.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR
THE ELECTION OF THE NOMINEES NAMED ABOVE

25

Directors, Nominees and Executive Officers

The following table sets forth certain information with respect to the Directors, Nominees and Executive Officers of the Company:

Directors, Nominees and Executive Officers

Name	Age	Position
Anthony Rawlinson	47	Chairman of the Board
Carl D. Perry	70	President, Chief Executive Officer, Acting Chief Financial Officer and Secretary
Malcolm R. Currie, Ph.D. (2)	72	Director
Donald H. Dreyer (1)	65	Director
John J. Micek III (1)	49	Director
Edwin O. Riddell (2)	60	Director
James M. Strock	46	Director
John R. Wallace	54	Director

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

Relationships Among Directors or Executive Officers

There are no family relationships among any of the Directors or Executive Officers of the Company.

Meetings and Committees of the Board of Directors

During the twelve months ended December 31, 2001, the Board of Directors met five times. No Director attended fewer than 75% of the aggregate of the total number of meetings of the Board, plus the total number of all meetings of committees of the Board on which he served. The Board currently has two committees: the Compensation Committee and the Audit Committee.

The Compensation Committee held two meetings in the year ended December 31, 2001. The Compensation Committee currently consists of Mr. Edwin Riddell and Dr. Malcolm Currie. Its functions are to establish and apply the Company's compensation policies with respect to the Company's Executive Officers, and to administer the Company's stock option plans.

The Audit Committee held four meetings in 2001. The Audit Committee currently consists of Messrs. Donald H. Dreyer and John J. Micek III, each of whom is independent as defined in Rule 4200(a)(15) of the NASD's listing standards. The Audit Committee recommends engagement of the Company's independent auditors and is primarily responsible for approving the services performed by the Company's independent auditors and for reviewing and evaluating the Company's accounting principles and its system of internal accounting controls.

26

The Board of Directors has adopted a written charter for the Audit Committee, a copy of which was attached as Exhibit E to the Proxy Statement for the Annual Shareholders Meeting held on November 5, 2001.

Compensation of Directors

Directors who are employees of the Company do not receive any compensation for their services as Directors. All Directors are reimbursed for expenses incurred in connection with attending Board and committee meetings.

In September 1999, the Company's Board of Directors unanimously approved a compensation package for outside directors consisting of the following. For each meeting attended in person, each outside director shall receive \$1,000 in cash and \$2,000 of stock valued on the date of the meeting at the average of the closing ask and bid prices; for each telephonic Board meeting, each outside director shall receive \$250 in cash and \$250 of stock valued on the date of the meeting at the average of the closing ask and bid prices; for each meeting of a Board committee attended in person, the committee chairman shall receive \$500 in cash and \$500 of stock valued on the date of the meeting at the average of the closing ask and bid prices. All Directors are reimbursed for expenses incurred in connection with attending Board and committee meetings.

As of September 30, 2002, 1,706,584 shares had been issued under this directors' compensation plan.

Certain Relationships and Related Transactions

The following are certain transactions entered into between the Company and its officers, directors and principal shareholders and their affiliates since January 1, 2001

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

Jagen Pty, Ltd. And Anthony Rawlinson

In May 2001, Jagen Pty, Ltd, a majority shareholder of Enova Systems, exercised warrants to purchase 41,666,666 shares of Enova Systems' common stock for \$2,500,000. Additionally, in July 2001, Anthony Rawlinson, chairman of Enova Systems, exercised warrants for 8,333,334 shares of Enova common stock for \$500,000.

In June 2002, Jagen Pty, Ltd. purchased 20,000,000 shares of common stock at \$0.10 in a private placement for a total cash purchase price of \$2,000,000. Jagen represented that it was an accredited investor under the definition set forth by the Securities and Exchange Commission. The Company relied on Rule 506 of Regulation D and Section 4(2) of the Securities Act for the exemption from registration of the sale of such shares.

A fee of \$205,500 was paid in conjunction with a private placement funding to The Global Value Investment Portfolio Management Pte Ltd, a Singapore Company which is substantially owned by two affiliated parties; Anthony Rawlinson, Chairman of the Board of our Company and Borl partnership, owned by Boris Liberman Family Trusts, which is also affiliated with Jagen Pty Ltd., a large shareholder in Enova Systems.

John J. Micek III

In June 2002, Silicon Prairie Partners, LP, a limited partnership in which John J. Micek III is the general partner, purchased 1,000,000 shares of common stock at \$0.10 in a private placement for a total cash purchase price of \$100,000. Silicon Prairie represented that it was an accredited investor under the definition set forth by the Securities and Exchange Commission. The Company relied on Rule 506 of Regulation D and Section 4(2) of the Securities Act for the exemption from registration of the sale of such shares.

27

James M. Strock

The Company has entered into a consulting agreement with jamesstrock.com, a corporation wholly owned by James M. Strock, wherein the Company retains Mr. Strock's services for a minimum monthly retainer of \$3,000 plus reasonable expenses. During 2001, the Company paid Mr. Strock \$44,754 for consulting services and expenses.

John R. Wallace

The Company has entered into a consulting agreement with John R. Wallace wherein the Company will compensate Mr. Wallace at the rate of \$1,500 per day plus reasonable expenses for consulting services rendered. Mr. Wallace will not be compensated per this agreement when acting in the capacity of director of the Company. During 2001, Mr. Wallace did not receive any compensation for consulting services.

The Company believes that the transactions described above were made on terms no less favorable to the Company than could have been obtained from unaffiliated third parties. The above referenced transactions were approved by a majority of the disinterested members of the Board of Directors. All future transactions between the Company and its officers, directors, principal shareholders and affiliates will be approved by a majority of the Board of Directors, including, where appropriate, a majority of the disinterested, nonemployee directors on the Board of Directors, and, where appropriate, will be on terms no less favorable to the Company than could be obtained from unaffiliated third parties.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information known to the Company with respect to beneficial ownership of the Company's Common Stock as of October 15, 2002, by (i) each shareholder known to the Company to own beneficially more than 5% of the Company's Common Stock; (ii) each of the Company's Directors and nominees for Director; (iii) the Chief Executive Officer and all other Executive Officers of the Company; and (iv) all Executive Officers, Directors and nominees for Director of the Company as a group. Except as indicated in the footnotes to this table and subject to applicable community property laws, the persons named in the table, based on information provided by such persons, have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

Name	Shares Beneficially Owned (1)	Percentage of Shares Beneficially Owned (2)
Jagen, Pty., Ltd. 9 Oxford Street, South Ybarra 3141 Melbourne, Victoria Australia	145,000,000	36.
Carl D. Perry c/o Enova Systems, Inc. 19850 South Magellan Drive Torrance, CA 90502	11,200,500 (4)	2.
Citibank N.A. 111 Wall Street, 8th Floor New York, NY 10043	31,405,754	7.
Anthony N. Rawlinson c/o Enova Systems, Inc. 19850 South Magellan Drive Torrance, CA 90502	25,244,568	6.
John J. Micek III	1,288,080 (5)	
Edwin O. Riddell	472,204	
Dr. Malcolm Currie	361,575	
Donald H. Dreyer	248,342	
James M. Strock	91,815	
John R. Wallace	0	
Delphi Delco Electronics	1,278,720 (6)	
Jean Schulz	1,329,111 (7)	

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

All directors and executive
officers as a group
(7 persons)

38,907,084 (8)

9.

* Indicates less than 1%

29

- (1) Number of Common Stock shares includes Series A Preferred Stock, Series B Preferred Stock and Common Stock shares issuable pursuant to stock options, warrants and other securities convertible into Common Stock beneficially held by the person or class in question which may be exercised or converted within 60 days after October 15, 2002.
- (2) The percentages are based on the number of shares of Common Stock, Series A Preferred Stock and Series B Preferred Stock owned by the shareholder divided by the sum of: (i) the total Common Stock outstanding, (ii) the Series A Preferred Stock owned by such shareholder; (iii) the Series B Preferred Stock owned by such shareholder; and (iv) Common Stock issuable pursuant to warrants, options and other convertible securities exercisable or convertible by such shareholder within sixty (60) days after October 15, 2002.
- (3) The percentages are based on the number of shares of Common Stock, Series A Preferred Stock and/or Series B Preferred Stock owned by the shareholder divided by the sum of: (i) the total Common Stock outstanding, (ii) the total Series A Preferred Stock outstanding and (iii) the total Series B Preferred Stock outstanding. This percentage calculation has been included to show more accurately the actual voting power of each of the shareholders, since the calculation takes into account the fact that the outstanding Series A Preferred Stock and Series B Preferred Stock are entitled to vote together with the Common Stock as a single class on certain matters to be voted upon by the shareholders.
- (4) Includes 1,200,000 shares of Common Stock issuable pursuant to stock options issued under an employee stock option plan exercisable at a price of \$0.10 per share. The option exercise price, for Mr. Perry's and other employees under the 1996 Stock Option Plan, was reset to \$0.10 per share from \$0.30 per share on August 19, 1998 at the direction of the Board of Directors.
- (5) Includes 500,000 shares of Common Stock issued to Silicon Prairie Partners, LP, a limited partnership in which John J. Micek III is the general partner.
- (6) The number of shares shown represents the ownership of 639,360 shares of Series B Preferred Stock, each of which is convertible into two shares of Common Stock. These 639,360 shares represent more than 5% of the outstanding shares of Series B Preferred Stock.
- (7) The number of shares shown represents the ownership of 1,329,111 shares of Series A Preferred Stock, each of which is convertible into one share of Common Stock. These 1,329,111 shares represent more than 5% of the outstanding shares of Series A Preferred Stock.
- (8) Includes 1,200,000 shares of Common Stock issuable pursuant to stock options exercisable at price of \$.10 per share and 500,000 shares of Common Stock issued to Silicon Prairie Partners, LP, a limited partnership in which John J. Micek III is the general partner.

PROPOSAL NO. 6
RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

Moss Adams LLP has served as the Company's independent auditors since 1996, and has been appointed by the Board to continue as the Company's independent auditors for the Company's year ending December 31, 2002. In the event that ratification of this selection of auditors is not approved by a majority of the shares of Common Stock, Series A Preferred Stock, and Series B Preferred Stock voting at the Annual Meeting in person or by proxy, management will review its future selection of auditors.

A representative of Moss Adams LLP is expected to be present at the Annual Meeting. The representative will have an opportunity to make a statement and will be able to respond to appropriate questions.

During 2001, Moss Adams LLP billed the Company the following amounts for the following services:

Audit Fees:	\$69,210	
Financial Information Systems Design and Implementation Fees:		\$ 0
All Other Fees:	\$ 0	

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION
OF THE APPOINTMENT OF MOSS ADAMS LLP AS THE COMPANY'S INDEPENDENT AUDITORS
FOR THE YEAR ENDING DECEMBER 31, 2002.

Audit Committee Report on the Audited Financial Statements and Independent Auditors

The Audit Committee meets quarterly to discuss the quarterly reviewed and annual audited financial statements of the Company. The Audit Committee held four meetings in 2001. Management and the independent auditors are present at all Audit Committee meetings to discuss the financial statements, the results of audits and reviews, and the auditor's management report.

The Audit Committee has reviewed and discussed with the independent auditors the matters required to be discussed by SAS 61. The Audit Committee has received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No.1 and has discussed with the independent accountant the independent accountant's independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors meeting that was held March 19, 2002 that the audited financial statements be included in the Company's Annual Report on Form 10-K for the last fiscal year for filing with the Commission.

Submitted by the Audit Committee,

Donald H. Dreyer
John J. Micek III

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

Summary Compensation Table

The following table sets forth all compensation earned by the Company's Chief Executive Officer and each of the other most highly compensated executive officers of the Company whose annual salary and bonus exceeded \$100,000 for the years ended December 31, 2001, 2000 and 1999 (collectively, the "Named Executive Officers"). Mr. Carl D. Perry is the sole executive officer of the Company whose salary currently exceeds \$100,000.

Name and Principal Position	Summary Compensation Table			
	Year	Annual Compensation Salary (\$)	Bonus (\$)	Long-Term Compensation Awards Securities Underlying Options/SARs (#)
Carl D. Perry (1)	2001	158,392	30,000	--
Chief Executive Officer	2000	128,170	--	--
And President	1999	75,000	--	--

(1) Mr. Perry was elected as Chief Executive Officer in November 1997. Mr. Perry's current salary is \$150,000 per year as approved by the Board of Directors in September 2000.

Option Grants/SAR Grants

The following table sets forth certain information with respect to stock options granted during 2001 to the Named Executive Officer. In accordance with the rules of the Securities and Exchange Commission, also shown below is the potential realizable value over the term of the option (the period from the grant date to the expiration date) based on assumed rates of stock appreciation of 5% and 10%, compounded annually, calculated based on the average of the high-bid and low-ask prices of the Common Stock on December 31, 2001. These amounts are based on certain assumed rates of appreciation and do not represent the Company's estimate of future stock price. Actual gains, if any, on stock option exercises will be dependent on the future performance of the Common Stock.

No grants of stock options or stock appreciation rights ("SARs") were made during the twelve month period ended December 31, 2001 to the Named Executive Officer or any other Executive Officer.

Aggregated Option/SAR Exercises in 2001 and Option Values at December 31, 2001

Aggregate Option/SAR Exercises in 2001	Number of Securities Underlying Unexercised Options/SARs at December 31, 2001	Value of Unexercised In-the-Money Options at December 31, 2001
Shares	Value	

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

Name	Acquired on Exercise (#)	Realized (\$)	Exercisable	Unexercisable	Exercisable	Unex
-----	-----	-----	-----	-----	-----	-----
Carl D. Perry	--	--	1,200,000	0	\$ 72,000	

(1) Calculated on the basis of the average of the high-bid and low-ask prices of the Common Stock on December 31, 2001 of \$0.16 per share, minus the exercise price.

33

Compensation Committee Interlocks and Insider Participation

The Compensation Committee currently consists of Edwin O. Riddell and Malcolm R. Currie, PhD.

Compensation Committee Report on Executive Compensation

Compensation Policy. The Company's Compensation Policy as established by the Compensation Committee is that executive officers' total annual cash compensation should vary with the performance of the Company and that long-term incentives awarded to such officers should be aligned with the interest of the Company's shareholders. The Company's executive compensation program is designed to attract and retain executive officers who will contribute to the Company's long-term success, to reward executive officers who contribute to the Company's financial performance and to link executive officer compensation and shareholder interests through the 1993 Plan and the 1996 Plan. The terms and conditions of these plans were more fully discussed in the Company's Form S-1 Registration Statement filed with the SEC on July 26, 2002.

Compensation of the Company's executive officers consists of two principal components: salary and long-term incentive compensation consisting of stock option grants.

Base Salary and Bonus. Base salary and bonus of the Chief Executive Officer as established are determined by a subjective assessment of the executive officer's performance, in light of the officer's responsibilities and position with the Company and the Company's performance during prior periods. In evaluating overall Company performance, the primary focus is upon financial performance for the relevant annual period measured by operating income. Base salaries are reviewed periodically and from time to time by the Compensation Committee and adjusted appropriately. Incentive compensation is reviewed periodically and from time to time by the Compensation Committee and adjusted accordingly.

Long-term Incentive Compensation. The Company believes that option grants (i) align executive interests with shareholder interests by creating a direct link between compensation and shareholder return, (ii) give executives a significant, long-term interest in the Company's success, and (iii) help retain key executives in a competitive market for executive talent.

The Company's 1993 Plan and 1996 Plan authorize the Committee to grant stock options to employees and consultants, including executives. Currently, option grants will only be made under the 1996 Plan and will be made from time to time to executives whose contributions have or will have a significant impact on the Company's long-term performance. The Company's determination of whether option grants are appropriate each year is based upon individual performance measures established for each individual. Options are not necessarily granted to each executive during each year. Options granted to executive officers typically

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

vest in equal monthly installments over a period of five years and expire either five or ten years from the date of grant. No stock options were granted to the Named Executive Officer during fiscal 2001.

Compensation of Chief Executive Officer. In determining the compensation of Carl D. Perry, the Chief Executive Officer, the Board of Directors considered the expense to replace an executive of Mr. Perry's caliber. The Board therefore established a compensation package for 2001 consisting of an annual salary of \$150,000 plus a bonus to be determined based on the performance of the Company. The Compensation Committee believes that Mr. Perry's dedication, commitment and experience have been vitally important to the successful and ongoing growth of the Company. Mr. Perry's overall compensation for the year ended December 31, 2001 consisted of base salary and bonus. In determining Mr. Perry's compensation, the Compensation Committee evaluated Mr. Perry's personal performance, the performance of the Company and Mr. Perry's long-term commitment to the success of the Company. The Committee believes that the salary paid to Mr. Perry in 2001 was appropriate based on the financial condition of the Company.

Compensation Policy Regarding Deductibility. The Company is required to disclose its policy regarding qualifying executive compensation for deductibility under Section 162(m) of the Internal Revenue Code which provides that, for purposes of the regular income tax and the alternative minimum tax, the otherwise allowable deduction for compensation paid or accrued with respect to a covered employee of a publicly-held corporation is limited to \$1 million per year. For the fiscal year ended December 31, 2001, no executive officer of the Company received in excess of \$1 million in compensation from the Company. The 1996 Plan is structured so that any compensation deemed paid to an executive officer when he exercises an outstanding option under the Plan, with an exercise price equal to the fair market value of the option shares on the grant date, will qualify as performance-based compensation which will not be subject to the \$1 million limitation. The Compensation Committee currently

34

intends to limit the dollar amount of all other compensation payable to the Company's executive officers to no more than \$1 million.

Submitted by the Compensation Committee:

Edwin O. Riddell
Malcolm R. Currie, PhD.

35

Stock Performance Graph

The graph below compares the cumulative total shareholder return on our Common Stock with the cumulative total return on the Standard & Poor's Small Capitalization 600 Index and an index of peer companies selected by us. A group of five other electric vehicle companies comprise the peer group index.(1)

The period shown commences on December 31, 1996, and ends on December 31, 2001, the end of our last fiscal year. The graph assumes an investment of \$100 on December 31, 1996 and the reinvestment of any dividends. The comparisons in the graph below are based upon historical data and are not indicative of, nor intended to forecast, future performance of our Common Stock.

[The following table was depicted as a line chart in the printed material]

ENOVA SYSTEMS INC

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

	Cumulative Total Return					
	12/96	12/97	12/98	12/99	12/00	12/01
ENOVA SYSTEMS, INC.	100.00	27.65	18.24	191.18	100.00	88.24
S & P SMALLCAP 600	100.00	125.58	129.01	145.01	162.13	195.17
PEER GROUP	100.00	93.80	77.86	139.78	122.96	77.90

- 1) Companies included in the peer group index are Amerigon, Inc. (ARGN), Electric Fuel Corp. (EFCX), Energy Conversion Devices, Inc. (ENER), Unique Mobility (UQM), and Valence Technology, Inc. (VLNC).

36

Employment Agreements

Carl D. Perry, Chief Executive Officer of the Company, has no employment agreement and is an "at will" employee with the Company.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires persons who own more than 10% of the Company's Common Stock and the Company's directors and executive officers (collectively, "Reporting Persons") to file reports of ownership and changes in ownership of the Company's equity securities to the Securities and Exchange Commission. Copies of these reports are also required to be delivered to the Company.

The Company believes, based solely on its review of the copies of such reports received or written representations from certain Reporting Persons, that during fiscal 2001, all Reporting Persons complied with all applicable filing requirements.

SHAREHOLDER PROPOSALS

To be considered for presentation to the annual meeting of the Company's shareholders to be held in 2003, a shareholder proposal must be received by Carl D. Perry, Chief Executive Officer, Enova Systems, Inc., 19850 South Magellan Drive, Torrance, California, no later than July 7, 2003. If a shareholder intends to present a proposal at the annual meeting to be held in 2003 but does not seek inclusion of the proposal in the proxy statement for that meeting, the proxy holders for that meeting will be entitled to exercise their discretionary authority on that proposal if the Company does not have notice of the proposal by September 30, 2003.

OTHER MATTERS

The Board of Directors knows of no other business which will be presented at the Annual Meeting. If any other business is properly brought before the Annual Meeting, it is intended that proxies in the enclosed form will be voted in respect thereof in accordance with the judgment of the persons voting the proxies.

It is important that the proxies be returned promptly and that your shares be represented. Shareholders are urged to mark, date, execute and promptly return the accompanying proxy card in the enclosed envelope.

By Order of the Board of Directors,

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

/s/ Carl D. Perry

Carl D. Perry
President and Chief Executive Officer

November 8, 2002
Torrance, California

37

EXHIBIT A

FORM OF ONE-FOR-TWENTY REVERSE STOCK SPLIT RESOLUTIONS

RESOLVED, that, prior to the Company's next Annual Meeting of Shareholders, on the condition that no other amendment to the Company's Certificate of Incorporation shall have been filed prior to such annual meeting effecting a reverse stock split of the Common Stock, Article III of the Restated and Amended Certificate of Incorporation of Enova Systems, Inc. be amended by the addition of the following text immediately following the first paragraph of Article III:

"On the effective date of this amendment to the Restated and Amended Certificate of Incorporation (the "Effective Date"), each one (1) share of Common Stock issued and outstanding immediately prior to the Effective Date shall automatically be converted into and reconstituted as 1/20th of a share of Common Stock (the "Reverse Stock Split"). No fractional shares of Common Stock shall be issued upon the Reverse Stock Split. In lieu thereof, each beneficial shareholder whose shares of Common Stock are not evenly divisible by twenty will receive a cash payment therefor in an amount equal to the product obtained by multiplying (i) the average of the high bid and low asked per share prices of the Common Stock as reported on the NASDAQ electronic "Bulletin Board" on the Effective Date (adjusted if necessary to reflect the per share price of the Common Stock without giving effect to the conversion and reconstitution of the Common Stock effected hereby) by (ii) the number of shares of Common Stock held by such holder that would otherwise have been exchanged for such fractional share of Common Stock."

FURTHER RESOLVED, that at any time prior to the filing of the foregoing amendment to the Company's Restated and Amended Certificate of Incorporation effecting the Reverse Stock Split, notwithstanding authorization of the proposed amendment by the stockholders of the Company, the Board of Directors may abandon such proposed amendment without further action by the stockholders.

38

EXHIBIT B

FORM OF ONE-FOR-FIFTEEN REVERSE STOCK SPLIT RESOLUTIONS

RESOLVED, that, prior to the Company's next Annual Meeting of Shareholders, on the condition that no other amendment to the Company's Certificate of Incorporation shall have been filed prior to such annual meeting effecting a reverse stock split of the Common Stock, Article III of the Restated and Amended Certificate of Incorporation of Enova Systems, Inc. be amended by the addition of the following text immediately following the first paragraph of Article III:

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

"On the effective date of this amendment to the Restated and Amended Certificate of Incorporation (the "Effective Date"), each one (1) share of Common Stock issued and outstanding immediately prior to the Effective Date shall automatically be converted into and reconstituted as 1/15th of a share of Common Stock (the "Reverse Stock Split"). No fractional shares of Common Stock shall be issued upon the Reverse Stock Split. In lieu thereof, each beneficial shareholder whose shares of Common Stock are not evenly divisible by twenty will receive a cash payment therefor in an amount equal to the product obtained by multiplying (i) the average of the high bid and low asked per share prices of the Common Stock as reported on the NASDAQ electronic "Bulletin Board" on the Effective Date (adjusted if necessary to reflect the per share price of the Common Stock without giving effect to the conversion and reconstitution of the Common Stock effected hereby) by (ii) the number of shares of Common Stock held by such holder that would otherwise have been exchanged for such fractional share of Common Stock."

FURTHER RESOLVED, that at any time prior to the filing of the foregoing amendment to the Company's Restated and Amended Certificate of Incorporation effecting the Reverse Stock Split, notwithstanding authorization of the proposed amendment by the stockholders of the Company, the Board of Directors may abandon such proposed amendment without further action by the stockholders.

39

EXHIBIT C

FORM OF ONE-FOR-TEN REVERSE STOCK SPLIT RESOLUTIONS

RESOLVED, that, prior to the Company's next Annual Meeting of Shareholders, on the condition that no other amendment to the Company's Certificate of Incorporation shall have been filed prior to such annual meeting effecting a reverse stock split of the Common Stock, Article III of the Restated and Amended Certificate of Incorporation of Enova Systems, Inc. be amended by the addition of the following text immediately following the first paragraph of Article III:

"On the effective date of this amendment to the Restated and Amended Certificate of Incorporation (the "Effective Date"), each one (1) share of Common Stock issued and outstanding immediately prior to the Effective Date shall automatically be converted into and reconstituted as 1/10th of a share of Common Stock (the "Reverse Stock Split"). No fractional shares of Common Stock shall be issued upon the Reverse Stock Split. In lieu thereof, each beneficial shareholder whose shares of Common Stock are not evenly divisible by twenty will receive a cash payment therefor in an amount equal to the product obtained by multiplying (i) the average of the high bid and low asked per share prices of the Common Stock as reported on the NASDAQ electronic "Bulletin Board" on the Effective Date (adjusted if necessary to reflect the per share price of the Common Stock without giving effect to the conversion and reconstitution of the Common Stock effected hereby) by (ii) the number of shares of Common Stock held by such holder that would otherwise have been exchanged for such fractional share of Common Stock."

FURTHER RESOLVED, that at any time prior to the filing of the foregoing amendment to the Company's Restated and Amended Certificate of Incorporation effecting the Reverse Stock Split, notwithstanding authorization of the proposed

Edgar Filing: ENOVA SYSTEMS INC - Form DEF 14A

amendment by the stockholders of the Company, the Board of Directors may abandon such proposed amendment without further action by the stockholders.

40

EXHIBIT D

FORM OF ONE-FOR-FIVE REVERSE STOCK SPLIT RESOLUTIONS

RESOLVED, that, prior to the Company's next Annual Meeting of Shareholders, on the condition that no other amendment to the Company's Certificate of Incorporation shall have been filed prior to such annual meeting effecting a reverse stock split of the Common Stock, Article III of the Restated and Amended Certificate of Incorporation of Enova Systems, Inc. be amended by the addition of the following text immediately following the first paragraph of Article III:

"On the effective date of this amendment to the Restated and Amended Certificate of Incorporation (the "Effective Date"), each one (1) share of Common Stock issued and outstanding immediately prior to the Effective Date shall automatically be converted into and reconstituted as 1/5th of a share of Common Stock (the "Reverse Stock Split"). No fractional shares of Common Stock shall be issued upon the Reverse Stock Split. In lieu thereof, each beneficial shareholder whose shares of Common Stock are not evenly divisible by twenty will receive a cash payment therefor in an amount equal to the product obtained by multiplying (i) the average of the high bid and low asked per share prices of the Common Stock as reported on the NASDAQ electronic "Bulletin Board" on the Effective Date (adjusted if necessary to reflect the per share price of the Common Stock without giving effect to the conversion and reconstitution of the Common Stock effected hereby) by (ii) the number of shares of Common Stock held by such holder that would otherwise have been exchanged for such fractional share of Common Stock."

FURTHER RESOLVED, that at any time prior to the filing of the foregoing amendment to the Company's Restated and Amended Articles of Incorporation effecting the Reverse Stock Split, notwithstanding authorization of the proposed amendment by the shareholders of the Company, the Board of Directors may abandon such proposed amendment without further action by the shareholders.

41

EXHIBIT E

The first two sentence of Section 2 of Article III of the Bylaws of Enova Systems, Inc. are amended to read in their entirety as follows:

"The authorized number of directors of the corporation shall be not less than six (6) nor more than nine (9). The exact number of authorized directors shall be eight (8) until changed, within the limits specified above, by an amendment to this Section 2, duly adopted by the board of directors or by the shareholders.