

DCAP GROUP INC  
Form PRE 14A  
October 24, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

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

Check the appropriate box:

- [X] Preliminary Proxy Statement  
 [ ] Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))  
 [ ] Definitive Proxy Statement  
 [ ] Definitive Additional Materials  
 [ ] Soliciting Material Pursuant to Section 240.14a-12

DCAP GROUP, 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)(1) and 0-11

1) Title of each class of securities to which transaction applies:  
not applicable

2) Aggregate number of securities to which transaction applies:  
not applicable

- 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):

not applicable

- 4) Proposed maximum aggregate value of transaction:

- 5) Total fee paid:

not applicable

- 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:
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DCAP GROUP, INC.  
1158 Broadway  
Hewlett, New York 11557

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON NOVEMBER 26, 2008

To the Stockholders of DCAP Group, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of DCAP Group, Inc., a Delaware corporation (the "Company"), will be held on November 26, 2008 at 90 Merrick Avenue, 9th Floor, East Meadow, New York, at 10:00 a.m., for the following purposes:

1. To elect six directors for the coming year.
2. To approve an amendment to the Company's Certificate of Incorporation to change the name of the Company to "Kingstone Companies, Inc."
3. To transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on October 22, 2008 are entitled to notice of and to vote at the meeting or at any adjournment thereof.

Morton L. Certilman  
Secretary

Hewlett, New York  
October 31, 2008

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE VOTE, DATE AND SIGN THE ENCLOSED PROXY, WHICH IS SOLICITED BY OUR BOARD OF DIRECTORS, AND RETURN IT IN THE PRE-ADDRESSED ENVELOPE PROVIDED FOR THAT PURPOSE. ANY STOCKHOLDER MAY REVOKE HIS PROXY AT ANY TIME BEFORE THE MEETING BY WRITTEN NOTICE TO SUCH EFFECT, BY SUBMITTING A SUBSEQUENTLY DATED PROXY OR BY ATTENDING THE MEETING AND VOTING IN PERSON.

DCAP GROUP, INC.  
1158 Broadway  
Hewlett, New York 11557

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PROXY STATEMENT

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SOLICITING, VOTING AND REVOCABILITY OF PROXY

This proxy statement is being mailed to all stockholders of record at the close of business on October 22, 2008 in connection with the solicitation by the Board of Directors of proxies to be voted at the Annual Meeting of Stockholders to be held on November 26, 2008 at 10:00 a.m., local time, or any adjournment thereof. The proxy and this proxy statement were mailed to stockholders on or about November 4, 2008.

All shares represented by proxies duly executed and received will be voted on the matters presented at the meeting in accordance with the instructions specified in such proxies. Proxies so received without specified instructions will be voted as follows:

- (1) FOR the nominees named in the proxy to our Board of Directors; and
- (2) FOR the approval of an amendment to our Certificate of Incorporation to change our name to “Kingstone Companies, Inc.”

Our Board does not know of any other matters that may be brought before the meeting nor does it foresee or have reason to believe that proxy holders will have to vote for substitute or alternate nominees to the Board. In the event that any other matter should come before the meeting or any nominee is not available for election, the person named in the enclosed proxy will have discretionary authority to vote all proxies not marked to the contrary with respect to such matters in accordance with his best judgment.

The total number of common shares outstanding and entitled to vote as of October 22, 2008 was 2,972,746. The common shares are the only class of securities entitled to vote on matters presented to our stockholders, each share being entitled to one vote.

Our Restated Certificate of Incorporation provides for cumulative voting of shares for the election of directors. This means that each stockholder has the right to cumulate his votes and give to one or more nominees as many votes as equals the number of directors to be elected (six) multiplied by the number of shares he is entitled to vote. A stockholder may therefore cast his votes for one nominee or distribute them among two or more of the nominees. A majority of the common shares outstanding and entitled to vote as of October 22, 2008, or 1,486,374 common shares, must be present at the meeting in person or by proxy in order to constitute a quorum for the transaction of business. Only stockholders of record as of the close of business on October 22, 2008 will be entitled to vote. With regard to the election of directors, votes may be cast in favor or withheld. The directors shall be elected by a plurality of the votes cast in favor. Accordingly, based upon there being six nominees, each person who receives one or more votes will be elected as a director. Votes withheld in connection with the election of one or more of the nominees for director will not be counted as votes cast for such individuals and may be voted for the other nominees.

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Stockholders may expressly abstain from voting on Proposal 2 by so indicating on the proxy. Abstentions and broker non-votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business. Abstentions are counted as present in the tabulation of votes on Proposal 2. Broker non-votes are not counted for the purpose of determining whether Proposal 2 has been approved. Since Proposal 2 requires the approval of a majority of all of our outstanding common shares, abstentions and broker non-votes will have the effect of a negative vote.

Any person giving a proxy in the form accompanying this proxy statement has the power to revoke it at any time before its exercise. The proxy may be revoked by filing with us written notice of revocation or a fully executed proxy bearing a later date. The proxy may also be revoked by affirmatively electing to vote in person while in attendance at the meeting. However, a stockholder who attends the meeting need not revoke a proxy given and vote in person unless the stockholder wishes to do so. Written revocations or amended proxies should be sent to us at 1158 Broadway, Hewlett, New York 11557, Attention: Corporate Secretary.

The proxy is being solicited by our Board of Directors. We will bear the cost of the solicitation of proxies, including the charges and expenses of brokerage firms and other custodians, nominees and fiduciaries for forwarding proxy materials to beneficial owners of our shares. Solicitations will be made primarily by mail, but certain of our directors, officers or employees may solicit proxies in person or by telephone, telecopier or email without special compensation.

A list of stockholders entitled to vote at the meeting will be available for examination by any stockholder for any purpose germane to the meeting, during ordinary business hours, for ten days prior to the meeting, at our offices, 1158 Broadway, Hewlett, New York 11557, and also during the whole time of the meeting for inspection by any stockholder who is present. To contact us, stockholders should call (516) 374-7600.

## EXECUTIVE COMPENSATION

## SUMMARY COMPENSATION TABLE

The following table sets forth certain information concerning the compensation for the fiscal years ended December 31, 2007 and 2006 for Barry B. Goldstein, our Chief Executive Officer:

Name and Principal Position	Year	Salary	Option Awards	All Other Compensation Country Club Other Dues (1)	Total	
Barry B. Goldstein	2007	\$350,000	\$41,224	\$21,085	\$15,770	\$428,079
Chief Executive Officer	2006	\$350,000	-	\$28,532	\$26,410	\$404,942

(1) Effective with the execution of Mr. Goldstein's employment agreement on October 16, 2007, as discussed below, he is no longer entitled to be reimbursed for country club dues.

## Employment Contracts

Mr. Goldstein is employed as our President, Chairman of the Board and Chief Executive Officer pursuant to an employment agreement dated October 16, 2007 (the "Employment Agreement") that expires on June 30, 2009. The Employment Agreement will automatically renew for a one-year term if Mr. Goldstein is in our employ on June 30, 2009. Pursuant to the Employment Agreement, Mr. Goldstein is entitled to receive an annual base salary of \$350,000 (which base salary has been in effect since January 1, 2004) ("Base Salary") and annual bonuses based on our net income. On August 25, 2008, we and Mr. Goldstein entered into an amendment (the "Amendment") to the Employment Agreement. The Amendment entitles Mr. Goldstein to devote up to 750 hours per year, as currently provided for in an employment contract with Commercial Mutual Insurance Company ("CMIC"), to fulfill his duties and responsibilities as Chairman of the Board and Chief Investment Officer of CMIC. Such permitted activity is subject to a reduction in Base Salary under the Employment Agreement on a dollar-for-dollar basis to the extent of the salary payable by CMIC to Mr. Goldstein pursuant to the CMIC employment contract, which is currently \$150,000 per year. CMIC is a New York property and casualty insurer.

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth certain information concerning unexercised options held by Barry B. Goldstein, our Chief Executive Officer, as of December 31, 2007:

Name	Option Awards		Option Exercise Price	Option Expiration Date
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable		
Barry B. Goldstein	32,500	97,500(1)	\$2.06	10/16/12

(1) Such options are exercisable to the extent of 32,500 shares effective as of October 16, 2008, 2009 and 2010.

#### Termination of Employment and Change-in-Control Arrangements

Pursuant to the Employment Agreement with Mr. Goldstein and as provided for in his prior employment agreement which expired on April 1, 2007, Mr. Goldstein would be entitled, under certain circumstances, to a payment equal to one and one-half times his then annual salary in the event of the termination of his employment following a change of control of DCAP. In addition, in the event Mr. Goldstein's employment is terminated by us without cause or he resigns with good reason (each as defined in the Employment Agreement), Mr. Goldstein will be entitled to receive his base salary and bonuses for the remainder of the term.

#### DIRECTOR COMPENSATION

The following table sets forth certain information concerning the compensation of our directors for the fiscal year ended December 31, 2007:

Name	Fees Earned or Paid in Cash	Option Awards	Total
Morton L. Certilman	\$22,250	-	\$22,250
Jay M. Haft	\$22,750	-	\$22,750
David A. Lyons	\$29,250	-(1)	\$29,250
Jack D. Seibald	\$24,250	-	\$24,250

(1) As of December 31, 2007, Mr. Lyons held options for the purchase of 20,000 common shares.

Our non-employee directors are entitled to receive compensation for their services as directors as follows:

- \$10,000 per annum (1)
- additional \$3,500 per annum for committee chair (1)
- \$350 per Board meeting attended (\$175 if telephonic)
- \$200 per committee meeting attended (\$100 if telephonic)

(1) One-half payable in stock; other one-half payable in stock or, at the director's option, in cash.

Effective January 1, 2009, the annual fee for serving as a director will be reduced to \$8,333.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL  
OWNERS AND MANAGEMENT

Security Ownership

The following table sets forth certain information as of October 22, 2008 regarding the beneficial ownership of our common shares by (i) each person who we believe to be the beneficial owner of more than 5% of our outstanding common shares, (ii) each present director, (iii) each person listed in the Summary Compensation Table under “Executive Compensation,” and (iv) all of our present executive officers and directors as a group:

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Approximate Percent of Class
Barry B. Goldstein 1158 Broadway Hewlett, New York	763,078(1)(2)	25.1%
Michael Feinsod Infinity Capital Partners, L.P. 767 Third Avenue, 16th Floor New York, New York	487,495(1)(3)	16.4%
AIA Acquisition Corp 6787 Market Street Upper Darby, Pennsylvania	361,600(4)	11.0%
Jack D. Seibald 1336 Boxwood Drive West Hewlett Harbor, New York	238,065(1)(5)	8.0%
Morton L. Certilman 90 Merrick Avenue East Meadow, New York	179,829(1)	6.0%
Jay M. Haft 69 Beaver Dam Road Salisbury, Connecticut	165,797(1)(6)	5.6%
David A. Lyons 252 Brookdale Road Stamford, Connecticut	29,581(7)	1.0%



All executive officers      1,863,845(1)(2)(3)      61.0%  
and directors as a group    (5)(6)(7)  
(5 persons)

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- (1) Based upon Schedule 13D filed under the Securities Exchange Act of 1934, as amended, and other information that is publicly available.
- (2) Includes (i) 8,500 shares held by Mr. Goldstein's children, (ii) 11,900 shares held in a retirement trust for the benefit of Mr. Goldstein and (iii) 65,000 shares issuable upon the exercise of options that are exercisable currently or within 60 days. Excludes shares beneficially owned by AIA Acquisition Corp. ("AIA") of which members of Mr. Goldstein's family are principal stockholders. Mr. Goldstein disclaims beneficial ownership of the shares held by his children and retirement trust and the shares owned by AIA.
- (3) Shares are owned by Infinity Capital Partners, L.P. ("Partners"). Each of (i) Infinity Capital, LLC ("Capital"), as the general partner of Partners, (ii) Infinity Management, LLC ("Management"), as the Investment Manager of Partners, and (iii) Michael Feinsod, as the Managing Member of Capital and Management, the General Partner and Investment Manager, respectively, of Partners, may be deemed to be the beneficial owners of the shares held by Partners. Pursuant to the Schedule 13D filed under the Securities Exchange Act of 1934, as amended, by Partners, Capital, Management and Mr. Feinsod, each has sole voting and dispositive power over the shares.
- (4) Based upon Schedule 13G filed under the Securities Exchange Act of 1934, as amended, and other information that is publicly available. Includes 312,000 shares issuable upon the conversion of preferred shares that are currently convertible.
- (5) Includes (i) 113,000 shares owned jointly by Mr. Seibald and his wife, Stephanie Seibald; (ii) 100,000 shares owned by SDS Partners I, Ltd., a limited partnership ("SDS"); (iii) 3,000 shares owned by Boxwood FLTD Partners, a limited partnership ("Boxwood"); (iv) 3,000 shares owned by Stewart Spector IRA ("S. Spector"); (v) 3,000 shares owned by Barbara Spector IRA Rollover ("B. Spector"); and (vi) 4,000 shares owned by Karen Dubrowsky IRA ("Dubrowsky"). Mr. Seibald has voting and dispositive power over the shares owned by SDS, Boxwood, S. Spector, B. Spector and Dubrowsky.
- (6) Includes 3,076 shares held in a retirement trust for the benefit of Mr. Haft.
- (7) Includes 20,000 shares issuable upon the exercise of currently exercisable options.

## Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2007 with respect to compensation plans (including individual compensation arrangements) under which our common shares are authorized for issuance, aggregated as follows:

- All compensation plans previously approved by security holders; and
- All compensation plans not previously approved by security holders.

## EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	268,624	\$2.55	338,876
Equity compensation plans not approved by security holders	-0-	-0-	-0-
Total	268,624	\$2.55	338,876

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

## Subordinated Debt Financing

Effective July 10, 2003, in order to fund our premium finance operations, we obtained \$3,500,000 from a private placement of subordinated debt. The subordinated debt was initially repayable on January 10, 2006 and provides for interest at the rate of 12.625% per annum, payable semi-annually. Subject to the consent of Manufacturers and Traders Trust Company ("M&T"), we have the right to prepay the subordinated debt. During 2005, we utilized our M&T line of credit then in effect to repay \$2,000,000 of the subordinated debt.

In consideration of the debt financing, we issued to the lenders warrants for the purchase of an aggregate of 105,000 of our common shares at an exercise price of \$6.25 per share. The warrants were initially scheduled to expire on January 10, 2006. Effective May 25, 2005, the holders of the remaining \$1,500,000 of subordinated debt agreed to extend the maturity date of the debt to September 30, 2007. The debt extension was given to satisfy a requirement of M&T that arose in connection with a December 2004 increase in M&T's revolving line of credit and an extension of the line to June 30, 2007. In consideration for the extension of the due date for the subordinated debt, we extended the expiration date of warrants held by the debtholders for the purchase of 97,500 common shares to September 30, 2007. Between March 2007 and September 2007, the holders of the outstanding subordinated debt agreed to a further extension of the due date to September 30, 2008. In consideration for such further extension, we further extended the expiration date of the warrants held by the debtholders to September 30, 2008.



In August 2008, the maturity date was further extended from September 30, 2008 to July 10, 2009 (or earlier if certain conditions are met). In exchange for this extension, the holders will receive an aggregate incentive payment equal to \$10,000 times the number of months (or partial months) the debt is outstanding after September 30, 2008 through the maturity date. If a prepayment of principal reduces the debt below \$1,500,000, the incentive payment for all subsequent months will be reduced in proportion to any such reduction to the debt. The aggregate incentive payment is due upon full repayment of the debt.

One of the private placement lenders was a retirement trust established for the benefit of Jack Seibald which loaned us \$625,000 and was issued a warrant for the purchase of 18,750 of our common shares (which expired on September 30, 2008). Mr. Seibald is one of our principal stockholders and, effective September 2004, became one of our directors. Mr. Seibald's retirement trust currently holds approximately \$288,000 of the subordinated debt.

In September 2007, a limited liability company of which Mr. Goldstein is a minority member purchased from a debtholder a subordinated note in the approximate principal amount of \$115,000 and a warrant for the purchase of 7,500 shares. In connection with the purchase, the maturity date of the debt and the expiration date of the warrant were extended as discussed above. The warrant expired on September 30, 2008.

Commercial Mutual Insurance Company