

DGT HOLDINGS CORP.

FORM 8-K (Current report filing)

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

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) October 1, 2004

DEL GLOBAL TECHNOLOGIES CORP.

(Exact name of registrant as specified in charter)

New York ----- (State or other jurisdiction of incorporation)	0-3319 ----- (Commission File Number)	13-1784308 ----- (IRS Employer Identification No.)
--	--	---

One Commerce Park, Valhalla, NY ----- (Address of Principal Executive Offices)	10595 ----- (Zip Code)
--	------------------------------

Registrant's telephone number, including area code (914) 686-3600

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

On October 1, 2004, the registrant entered into an asset purchase agreement with Spellman High Voltage Electronics Corporation ("Spellman"), in connection with sale of the registrant's High Voltage Power business (the "Asset Purchase Agreement") for a purchase price of \$3,086,774 plus the assumption of approximately \$0.80 million of liabilities, which sale was consummated on October 1, 2004 as more fully described in Item 2.01 hereof. A copy of the Asset Purchase Agreement is attached hereto as EXHIBIT 99.01 and incorporated herein by reference.

ITEM 2.01. COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS.

On October 1, 2004, the registrant completed the sale of its High Voltage Power business to Spellman. The sale was completed in accordance with the terms and conditions of the Asset Purchase Agreement. In connection with the sale, the registrant received a purchase price of \$3,086,774 plus the assumption of approximately \$0.80 million of liabilities. In addition, pursuant to the Asset Purchase Agreement, Spellman agreed to lease certain space located at the registrant's Valhalla, New York facility by entering into a certain assignment, assumption and amendment of lease by and among the registrant, Spellman and DP 16 LLC dated as of October 1, 2004 (the "Lease Assignment"). A copy of the Lease Assignment is attached hereto as EXHIBIT 99.02 and incorporated herein by reference. In a related transaction, RFI Corporation, a subsidiary of the registrant, entered into a certain management services agreement with Spellman regarding the license of use of certain computer software dated as of October 1, 2004. Other than the sale transaction and the management services agreement, there exists no material relationship between Spellman and the registrant, its affiliates or any of the registrant's directors and officers.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Businesses Acquired.

Not Applicable

(b) Pro Forma Financial Information.

Unaudited pro forma financial information reflecting the sale of the registrant's High Voltage Power business begins on page 3 of this Current Report.

(c) Exhibits.

99.01 Asset Purchase Agreement by and between the registrant and Spellman High Voltage Electronics Corporation dated October 1, 2004.

99.02 Lease Assignment by and among the registrant, Spellman and DP 16 LLC dated as of October 1, 2004.

PROFORMA FINANCIAL INFORMATION

PROFORMA FINANCIAL INFORMATION
DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
PROFORMA CONSOLIDATED BALANCE SHEETS
MAY 1, 2004
(Dollars in Thousands)
(Unaudited)

ASSETS	Historical Del Global Consolidated at May 1, 2004	Proforma Del High Voltage Sale May 1, 2004	Proforma Debt Paydown Adjustments May 1, 2004	Proforma Del Global Consolidated at May 1, 2004
-----	-----	-----	-----	-----
		(Note 1)	(Note 2)	
CURRENT ASSETS				
Cash and cash equivalents	\$6,753	3,295	(3,295)	\$6,753
Trade receivables (net of allowance for doubtful accounts of \$1,408 at May 1, 2004,	17,337	(2,631)		14,706
Inventory - Net	17,132	(4,797)		12,335
Deferred income tax asset - current				
Prepaid expenses and other current assets	876			876

Total current assets	42,098	(4,133)		34,670
REFUNDABLE INCOME TAXES				
FIXED ASSETS - Net	8,396	(1,200)		7,196
DEFERRED INCOME TAX ASSET-NON CURRENT	927			927
GOODWILL	1,911			
INTANGIBLES - Net	120			1,911
OTHER ASSETS	1,554			120
	-----			1,554

TOTAL ASSETS	\$55,006	(\$5,333)	(\$3,295)	\$46,378
	=====	=====	=====	=====

See notes to unaudited proforma consolidated financial statements

PROFORMA FINANCIAL INFORMATION
DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
PROFORMA CONSOLIDATED BALANCE SHEETS
MAY 1, 2004
(Dollars in Thousands)
(Unaudited)

	Historical Del Global Consolidated at May 1, 2004	Proforma Del High Voltage Sale May 1, 2004 (Note 1)	Proforma Debt Paydown Adjustments May 1, 2004 (Note 2)	Proforma Del Global Consolidated at May 1, 2004
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term credit facilities	5,294		(\$ 3,295)	\$ 1,999
Current portion of long-term debt	806	(72)		734
Accounts payable - trade	13,075	(804)		12,271
Accrued liabilities	8,324	(258)		8,066
Litigation settlement reserves	5,586			5,586
Income taxes payable	779			779
	-----			-----
Total current liabilities	33,864	(1,134)	(3,295)	29,435
NON-CURRENT LIABILITIES				
Long-term debt	5,158			5,158
Subordinated note	1,921			1,921
Other long-term liabilities	2,690	(188)		2,502
	-----			-----
Total liabilities	43,633	(1,322)	(3,295)	39,016
MINORITY INTEREST IN SUBSIDIARY	1,326			1,326

COMMITMENTS AND CONTINGENCIES				
SHAREHOLDERS' EQUITY				
Common stock, \$.10 par value; Authorized 20,000,000 shares; Issued and outstanding - 10,976,081 at May 1, 2004	1,097			1,097
Additional paid-in capital	63,713			63,713

Accumulated other comprehensive gain	849		849
Accumulated deficit	(50,066)		(54,077)
Less common stock in treasury - 643,533 shares	(5,546)		(5,546)

Total shareholders' equity	10,047	(4,011)	(6,036)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 55,006	\$ 5,333	(\$ 3,295)
	=====	=====	=====

See notes to unaudited proforma consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
PROFORMA CONSOLIDATED STATEMENT OF OPERATIONS
NINE MONTHS ENDED MAY 1, 2004
(Dollars in Thousands)
(Unaudited)

	Historical Del Global Consolidated Nine Months Ended May 1, 2004 -----	Historical Del High Voltage Nine Months Ended May 1, 2004 ----- (Note 3)	Proforma Del Global Consolidated Nine Months Ended May 1, 2004 -----
NET SALES	\$ 75,958	\$ 11,513	\$ 64,445
COST OF SALES	59,129	10,019	49,110
GROSS MARGIN	16,829	1,494	15,335
Selling, general and administrative	13,865	2,038	11,827
Research and development	1,144	-	1,144
Litigation settlement costs	3,199	-	3,199
Impairment of goodwill and other intangible assets and	1,453	1,453	0
	-----	-----	-----
Total operating expenses	19,661	3,491	16,170
	-----	-----	-----
OPERATING LOSS	(2,832)	(1,997)	(835)
Interest expense	1,562	-	1,562
Other (income) expense	(104)	3	(107)
	-----	-----	-----
LOSS BEFORE INCOME TAXES AND MINORITY INTEREST	(4,290)	(2,000)	(2,290)
INCOME TAX PROVISION	8,479	-	8,479
	-----	-----	-----
NET LOSS BEFORE MINORITY INTEREST	(12,769)	(2,000)	(10,769)
MINORITY INTEREST	484	-	484
	-----	-----	-----
NET LOSS	\$(13,253)	\$(2,000)	\$(11,253)
	=====	=====	=====

See notes to unaudited proforma consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
PROFORMA CONSOLIDATED STATEMENT OF OPERATIONS
FISCAL YEAR ENDED AUGUST 2, 2003
(Dollars in Thousands)
(Unaudited)

	Historical Del Global Consolidated Fiscal Year Ended August 2, 2003 -----	Historical Del High Voltage Fiscal Year Ended August 2, 2003 ----- (Note 3)	Proforma Del Global Consolidated Fiscal Year Ended August 2, 2003 -----
NET SALES	\$ 98,619	\$ 30,407	\$ 68,212
COST OF SALES	77,496 -----	24,954 -----	52,542 -----
GROSS MARGIN	21,123	5,453	15,670
Selling, general and administrative	21,933	4,030	17,903
Research and development	2,218	625	1,593
Litigation settlement costs	2,126	-	2,126
Facilities reorganization costs	788	661	127
	-----	-----	-----
Total operating expenses	27,065 -----	5,315 -----	21,750 -----
OPERATING INCOME (LOSS)	(5,942)	138	(6,080)
Interest expense	1,388	-	1,388
Other income	633	36	597
	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	(6,697)	174	(6,871)
INCOME TAX PROVISION	8,233 -----	- -----	8,233 -----
NET INCOME LOSS BEFORE MINORITY INTEREST	(14,930)	174	(15,104)
MINORITY INTEREST	115 -----	- -----	115 -----
NET LOSS	\$(15,045) =====	\$ 174 =====	\$(15,219) =====

See notes to unaudited proforma consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
STATEMENTS

The Pro Forma Consolidated Balance Sheet reflects the financial position of the Company after giving effect to the disposition of the assets and liabilities of the Del High Voltage Division discussed in Item 2 as if the disposition took place on May 1, 2004. The Pro Forma Consolidated Balance Sheet also reflects the paydown of \$3.3 million of revolving credit borrowings with the assumed proceeds from the Del High Voltage sale as if the transaction had occurred as of May 1, 2004. Assumed proceeds of the transaction were calculated applying working capital and other adjustments as defined in the Asset Purchase Agreement to the balance sheet as of May 1, 2004. Actual transaction proceeds based on the working capital and other adjustments in effect as of the closing date were \$3.1 million.

The Pro Forma Consolidated Statements of Operations for the fiscal year ended August 2, 2003 and the nine months ended May 1, 2004 assume that the disposition occurred on August 4, 2002 and August 3, 2003, respectively, and are based on the operations of the Company for the periods then ended. Such pro forma financial statements do not reflect any reduction in interest expense resulting from the assumed debt paydown for both periods presented because the Company's

domestic credit facilities calculate interest on a minimum floor balance of \$5.0million and both actual and proforma debt balances were below the floor balance level.

The unaudited pro forma consolidated financial statements have been prepared by the Company based on adjustments necessary to reflect the disposition. The unaudited pro forma consolidated financial statements presented herein are shown for illustrative purposes only and are not necessarily indicative of the future financial position or future results of operations of the Company or the results of operations that would have actually occurred had the transaction been effective as of the periods presented.

PROFORMA CONSOLIDATED BALANCE SHEET

1) To record \$3.5 million selling price, as adjusted, transaction fees accrued and the transfer of certain Del High Voltage assets and liabilities as defined in the Asset Purchase Agreement. The transaction results in an estimated pretax loss on disposal of \$4.0 million as of May 1, 2004 posted to accumulated deficit. No tax provision was provided on the estimated pretax loss because the Company has fully valued its Deferred Tax assets, and as a result has stopped recording additional tax benefits as explained more fully in the Financial Statement Notes to the Company's Annual Report on Form 10-K for the Fiscal Year ended August 2, 2003.

2) To record paydown of \$ 3.3 million of revolving credit debt with proceeds from the transaction.

PROFORMA CONSOLIDATED STATEMENT OF OPERATIONS

Nine Months Ended May 1, 2004 and Fiscal Year Ended August 2, 2003

3) Adjustment to subtract the results of the Del High Voltage division for the period from Consolidated operations. As stated above, no interest rate adjustments were made based on the assumed debt paydown with transaction proceeds, due to minimum floor balance requirement on the Company's domestic credit facilities. The Consolidated tax provision for both periods results reflect certain valuation allowances taken against deferred tax assets. No tax provision was allocated to the Del High Voltage division in the Proforma Consolidated Statement of Operations because the transaction was structured a sale of assets, and income tax related balances arising from Del High Voltage operations remained with the parent Company.

SIGNATURES

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

DEL GLOBAL TECHNOLOGIES CORP.
(Registrant)

Date: October 7, 2004

By: /s/ Mark A. Koch

Mark A. Koch
Principal Accounting Officer

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
99.01	Asset Purchase Agreement by and between the registrant and Spellman High Voltage Electronics Corporation dated October 1, 2004.

Lease Assignment by and among the
registrant, Spellman and DP 16 LLC
dated as of October 1, 2004.

ASSET PURCHASE AGREEMENT

By and Between

Spellman High Voltage Electronics Corporation, as Buyer,

and

Del Global Technologies Corp., as Seller

Dated as of October 1, 2004

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") dated as of October 1, 2004 by and between Spellman High Voltage Electronics Corporation, a New York corporation ("Buyer"), and Del Global Technologies Corp., a New York corporation ("Seller").

W I T N E S S E T H:

WHEREAS, Del High Voltage, a division of Seller, is engaged in the design, manufacture, marketing and sales of high voltage power conversion systems (the "Business"); and

WHEREAS, Buyer desires to purchase and Seller desires to sell substantially all of the assets used in the Business, upon the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual promises herein contained, the parties hereto agree as follows:

ARTICLE I

ASSETS TO BE PURCHASED AND ASSUMPTION OF OBLIGATIONS

SECTION 1.1 (a) DESCRIPTION OF ASSETS. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing (as hereinafter defined), Seller shall sell, convey, transfer, assign and deliver to Buyer, and Buyer shall purchase, acquire and take assignment and delivery from Seller, all of Seller's right and title to and interest in and to the business assets, properties, rights (contractual or otherwise) and claims exclusively used in connection with the Business (other than the Excluded Assets specified in Section 1.1(b)) (the "Property"). Nothing contained herein shall require the physical delivery of the Property. The Property shall include, without limitation, all of Seller's right, title and interest in and to the following:

(i) All inventory, raw materials, packaging materials, machinery, equipment, tooling, parts, furniture, supplies, vehicles, office equipment and other tangible personal property used in conducting the Business (the "Personal Property"), including, without limitation, the Personal Property listed on SCHEDULE 1.1(a)(i) hereto;

(ii) All industrial and intellectual property rights used in conducting the Business, including, without limitation, patents, patent rights, patent applications, inventions, trade secrets, processes, formulas, customer lists, engineers' drawings, proprietary rights, proprietary knowledge, computer software, websites, URLs, domain names, trademarks, names, service marks, brand marks, brand names, trade names, source or object code, copyrights, trade secrets relating to or arising from any proprietary process, symbols and logos related to the Business and all applications therefore, registrations thereof and licenses and sublicenses or agreements in respect thereof, solely related to the Business, which Seller owns or has the right to use in connection with the Business or to which Seller is a party on behalf of the Business and all filings, registrations or issuances of any of the foregoing with or by any federal, state, local or foreign regulatory, administrative or governmental office (PROVIDED, HOWEVER, that, to the extent that any of the foregoing

utilizes or incorporates any other proprietary rights owned or licensed by or from Seller and not related to the Business, all of such other proprietary rights shall remain the property of Seller and Buyer shall acquire no rights therein) listed on SCHEDULE 1.1(a)(ii) (collectively, the "Proprietary Rights");

(iii) All leases of equipment, machinery or other tangible

personal property used in conducting the Business as listed on Schedule 1.1(a)(iii) hereto (the "Personal Property Leases");

(iv) All contracts, agreements, contract rights, license agreements, customer contracts, distribution agreements, franchise rights and agreements, purchase and sales orders, quotations and executory commitments, instruments, royalty agreements, third party guaranties, indemnifications, arrangements and understandings, whether oral or written, related to the Business to which Seller is a party (whether or not legally bound thereby) and used in conducting the Business as listed on SCHEDULE 1.1(a)(iv) hereto (the "Contracts");

(v) All franchises, licenses, permits, consents, authorizations, approvals and certificates of any regulatory, administrative or other Governmental Authority (as defined herein) used in conducting the Business (to the extent the same are transferable by Seller to Buyer) as listed on SCHEDULE 1.1(a)(v) hereto (the "Permits");

(vi) All accounts receivable relating to or arising out of the operation of the Business as listed on SCHEDULE 1.1(a)(vi) (the "Receivables");

(vii) All causes of action, judgments, claims or demands of whatever kind or description relating to the Business which Seller has or may have against any other person or entity as listed on SCHEDULE 1.1(a)(vii) hereto (the "Causes of Action");

(viii) Seller's marketing and sales materials relating solely to the Business;

(ix) Seller's backlog relating to the Business;

(x) All customer or client lists, files, documentation, records and related documentation used in connection with the Business as listed on SCHEDULE 1.1(a)(x) hereto;

(xi) All security deposits (other than the security deposit related to the lease of the Company's Valhalla, New York facility), prepaid expenses, certificates of deposit, commercial paper, marketable securities and other miscellaneous assets of the Business as listed on SCHEDULE 1.1(a)(xi) hereto;

(xii) All goodwill relating to the Business; and

(xiii) All other tangible and intangible assets used exclusively in connection with the Business, other than the Excluded Assets.

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(b) Notwithstanding the foregoing, the following assets relating to the Business are being retained by Seller, are expressly excluded from the purchase and sale contemplated hereby, and, as such, are not included in the Property (the "Excluded Assets"):

(i) All property and assets of Seller that are not related to the Business;

(ii) All insurance policies, including, without limitation, all rights to receive proceeds of insurance policies and all rights of offset, counterclaims and insurance coverage thereunder;

(iii) All cash, bank accounts, certificates of deposit, commercial paper, annuities, treasury notes and bills and other marketable securities not related to the Business;

(iv) The assets related to the monoblock business;

(v) Any and all income tax credits and refunds;

(vi) Subject to Section 5.4, all severance, pension, retirement and other employee benefit plans;

(vii) All rights of Seller with respect to the claims, refunds, causes of action, rights of recovery, rights of set-off and all other rights and assets of every kind and nature related to the Excluded Liabilities (as defined below);

(viii) All monies to be received by Seller and all other rights of Seller under this Agreement, including, without limitations the Purchase Price (as defined herein) and the other agreements, documents, and instruments executed or delivered in connection with this Agreement; and

(ix) The right to receive mail and other communications addressed to Seller relating to any of the assets described in the foregoing clauses (i) through (viii) or the Excluded Liabilities.

SECTION 1.2 ASSUMPTION OF CERTAIN LIABILITIES. On the Closing Date (as hereinafter defined), Buyer shall, subject to Section 1.4 hereof, assume and hereby agrees to pay, perform and discharge when due, only those debts, liabilities, obligations and commitments of Seller which are set forth below:

(a) all trade accounts payable as listed on SCHEDULE 1.2(a) hereof (the "Trade Accounts Payable");

(b) debts, liabilities, obligations and commitments arising under the Permits, Personal Property Leases and Contracts transferred to Buyer;

(c) all warranty obligations;

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(d) all deferred revenues and accrued commissions that have been earned by the three continuing sales agents but that are not yet payable as of the Closing Date, as listed on SCHEDULE 1.2(d) hereof; and

(e) Seller's liability under that certain Non-Compete Agreement by and among Seller, Del Acquisition Corp. and Howard Bertan, and dated as of April 1, 1994, (the "Non-Compete Agreement") listed on SCHEDULE 1.2(e) hereof.

The liabilities of Seller being assumed by Buyer are hereinafter collectively referred to as the "Assumed Liabilities."

SECTION 1.3 NON-ASSIGNMENT OF CERTAIN PROPERTY. To the extent that the assignment hereunder of any of the Permits, Personal Property Leases or Contracts shall require the consent of any other party (or in the event that any of the same shall be nonassignable) (each, a "Consent Contract"), neither this Agreement nor any action taken pursuant to its provisions shall constitute an assignment or an agreement to assign if such assignment or attempted assignment would constitute a breach thereof; PROVIDED, HOWEVER, that in each such case, Seller shall use its good faith efforts to obtain the consents of such other party to an assignment to Buyer without being obligated to pay any fees or to make any other payments to any party to obtain any such consents. If such consent is not obtained, (i) such Consent Contract shall not be deemed assigned at Closing, (ii) Buyer shall act as Seller's agent to perform Seller's obligations thereunder and shall so perform, and (iii) Seller, at Buyer's expense, shall cooperate with Buyer in any reasonable arrangement designed to provide for Buyer the full benefits of any such Consent Contract including, without limitation, enforcement, for the account and benefit of Buyer, of any and all rights of Seller against any other person with respect to any such Consent Contract. When such consents to the transfer, conveyance and assignment of a Consent Contract have been obtained, if ever, such Consent Contract shall thereupon automatically be transferred, conveyed and assigned to Buyer, and the obligations and liabilities of Seller under such Consent Contract shall automatically cease to be excluded from the Assumption Agreement (as hereinafter defined) by reason of this Section 1.3, without the payment of any additional consideration.

SECTION 1.4 LIABILITIES NOT ASSUMED. With the exception of the Assumed Liabilities, Buyer shall not, by execution and performance of this Agreement or otherwise, assume or otherwise be responsible for any debt, liability, obligation or commitment of any nature of Seller, whether relating to the Business, any of Seller's other assets, operations, businesses or activities, or claims of such liability or obligation, matured or unmatured, liquidated or unliquidated, fixed or contingent, or known or unknown, whether arising out of occurrences prior to, at or after the Closing Date. (the "Excluded Liabilities").

ARTICLE II

PURCHASE PRICE

SECTION 2.1 CONSIDERATION. Upon the terms and subject to the conditions set forth in this Agreement, in consideration for the sale, assignment and transfer of the Property, Buyer shall:

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(a) assume the Assumed Liabilities as provided in Section 1.2 hereof pursuant to a bill of sale, assignment and assumption agreement in the form of Exhibit A hereto (the "Bill of Sale"); and

(b) pay to Seller in cash by wire transfer of immediately available funds in accordance with Seller's written instructions to Buyer, the sum of THREE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$3,500,000) reduced by the dollar amount of the liability assumed by Buyer under the Non-Compete Agreement pursuant to Section 1.2(e) hereof and decreased by the difference between (a) an amount equal to accounts receivable less accounts payable as set forth on the balance sheet of the Business as of July 31, 2004 prepared by Seller's accountants and (b) an amount equal to accounts receivable less accounts payable as set forth on the balance sheet of the Business as of the Closing Date prepared by Seller's accountants (the "Purchase Price").

ARTICLE III

CLOSING

SECTION 3.1 CLOSING. The consummation of the transactions contemplated by this Agreement (the "Closing") shall take place simultaneously with the execution and delivery of this Agreement, at the offices of Olshan Grundman Frome Rosenzweig & Wolosky LLP, Park Avenue Tower, 65 East 55th Street, New York, New York 10022 (the date on which such closing occurs being herein referred to as the "Closing Date").

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.1 REPRESENTATIONS AND WARRANTIES OF BUYER. Buyer hereby represents and warrants to Seller as of the date hereof that:

(a) CORPORATE ORGANIZATION; REQUISITE AUTHORITY. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of New York and has all requisite power and authority to carry on its business as now being conducted and as contemplated to be conducted immediately following the Closing. Complete and correct copies of the Certificate of Incorporation of Buyer and all amendments thereto, certified by the Secretary of State of the State of New York, and the Bylaws of Buyer and all amendments thereto have been previously delivered to Seller.

(b) AUTHORIZATION; VALIDITY. Buyer has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement, the Bill of Sale, the Assignment, the Release, the Lease Assignment, the Solvency Certificate (as such terms are defined herein), and all other agreements, documents and instruments required to be executed by Buyer pursuant hereto (collectively, the "Buyer Agreements") and to consummate the transactions contemplated hereby and thereby. All necessary corporate action has been taken by Buyer with respect to the execution, delivery and performance by Buyer of this Agreement and the Buyer Agreements and the consummation of the transactions contemplated hereby and thereby, and no further corporate authorization will be

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necessary to authorize the execution and delivery by Buyer of, and the performance of its obligations under, this Agreement or the Buyer Agreements. Buyer has delivered to Seller a copy of the resolutions of its Board of Directors approving the execution and delivery of this Agreement and the Buyer Agreements and the consummation of all of the transactions contemplated hereby and thereby, duly certified by an authorized officer of Buyer.

(c) EXECUTION AND DELIVERY. This Agreement and the Buyer Agreements have been duly executed and delivered by Buyer and constitute legal, valid and binding obligations of Buyer, enforceable against Buyer in accordance with their respective terms, except (i) as such enforceability may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally, (ii) as such obligations are subject to general principles of equity and (iii) as rights to indemnity may be limited by federal or state securities laws or by public policy.

(d) GOVERNMENTAL CONSENTS. No action, waiver or consent by any federal, state, municipal or other governmental department, commission or agency ("Governmental Authority") is necessary to make this Agreement and the Buyer Agreements, as appropriate, valid instruments binding upon Buyer in accordance with their respective terms. Buyer is not required to submit any notice, report or other filing with any Governmental Authority in connection with the execution, delivery or performance of this Agreement or any of the Buyer Agreements.

(e) NO CONFLICTS; ABSENCE OF DEFAULT. Neither the execution, delivery and performance of this Agreement or any of the Buyer Agreements by Buyer, nor the consummation by Buyer of the transactions contemplated hereby and thereby, nor compliance by Buyer with the provisions hereof and thereof will (i) conflict with or violate Buyer's Certificate of Incorporation or Bylaws or (ii) conflict with or violate any law, administrative regulation or rule or court order, writ judgment or decree (a "Law") applicable to Buyer except for any such conflict or violation which would not reasonably be expected to have a material adverse effect on Buyer's business operations (as now conducted), the assets, properties, rights, prospects or condition (financial or otherwise) of Buyer, or combination thereof (a "Buyer Material Adverse Effect") or (iii) breach, conflict with, violate or cause a default under any material contract, license or agreement, permit, instrument or obligation to which Buyer or any of its assets is or may be bound, except for any such breach, conflict, violation or default which would not reasonably be expected to cause a Buyer Material Adverse Effect. Neither the execution and delivery of this Agreement and the Buyer Agreements, nor the consummation of the transactions contemplated hereby and thereby, will require any consent, waiver, approval, exemption, registration, declaration, license, authorization or permit of, or filing with or notification to, any other person or entity. Except as set forth on SCHEDULE 4.1(e) hereto, there are no corporate, contractual, statutory or other restrictions of any kind upon the power and authority of Buyer to execute and deliver this Agreement and the Buyer Agreements and to consummate the transactions contemplated hereunder and thereunder.

(f) BROKER. No broker, finder or investment banker is entitled to any brokerage or finder's fee or other commission from Buyer in connection with the transactions contemplated hereby based upon the arrangements made by or on behalf of Buyer.

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(g) LITIGATION. There is no suit, action or administrative or other legal proceeding, nor any order, decree or judgment in progress, pending or in effect, or to the knowledge of Buyer, threatened against Buyer in connection with or relating to the transactions contemplated by this Agreement, or any other agreement to be executed by Buyer pursuant hereto, and Buyer does not know or have any reason to be aware of any basis for the same.

(h) SOLVENCY. Buyer is Solvent (as defined below). Buyer will not fail to be Solvent as a result of the execution and delivery of this Agreement or any of the other agreements, documents, or instruments to which it is a party or as a result of the transactions contemplated hereunder.

"Solvent" shall mean, when used with respect to any person or entity, that at the time of determination:

(i) it is then able and expects to be able to pay its debts as they mature; and

(ii) it has capital sufficient to carry on its business as conducted and as proposed to be conducted.

(i) NO DEFAULT. Buyer is not in default with respect to any indebtedness, note, indenture, loan agreement, mortgage, lease, deed, or other agreement to which Buyer is a party or by which it is bound and Buyer has not received any notice or demands with respect to the same, which default or demand would cause a Buyer Material Adverse Effect.

SECTION 4.2 REPRESENTATIONS AND WARRANTIES OF SELLER. Seller hereby represents and warrants to Buyer as of the date hereof that:

(a) CORPORATE ORGANIZATION; REQUISITE AUTHORITY TO CONDUCT BUSINESS. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of New York and has all requisite power and authority to own, operate or lease the Property and to carry on the Business as now being conducted. Complete and correct copies of the Certificate of Incorporation of Seller and all amendments thereto, certified by the Secretary of State of the State of New York, and the Bylaws of Seller and all amendments thereto have been previously delivered to Buyer. Seller is duly qualified or licensed to do business and is in good standing as a foreign corporation in each jurisdiction in which the ownership or leasing of the Property or the transaction of business by the Business requires it to be so qualified or licensed, except where the failure to be so qualified or licensed would not in the aggregate reasonably be expected to have a material adverse effect on the operations of the Business (as now conducted), or the assets, properties, rights, prospects or condition (financial or otherwise) of the Business, or combination thereof (a "Seller Material Adverse Effect").

(b) AUTHORIZATION; VALIDITY. Seller has all requisite power and authority to execute, deliver and perform its obligations under this Agreement, the Bill of Sale, the Assignment, the IP Assignment (as such term is defined herein), the Lease Assignment and all other agreements, documents and instruments required to be executed by Seller pursuant hereto (collectively, the "Seller Agreements"), and to consummate the transactions contemplated hereby and thereby. All necessary corporate action has been taken by Seller with respect to

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the execution, delivery and performance by Seller of this Agreement and the Seller Agreements and the consummation of the transactions contemplated hereby and thereby, and no further corporate authorization will be necessary to authorize the execution and delivery by Seller and the performance of its obligations under this Agreement or the Seller Agreements.

(c) EXECUTION AND DELIVERY. This Agreement and the Seller Agreements have been duly executed and delivered by Seller and constitute legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms, except (i) as such enforceability may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally, (ii) as such obligations are subject to general principles of equity and (iii) as rights to indemnity may be limited by federal or state securities laws or by public policy.

(d) GOVERNMENTAL CONSENTS; PERMITS. Except as set forth on SCHEDULE 4.2(e), no action, waiver or consent by any Governmental Authority is necessary to make this Agreement and the Seller Agreements, as appropriate, valid instruments binding upon Seller in accordance with their respective terms. Except as set forth on SCHEDULE 4.2(e), Seller is not required to submit any notice, report or other filing with any Governmental Authority in connection with the execution, delivery or performance of this Agreement or any of the Seller Agreements, except where the failure to do so would have a Seller Material Adverse Effect. The Permits listed on SCHEDULE 1.1(a)(v) are all of the permits necessary to sell the products of the Business being sold as of the date hereof.

(e) CONFLICTS; ABSENCE OF DEFAULT. Neither the execution, delivery or performance of this Agreement or any of the Seller Agreements by Seller nor the consummation by Seller of the transactions contemplated hereby and thereby, nor compliance by Seller with any of the provisions hereof and thereof will (i) conflict with or violate Seller's Certificate of Incorporation or Bylaws; (ii) conflict with or violate any Law applicable to the Business or any of the Property, which would have a Seller Material Adverse Effect; or (iii) breach, conflict with, violate or cause a default under any material contract, license or agreement, permit, instrument, or obligation (the "Seller Contracts") to which Seller or any of its assets is or may be bound, except for any such breach, conflict, violation or default which would not reasonably be expected to cause a Seller Material Adverse Effect. Neither the execution and delivery of this Agreement and the Seller Agreements nor the consummation of the transactions contemplated hereby and thereby will require any consent, waiver, approval, exemption, registration, declaration, license, authorization or permit of, or filing with or notification to, any other person or entity, except for such consents, waivers, approvals, exemptions, registrations, declarations, licenses authorizations, permits, filings or notifications which have been obtained and are listed on SCHEDULE 4.2(e), or which, if not obtained or made, will not allow for the termination, cancellation or acceleration of any obligation to repay under, any of the terms, conditions or provisions of any Contract or obligation. Neither the execution, delivery or performance of this Agreement or any of the Seller Agreements, nor the consummation by Seller of the transactions contemplated hereby or thereby, nor compliance by Seller with any of the provisions hereof and thereof will constitute a default (in and of itself or with the giving of notice, passage of time or both) under the Seller Contracts, or result in the creation or imposition of any encumbrance upon, or giving to any other party or parties any claim, interest or right including rights of termination or cancellation in, or with respect to, the Business or Property, which would have a Seller Material Adverse Effect; or result in the loss of any license, franchise, legal privilege possessed by Seller or give a right of termination to any party to any agreement or other instrument to which Seller is a party or by which any of the Property or the Business is bound, which would have a Seller Material Adverse Effect. Except as set forth on

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SCHEDULE 4.2(e), there are no corporate, contractual, statutory or other restrictions of any kind upon the power and authority of Seller to execute and

deliver this Agreement and the Seller Agreements and to consummate the transactions contemplated hereunder and thereunder.

(f) ENVIRONMENTAL MATTERS. Except as set forth on SCHEDULE 4.2(f), none of which would constitute a Seller Material Adverse Effect, (A) the Property and the Business are in compliance with all applicable Environmental Laws, except where failure to be in compliance would not have a Seller Material Adverse Effect; (B) there is no Environmental Claim pending against the Seller with regard to the Property or the Business; (C) Seller has obtained all material permits, approvals, identification numbers, licenses or other authorizations required under any applicable Environmental Laws with regard to the Property or the Business (the "Environmental Permits") and is and has been in compliance with their requirements; (D) there are no underground or aboveground storage tanks or any surface impoundments, septic tanks, pits, sumps or lagoons in which Hazardous Materials are being or have been treated, stored or disposed of on any real property currently owned or leased by Seller for the Business other than in compliance with Environmental Laws; (E) the Seller has not undertaken or completed any investigation or assessment or remedial or response action relating to any such release, discharge or disposal of or contamination with Hazardous Materials at any site, location or operation of the Business, either voluntarily or pursuant to the order of any Governmental Entity or the requirements of any Environmental Law; and (F) except as set forth on Schedule 4.2(f), there have been no actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, notices of liability or potential liability, investigations, proceedings, consent orders or consent agreements relating in any way to Environmental Laws, any Environmental Permits or any Hazardous Materials (the "Environmental Claims") against the Seller with regard to the Business.

(i) For purposes of this Section 4.2(f):

(A) "ENVIRONMENTAL CLAIM" shall mean any claim, action, demand, order, or notice by or on behalf of, any Governmental Authority or person alleging potential liability arising out of, based on or resulting from the violation of any Environmental Law or permit or relating to any Hazardous Materials.

(B) "ENVIRONMENTAL LAWS" shall mean all Laws that are applicable to the Business or the Property relating to Releases or threatened Releases of Hazardous Materials or otherwise relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to (A) the Releases or threatened releases of Hazardous Materials or materials containing Hazardous Materials or (B) the manufacture, generation, handling, treatment, storage, transport, disposal or handling of Hazardous Materials or materials containing Hazardous Materials.

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(C) "HAZARDOUS MATERIALS" means all substances, matters and other particles defined or listed as "hazardous" or "toxic" under Environmental Laws or are otherwise subject to or regulated by Environmental Laws.

(D) "RELEASE" shall mean any release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Materials into the indoor or outdoor environment, including the movement of Hazardous Materials through the air, soil, surface water or groundwater.

(g) ABSENCE OF CERTAIN CHANGES AND EVENTS. Except as set forth on SCHEDULE 4.2(g), since July 27, 2004, there has not been with respect to the Business:

(i) Any Seller Material Adverse Effect;

(ii) Other than in the usual and ordinary course of business, any increase in amounts payable by Seller to or for the benefit of or committed to be paid by Seller to or for the benefit of any officer, consultant, agent or employee of the Business, in any capacity, whether in the form of salary, bonus, consulting fee, directors fee or otherwise, or in any benefits granted under any bonus, stock option, profit sharing, pension, retirement, deferred compensation, insurance, or other direct or indirect benefit plan with respect to any such person;

(iii) Any transaction entered into or carried out by Seller with respect to the Business or the Property other than in the ordinary and usual course of its business resulting in the incurrence of liabilities or obligations of Seller;

(iv) Any material change made with respect to the Business in the methods of doing business or in the accounting principles or practices or the

method of application of such principles or practices;

(v) Any mortgage, pledge, lien, security interest, hypothecation, charge or other encumbrance imposed or agreed to be imposed on or with respect to the Property which will not be discharged prior to the Closing, except for Permitted Liens (as hereinafter defined);

(vi) Any sale, lease or other disposition of, or any agreement to sell, lease or otherwise dispose of any Property, individually in excess of \$1,000, or in the aggregate in excess of \$5,000, excluding sales of inventory held for sale in the ordinary course of business;

(vii) Any purchase of or any agreement to purchase capital assets or any lease or any agreement to lease, as lessee, any capital assets of the Business individually in excess of \$1,000 or in the aggregate in excess of \$5,000;

(viii) Any modification, waiver, change, amendment, release, rescission or termination of, or accord and satisfaction with respect to, any term, condition or provision of any contract, agreement, license or other instrument with respect to the Property or the Business to which Seller is a party, which would have a Seller Material Adverse Effect, other than any satisfaction by performance in accordance with the terms thereof in the usual and ordinary course of its business;

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(ix) Any damage, destruction or similar loss, whether or not covered by insurance, adversely affecting the Business in excess of \$1,000 individually, or \$5,000 in the aggregate;

(x) Any strike, picketing, work slowdown or labor disturbance with respect to the Business; or

(xi) To Seller's knowledge, any change in any Law applicable to or binding upon the Business or the Property, which would have a Seller Material Adverse Effect.

(h) TAXES AND TAX RETURNS. (i) For purposes of this Agreement, (A) the term "Taxes" shall mean all taxes, charges, fees, levies or other assessments, including, without limitation, income, gross receipts, excise, property, use, sales, license, payroll and franchise taxes, imposed by the United States, or any state, local or foreign government or subdivision or agency thereof whether computed on a unitary, combined or any other basis; and such term shall include any interest and penalties or additions to tax; and (B) the term "Tax Return" shall mean any report, return or other information required to be filed with, supplied to or otherwise made available to a taxing authority in connection with Taxes.

(ii) Seller has (A) filed with the appropriate taxing authorities all Tax Returns relating to the Property or the Business required to be filed for any period ending on or before the Closing Date (or are properly on extension), and all such filed Tax Returns are true, correct and complete in all material respects, and (B) paid in full all Taxes shown to be due on such Tax Returns, together with any penalties or fines due in connection therewith. There are no liens for Taxes upon the Property except for statutory liens for current Taxes not yet due and payable. Seller will file appropriate Tax Returns for any period ending on or before the Closing Date, and pay any Taxes for such periods when due. Seller has not received any outstanding notice of audit or is undergoing any audit of Tax Returns relating to the Property or the Business or received any notice of deficiency or assessment from any taxing authority with respect to liability for Taxes relating to the Property or the Business which has not been fully paid or finally settled. There have been no waivers of statutes of limitations by Seller with respect to any Tax Returns relating to the Property or the Business. Seller has complied in all material respects with all applicable laws, rules and regulations relating to the payment and withholding of Taxes and has withheld all amounts required by law to be withheld from the wages or salaries of employees and independent contractors of the Business, and is not liable for any Taxes with respect to the employees and independent contractors of the Business for failure to comply with such laws, rules and regulations.

(i) EMPLOYMENT MATTERS; ERISA MATTERS. Except as set forth on SCHEDULE 4.2(i), there are no employment, consulting, severance or indemnification contracts between the Seller and any of the employees of the Business. The Seller is not a party to any union contract or collective bargaining agreement relating to any aspect of the Business. SCHEDULE 4.2(i) identifies those employees of the Seller who are deemed to be key employees to the operations of the Business. Except as otherwise set forth in this Agreement, Seller has no

plans to terminate any key employee, and none of the key employees is expected to terminate his employment with the Seller. All liabilities or obligations to any employee of the Business resulting from Buyer's failure to offer employment to any employee shall be and remain the sole responsibility and liability of the

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Seller. The Seller either has paid to date or will pay within the normal payroll cycle after the Closing Date all accrued wages, salary, bonus, commissions, vacation and sick pay accrued on or before the Closing Date for all of the employees, agents and representatives of the Business, including payroll overheads. The Seller is in compliance with Laws respecting employment and employment practices, terms and conditions of employment and wages and hours. The Seller shall be solely liable for all contributions, benefits and other obligations with respect to all employee benefit plans of which the Seller is or ever has been a party or by which it is or ever has been bound in connection with the Business, including, without limitation, (i) any profit-sharing, deferred compensation, bonus, stock option, phantom stock, stock purchase, pension, retainer, consulting, retirement, severance, welfare or incentive plan, agreement or arrangement (including, without limitation, all employee benefit plans which are intended to be qualified under Section 401(a) of Internal Revenue Code (including any "multiemployer" plans within the meaning of Section 3(37) of ERISA)), (ii) any plan, agreement or arrangement providing for "fringe benefits" or perquisites to employees, officers, directors or agents, including, but not limited to, benefits relating to automobiles, clubs, vacation, child care, parenting, sabbatical, sick leave, medical, dental, hospitalization, life insurance and other types of insurance of the Business, (iii) any employment agreement, or (iv) any other "employee benefit plan" within the meaning of ERISA (collectively, the "Plans"). The Seller has no responsibility for and has not assumed any pension-related liability of any predecessor business or Person.

(j) TITLE TO PROPERTY. (i) Seller has good and marketable title, or valid leasehold rights (in the case of leased property), to all of the Personal Property, free and clear of all liens, claims and encumbrances of any nature, other than as disclosed on SCHEDULE 4.2(j) (the "Permitted Liens"). On the Closing Date, Seller will convey to Buyer good and marketable title to the Property or, in the case of assets constituting Property which are leased or licensed by Seller pursuant to Personal Property Leases or other Contracts, valid leasehold interests or licenses to such Personal Property Leases or other Contracts, free and clear of all liens, claims and encumbrances of any nature other than Permitted Liens. Except for the Excluded Assets, (i) SCHEDULE 1.1(a)(i) sets forth a complete and accurate list of all the Personal Property owned by Seller and used in connection with the Business, including without limitation, all inventory, raw materials, packaging materials, machinery, equipment, tooling, parts, furniture, supplies, vehicles, office equipment and other tangible personal property used in conducting the Business, and (ii) SCHEDULE 1.1(a)(iii) sets forth a complete and accurate list of all Personal Property Leases owned by Seller and used in connection with the Business, including, without limitation, all leases of equipment or other personal property used in the conduct of the Business. All Property used in the conduct of the Business is owned or leased by Seller and is held free and clear of all mortgages, pledges, liens, security interests, claims, encumbrances and restrictions of any nature whatsoever other than Permitted Liens. Except for Permitted Liens, no financing statement under the Uniform Commercial Code or similar law naming Seller as debtor has been filed, and not been terminated, prior to the Closing Date in any jurisdiction in respect of the Property, and, except as disclosed on SCHEDULE 4.2(j), Seller is not a party to or bound under any agreement or legal obligation authorizing any party to file any such financing statement.

(ii) SCHEDULE 1.1(a)(iii) sets forth, with respect to Personal Property Leases, the commencement date, termination date, renewal options, if any, and annual base rents. Except as disclosed on SCHEDULE 4.2(j) and in the SEC Reports each such Personal Property Lease is valid and enforceable in

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accordance with its terms in all respects and is in full force and effect. Neither Seller, nor to Seller's knowledge any other party to any Personal Property Lease, is in default of its obligations thereunder, and Seller (or any other party to any such Personal Property Lease) has not at any time delivered or received any notice of default which remains uncured under any such Personal Property Lease and no event has occurred which, with the giving of notice or the passage of time, or both, would constitute a default under any such Lease.

(iii) Seller has valid leasehold rights to the real property that is the subject of the Valhalla Lease (as hereinafter defined), free and clear of

all liens and encumbrances, except for Permitted Liens and except such as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by Seller. Seller is not in default of its obligations under the Valhalla Lease, has not delivered or received any notice of default that remains uncured under the Valhalla Lease, and no event has occurred that, with the giving of notice or the passage of time, or both, would constitute a default under the Valhalla Lease, where such default, notice of default or event would be likely to cause a Seller Material Adverse Effect.

(k) TRADEMARKS, PATENTS AND COPYRIGHTS. (i) Except as disclosed on SCHEDULE 4.2(k), Seller owns or has the right to use, sell or license all Proprietary Rights and such Proprietary Rights are sufficient for the conduct of the Business of Seller as it is currently being conducted as of the date hereof. SCHEDULE 1.1(a)(ii) hereto lists each patent, patent right, patent application, tradename, trademark, trade name registration, trademark registration, trademark application, copyright registration, copyright registration application, service mark, brand mark and brand name, trade secret, formula, source and object code owned or licensed by Seller and currently used in the conduct of the Business, and any license for any of the foregoing in each case;

(ii) Except as disclosed on SCHEDULE 4.2(k), the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not constitute a breach of any instrument or agreement governing any Proprietary Rights, will not cause the forfeiture or termination or give rise to a right of forfeiture or termination of any Proprietary Rights or impair the right of the Business to use, sell or license any Proprietary Rights or any portion thereof;

(iii) Except as disclosed on SCHEDULE 4.2(k), neither the manufacture, marketing, license, sale or intended use of any tangible product currently sold by the Business violates any license or agreement between Seller and any third party relating to such product or to Seller's knowledge infringes any intellectual property right of any other party, and there is no pending claim or litigation contesting the validity and Seller's ownership or right to use, sell, license or dispose of any Proprietary Right nor has Seller received any notice asserting that any Proprietary Right or the proposed use, sale, license or disposition thereof conflicts or will conflict with the rights of any other party, and Seller has neither licensed the use of the Proprietary Rights to any third party nor permitted the use by any third party of the same in a manner which would infringe the trademark rights of Seller; and

(iv) Except as disclosed on SCHEDULE 4.2(k), Seller has not received any notice that, any current or prior members, officers, employees or

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consultants of Seller claim an ownership interest in any of the Proprietary Rights as a result of having been involved in the development of such property while employed by or consulting to the Business or otherwise.

(l) ACCOUNTS RECEIVABLE. The Receivables listed on SCHEDULE 1.1(a)(iv) are or will be subsisting; arose or will arise in the ordinary and usual course of business of the Business; are not and will not be subject to any counterclaim, set-off or defense known to the Seller; and are not and will not be subject to any lien or encumbrance, other than Permitted Liens.

(m) LEGAL PROCEEDINGS, CLAIMS, INVESTIGATIONS, ETC. Except as disclosed on SCHEDULE 4.2(m), there is no legal, administrative, arbitration or other action or proceeding or governmental investigation pending against Seller related to the Business or, to Seller's knowledge, pending against any member, officer or employee thereof relating to the Business. Except as disclosed on SCHEDULE 4.2(m), Seller has not been informed of any violation of or default under, any laws, ordinances, regulations, judgments, injunctions, orders or decrees (including without limitation, any immigration laws or regulations) of any court, governmental department, commission, agency, instrumentality or arbitrator applicable to the Business. Except as disclosed in SCHEDULE 4.2(m), the Business is not currently subject to any judgment, order, injunction or decree of any court, arbitral authority, administrative agency or Governmental Authority.

(n) CONTRACTS. SCHEDULE 1.1(a)(iv) sets forth complete and accurate list as of the Closing Date hereof of all contracts or agreements to which Seller is a party relating to the Business, involving either aggregate consideration payable to or by Seller of \$5,000 in a twelve month period or the Property, and Seller has provided Buyer copies of all of the Contracts.

Each such Contract (i) is in full force and effect and is binding upon and enforceable against Seller, and, to Seller's knowledge, all other parties thereto in accordance with its terms, (ii) has not been otherwise materially

amended or modified by Seller except as specified in such Schedule and (iii) is not in default due to the action of Seller or, to Seller's knowledge, any other party thereto.

(o) CERTAIN TRANSACTIONS. No officer or employee of Seller, nor any member of any such person's family is presently a party to any material transaction with Seller relating to the Business, including without limitation, any contract, agreement or other arrangement (i) providing for the furnishing of services by, (ii) providing for the rental of real or personal property from, or (iii) otherwise requiring payments to (other than for services as managers, officers, directors or employees of the Business), any such person or any corporation, partnership, trust or other entity in which any such person has a substantial interest as a stockholder, officer, director, trustee or partner.

(p) BROKER. Other than Imperial Capital, LLC, no broker, finder or investment banker is entitled to any brokerage or finder's fee or other commission from Seller in connection with the transactions contemplated hereby based on the arrangements made by or on behalf of Seller.

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(q) LICENSES. Seller is the holder of all state, federal and local licenses, permits and approvals required to conduct the Business as it is presently being conducted, except where the failure to hold the same would not have a Seller Material Adverse Effect. Except as set forth on SCHEDULE 4.2(q), all of the Permits are in good standing, valid and effective, and free and clear of any liens, conditions or restrictions which might limit their full utilization as authorized by any governmental authority. SCHEDULE 1.1(a)(v) lists each Permit held by Seller with respect to the Business and its date of expiration. SCHEDULE 4.2(q) sets forth those Permits issued by various governmental authorities and used by Seller in the Business that are not assignable. Seller's inability to assign such Permits to Buyer shall not constitute a breach or default of any provision of this Agreement.

(r) COMPLIANCE WITH LAW. Except as set forth on Schedule 4.2(r), Seller has complied in all material respects with all Laws, which are applicable to or binding upon the Business or the Property.

(s) BOOKS OF ACCOUNT; RECORDS. The general ledgers, books of account and other records of Seller in respect of the Business are complete and correct in all respects and have been maintained in accordance with good business practices and on a consistent basis from period to period reflected therein.

(t) CONDITION OF THE PROPERTY. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED, HEREIN, ALL OF THE PROPERTY IS CONVEYED TO BUYER AS IS, WHERE IS AND SELLER HEREBY DISCLAIMS ALL WARRANTIES WITH RESPECT THERETO, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

(u) ACCOUNTS PAYABLE. All accounts payable of the Business have been incurred in the ordinary course of business consistent with past practice.

(v) CUSTOMERS. Except as set forth on SCHEDULE 4.2(v), there are no pending disputes between Seller and any of the vendors, suppliers, or customers of the Business or other parties which in any way relate to Seller's operation of the Business.

ARTICLE V

COVENANTS

SECTION 5.1 PRESERVATION OF BOOKS AND RECORDS. Seller will preserve and maintain all books and records of the Business in its possession and not otherwise transferred to Buyer pursuant to this Agreement until at least December 31, 2004. Seller covenants to provide Buyer and its auditors, employees and agents with full access to the records of Seller (other than Seller's attorney-client communications and work product) upon reasonable notice during normal business hours and shall allow Buyer and its auditors, employees and agents, at Buyer's expense, to make copies of such documents, records and other information pertaining to the Business as Buyer may reasonably request. If Seller desires to dispose of any such books and records at the end of such period or before the expiration of such period, Seller will first give written notice thereof to Buyer and will, at Buyer's option and expense, appropriately package and deliver such books and records to Buyer at such location as Buyer shall designate. If upon receiving written notice of Seller's desire to dispose

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of books and records, Buyer does not direct Seller to deliver such books and records within 45 days, then Seller may dispose of such books and records without violating the terms of this Agreement.

SECTION 5.2 ADDITIONAL COVENANTS. Seller and Buyer covenant and agree subject to the conditions set forth herein, to proceed diligently and to use reasonable efforts to take or cause to be taken all actions and to do or cause to be done all things necessary, proper and advisable to consummate the transactions contemplated by this Agreement and to prepare and execute such additional documents and to take or cause to be taken such additional actions, as either party may reasonably request pursuant to the terms and conditions of this Agreement.

SECTION 5.3 SALES AND TRANSFER TAXES. All sales and transfer taxes, recording taxes, and similar taxes and charges, incurred in connection with the sale of the Property under this Agreement will be borne by Buyer.

SECTION 5.4 TRANSFERRED EMPLOYEES.

(a) OFFER OF EMPLOYMENT. Subject to and in accordance with the provisions of this Section 5.4, Buyer shall, effective upon the Closing, offer full-time employment to most of the employees who are employed by Seller as of the Closing Date solely in connection with the Business and are listed on SCHEDULE 5.4(a) hereof (the "Del High Voltage Employees") on terms and conditions substantially equivalent to the terms and conditions of employment and benefits for current employees of Buyer in similar job classifications and grades. Buyer shall hire all of the Del High Voltage Employees who accept such offer. Buyer will deliver to Seller a list of all of the Del High Voltage Employees who have accepted an offer of employment from Buyer promptly after the Closing. Each of the Del High Voltage Employees who actually becomes a full-time employee of Buyer upon the Closing is hereinafter referred to as a "Transferred Employee."

(b) TRANSITION. The employment of each Transferred Employee by Seller shall end effective as of the close of business on the day before the Closing Date and the employment of the Transferred Employees by Buyer shall commence at or after 12:01 a.m. on the day of the Closing Date.

(c) RETENTION OF EMPLOYEES PRIOR TO CLOSING. Seller shall expend its reasonable efforts to assist Buyer in securing the employment on the Closing Date of the Del High Voltage Employees; provided, however, that Seller shall not be required to incur any financial obligation beyond continuing to pay for current employee compensation and benefits prior to the Closing in connection with the foregoing unless otherwise required by this Agreement.

(d) COMPENSATION AND BENEFITS OF TRANSFERRED EMPLOYEES. Coverage for Transferred Employees under Buyer's benefit plans and programs shall commence as of 12:01 a.m. on the Closing Date. Buyer shall give each Transferred Employee credit for such Transferred Employee's years of most recent continuous service (including time during approved leaves of absences of less than twenty-six (26 weeks)) with Seller for purpose of determining participation and benefit levels under all of Buyer's vacation policies and benefit plans and programs, unless otherwise prohibited by law or the terms of any of Buyer's benefit plans and

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programs. Seller shall retain responsibility for all vacation time for Transferred Employees accrued on or before the Closing Date and for any claims under its health insurance policies made by Transferred Employees arising out of insurable losses incurred or claims accrued on or prior to the Closing Date.

(e) EMPLOYEES OTHER THAN TRANSFERRED EMPLOYEES. Seller shall retain responsibility only for employees of the Business listed on SCHEDULE 5.4(e).

SECTION 5.5 VALHALLA LEASE ASSIGNMENT. Buyer agrees to lease certain space located at the Seller's Valhalla, New York facility, pursuant to the terms of that certain Assignment, Assumption, Consent, Estoppel and Modification of Lease for such premises substantially in the form of EXHIBIT C hereto (the "Lease Assignment").

SECTION 5.6 NONCOMPETE. For a period of five (5) years from and after the Closing Date, Seller shall not engage or compete, directly or indirectly, on its own account or as an equity holder, agent, partner, joint venturer or consultant, in or with any business entity that is engaged in the sale, distribution, manufacture or provision of products or services heretofore sold, distributed, manufactured or provided by the Business, or which is otherwise in competition with the Business, other than business entities engaged in the sale, distribution, manufacture or provision of monoblock power supplies that are used in medical applications regulated by the United States Food and Drug Administration.

ARTICLE VI

DELIVERIES AT CLOSING

SECTION 6.1 BUYER DELIVERIES. At or prior to Closing, Buyer shall deliver to Seller:

(a) (i) a certificate, dated the Closing Date, executed by Buyer's Secretary, to the effect that (A) the Certificate of Incorporation and By-laws of Buyer shall have not been amended since the date upon which certified copies of each had been delivered to Seller and remain in full force and effect and (B) the officers executing the Agreement and all other agreements to be executed by Buyer are duly elected and hold the offices set forth therein, with copies of resolutions approved by the board of directors of Buyer attached as an exhibit thereto;

(b) a duly executed copy of the Bill of Sale and such deeds, assignments, certificates of title and other instruments of transfer and conveyance, conveying, selling, transferring and assigning to Buyer title to all of the Property (subject to Section 1.3), free and clear of all security interests, liens, charges or encumbrances whatsoever, except for Permitted Liens and those liens assumed by Buyer pursuant to this Agreement or the Bill of Sale; together with the written consents of all parties necessary in order to duly transfer such title to the extent obtained;

(c) the Purchase Price;

(d) a certificate dated the Closing Date, in substantially in the form of EXHIBIT D, signed by the Chief Financial Officer of Buyer, certifying that Buyer is Solvent on the Closing Date after giving effect to the transactions contemplated hereby (the "Solvency Certificate");

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(e) (i) an executed copy of that certain assignment of the Non-Compete Agreement and release substantially in the form of EXHIBIT E hereto (the "Assignment");

(f) a duly executed copy of the of the Lease Assignment; and

(g) a copy of the consent of each Governmental Authority and each other person whose consent is required for the consummation of the transactions contemplated by this Agreement or for the assignment of any of the Property of Seller to Buyer.

SECTION 6.2 SELLER DELIVERIES. At or prior to Closing, Seller shall deliver to Buyer:

(a) a certificate, dated the Closing Date, executed by Seller's secretary, to the effect that (A) the Certificate of Incorporation and Bylaws of Seller shall have not been amended since the date upon which certified copies of each had been delivered to Buyer and remain in full force and effect and (B) the officers executing this Agreement and Seller's Documents on behalf of Seller are duly elected and hold the offices set forth therein, with copies of resolutions approved by the board of directors of Seller attached as an exhibit thereto;

(b) a duly executed copy of the Bill of Sale and such deeds, assignments, certificates of title and other instruments of transfer and conveyance, conveying, selling, transferring and assigning to Buyer title to all of the Property (subject to Section 1.3), free and clear of all security interests, liens, charges or encumbrances whatsoever, except for Permitted Liens and those liens assumed by Buyer pursuant to this Agreement or the Bill of Sale; together with the written consents of all parties necessary in order to duly transfer such title to the extent obtained;

(c) the Assignment of Intellectual Property Rights in the form attached hereto as EXHIBIT F (the "IP Assignment");

(d) a duly executed copy of the Assignment;

(e) a duly executed copy of the Lease Assignment;

(f) a copy of the consent of General Electric Capital Corporation ("GECC") under Seller's Loan and Security Agreement with GECC to the transactions consummated hereby (the "Bank Consent"); and

(g) a copy of the consent of each Governmental Authority and each other person whose consent is required for the consummation of the transactions

contemplated by this Agreement or for the assignment of any of the Property of Seller to Buyer.

ARTICLE VII

INDEMNIFICATION

SECTION 7.1 SURVIVAL OF REPRESENTATIONS, WARRANTIES AND AGREEMENT. Subject to the limitations set forth in this Article VII and notwithstanding any investigation conducted at any time with regard thereto by or on behalf of Buyer or Seller, all representations, warranties, covenants and agreements of Buyer in

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this Agreement shall survive the consummation of the transactions contemplated hereby and the payment of the Purchase Price for a period of sixty days after the Closing Date. All representations, warranties, covenants and agreements of Seller in this Agreement shall survive the consummation of the transactions contemplated hereby for a period of sixty days after the Closing Date. Each representation and warranty made by Seller or Buyer in this Agreement shall expire on the last day, if any, that Claims (as such term is defined herein) for breaches of such representation or warranty may be made pursuant to this Section, except that any such representation or warranty that has been made the subject of a Claim prior to such expiration date shall survive with respect to such Claim until the final resolution of such Claim pursuant to Article VII hereof.

SECTION 7.2 INDEMNIFICATION BY BUYER. Subject to the limits set forth in this Article VII, Buyer agrees to indemnify, defend and hold Seller and its officers, directors, employees, independent consultants, affiliates, agents and representatives (collectively, the "Seller Indemnified Parties") harmless from and against any and all loss, liability, damage (net of insurance recovery or other benefit), costs and expenses (including interest, penalties and reasonable attorneys' fees) (collectively, "Losses") that any of Seller Indemnified Parties may incur or become subject to arising out of or due to, directly or indirectly, (a) any inaccuracy of any representation or the failure to perform or the breach of any warranty, covenant or obligation of Buyer contained in this Agreement, (b) any of the Assumed Liabilities arising on or after the Closing Date or (c) the ownership of the Property or the conduct of the Business on or after the Closing Date. Buyer will reimburse Seller Indemnified Parties for any legal or other expenses reasonably incurred by them in connection with investigating, defending or settling any such Loss, claim, liability, action or proceeding.

SECTION 7.3 INDEMNIFICATION BY SELLER. Subject to the limitations set forth in this Article VII, Seller agrees to indemnify, defend and hold Buyer and its officers, directors, employees, independent consultants, affiliates, agents and representatives (collectively, the "Buyer Indemnified Parties") harmless from and against any and all Losses that any of the Buyer Indemnified Parties may incur or become subject to arising out of or due to, directly or indirectly, (a) any inaccuracy of any representation or the failure to perform or the breach of any warranty, covenant or obligation of Seller contained in this Agreement, (b) any liability imposed upon Buyer as transferee of the Business or the Property, or otherwise relating to the conduct of the Business in respect of any period ending on or prior to the Closing Date, except to the extent such liability for such period has been expressly assumed by Buyer as an Assumed Liability and (c) any liability imposed upon Buyer and arising out of or relating to any of Seller's other assets, operations, businesses or activities that are not part of the Business; provided, that in the absence of fraud, Seller shall have no liability under this Section 7.3 unless and until the aggregate amount of all claims by Buyer Indemnified Parties arising out of one or more breaches of the representations and warranties of Seller shall exceed, in the aggregate, an amount equal to \$10,000. The indemnification obligations of Seller for breach of the representations and warranties contained herein, in the absence of fraud, shall be limited to a maximum of \$100,000 in the aggregate.

SECTION 7.4 CLAIMS. Any party seeking indemnification hereunder (the "Indemnified Party") shall promptly notify the other party hereto (the "Indemnifying Party") of any action, suit, proceeding, demand or breach (a "Claim") with respect to which the Indemnified Party claims indemnification

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hereunder, provided that failure of the Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations under this Section 7.4 except to the extent, if at all, that such Indemnifying Party shall have been prejudiced thereby.

SECTION 7.5 THIRD PARTY CLAIMS. In order for an Indemnified Party to be entitled to any indemnification provided for under this Agreement in respect of, arising out of, or involving a claim or demand or written notice made by any third party against the Indemnified Party (a "Third Party Claim") after the Closing Date, such Indemnified Party must notify the Indemnifying Party in writing of the Third Party Claim within 30 business days after receipt by such Indemnified Party of written notice of the Third Party Claim; provided that the failure of any Indemnified Party to give timely notice shall not affect his right of indemnification hereunder except to the extent the indemnifying party has actually been prejudiced or damaged thereby. If a Third Party Claim is made against an Indemnified Party, within thirty (30) days after receipt of notice of a particular matter by the Indemnified Party, the Indemnifying Party shall be entitled, if it so chooses, to assume the defense thereof with counsel selected by the Indemnifying Party (which counsel shall be reasonably satisfactory to the Indemnified Party) in the event such Third Party Claim solely involves an action for monetary damages and could not affect the Indemnified Party's business going forward. If the Indemnifying Party assumes the defense of a Third Party Claim, the Indemnified Party will cooperate in all reasonable respects with the Indemnifying Party in connection with such defense, and shall have the right to participate in such defense with counsel selected by it. The fees and disbursements of such counsel, however, shall be at the expense of the Indemnified Party; provided, however, that, in the case of any Third Party Claim of which the Indemnifying Party has not employed counsel to assume the defense, the fees and disbursements of such counsel shall be at the expense of the Indemnifying Party. An Indemnifying Party shall not be liable hereunder to indemnify the Indemnified Party for any settlement effected without its written consent, to the extent it has assumed the defense of such claim, of any claim, action or proceeding in respect of which indemnity may be sought hereunder.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.1 EXPENSES. Except as otherwise specifically provided in this Agreement, all costs and expenses, including, without limitation attorney's fees, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

SECTION 8.2 NOTICES. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when (i) delivered personally or by facsimile transmission (and a copy is mailed by regular mail within 24 hours of such transmission), in either case with receipt acknowledged, (ii) three business days after being sent by registered or certified mail, return receipt requested, or (iii) one business day after being sent by prepaid overnight carrier, with a record of receipt, to the parties at the following addresses:

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(a) If to Buyer to:

Spellman High Voltage Electronics Corporation
475 Wireless Boulevard
Hauppauge, New York 11788
Facsimile: (631) 435-1620
Attention: Loren Skeist

with a copy (which shall not constitute notice) to:

Felcher Fox & Litner, P.C.
18 East 48th Street, 17th Floor
New York, NY 10017
Facsimile: (212) 644-5609
Attention: Martin W. Felcher, Esq.

(b) If to Seller to:

Del Global Technologies Corp.
One Commerce Park
Valhalla, New York 10595
Facsimile: 914-686-5425
Attention: Walter F. Schneider

with a copy (which shall not constitute notice) to:

Olshan Grundman Frome Rosenzweig & Wolosky LLP
Park Avenue Tower
65 East 55th Street

or to such other address as any party shall have specified by notice in writing to the other in compliance with this Section 8.2.

SECTION 8.3 ENTIRE AGREEMENT. This Agreement, the Schedules and Exhibits attached hereto, the Buyer Agreements and the Seller Agreements constitute the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, representations and understandings among the parties hereto including, without limitation, the Letter of Intent dated July 27, 2004 between Buyer and Seller (the "Letter of Intent").

SECTION 8.4 BINDING EFFECT, BENEFITS, ASSIGNMENTS. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns; nothing in this Agreement, expressed or implied, is intended to confer on any other person, other than the parties hereto or their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement. This Agreement may not be assigned without the prior written consent of the other party hereto.

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SECTION 8.5 APPLICABLE LAW. This Agreement and the legal relations between the parties hereto shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of law rules of such state.

SECTION 8.6 JURISDICTION. Each of the parties hereto hereby irrevocably submits to the exclusive jurisdiction of any New York state court located in the borough of Manhattan of the City of New York or federal court sitting in the State of New York for the Southern District of New York over any action or proceeding arising out of or relating to this Agreement and the transactions contemplated hereby and each of the parties hereto hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York state or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent legally possible, the defense of an inconvenient forum to the maintenance of such action or proceeding. Each of the parties hereto irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to such party at its address set forth in this Agreement. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

SECTION 8.7 FURTHER ASSURANCES. At, and from time to time after the date hereof, at the request and expense of Buyer but without further consideration, Seller will execute and deliver such other instruments of conveyance, assignment, transfer, and delivery and take such other action as Buyer reasonably may request in order more effectively to convey, transfer, assign and deliver to Buyer, and to place Buyer in possession and control of, any of the rights, properties, assets and business constituting part of the Property, or to assist in the collection or reduction to possession of any and all of such rights, properties, and assets or to enable Buyer to exercise and enjoy all rights and benefits of Seller with respect to the Property.

SECTION 8.8 COUNTERPARTS. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 8.9 HEADINGS. The headings used herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

SECTION 8.10. SEVERABILITY. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by virtue of any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the maximum extent possible.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year hereinabove first set forth.

BUYER:

SPELLMAN HIGH VOLTAGE ELECTRONICS CORPORATION

By: /s/ Loren Skeist

Name: Loren Skeist
Title: President

SELLER:

DEL GLOBAL TECHNOLOGIES CORP.

By: /s/ Walter F. Schneider

Name: Walter F. Schneider
Title: President

ASSIGNMENT, ASSUMPTION AND AMENDMENT OF LEASE

AGREEMENT, dated as of this 1st day of October, 2004, between DP 16 LLC ("Landlord"), DEL GLOBAL TECHNOLOGIES CORP. ("Assignor"), and SPELLMAN HIGH VOLTAGE ELECTRONICS CORPORATION ("Assignee").

WITNESSETH:

WHEREAS, Landlord and Assignor are parties to a certain Lease Agreement ("Lease") dated April 17, 1992, as amended by the amendments set forth in Article Fifth hereof, for the premises ("Premises") in the building ("Building") located at 115 Wall Street, Valhalla, New York and more particularly set forth in Exhibit A to the Lease, a copy of which is attached hereto as EXHIBIT A.

WHEREAS, pursuant to that certain Asset Purchase Agreement (the "Asset Purchase Agreement") dated October 1, 2004, between Assignor and Assignee, Assignee has purchased all assets of Assignor, more particularly set forth in Section 1.1 of the Asset Purchase Agreement, which assets include the Lease.

WHEREAS, in order to effectuate the terms of the Asset Purchase Agreement, Assignor desires to assign the Lease to Assignee and Assignee desires to assume the obligations of Assignor under the Lease accruing from and after the Effective Date (as defined below) and Landlord hereby consents to the assignment of the Lease by Assignor to Assignee upon the terms and conditions contained herein and the parties wish to amend the lease as set forth below.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, it is agreed as follows:

FIRST: The effective date of this Agreement shall be the date set forth above ("Effective Date").

SECOND: Assignor hereby assigns, transfers, sets over, and conveys unto Assignee, all of Assignor's right, title and interest in and to the Lease effective as of Effective Date.

THIRD: From and after the Effective Date, Assignee hereby agrees to assume, observe and perform all of the obligations of Assignor under the Lease and to indemnify and hold harmless Assignor from any and all liability or responsibility arising out of any failure of the Assignee to fully and faithfully perform such obligations.

FOURTH: Assignor and Assignee represent to Landlord that neither party consulted nor negotiated with any broker or finder with regard to this Assignment and Assumption of Lease Agreement.

FIFTH: Landlord represents that (i) there are no existing or claimed defaults on the part of Assignor or Landlord under the Lease; and there are not existing or claimed conditions that, with the passage of time or notice, would constitute a default on the part of Assignor or Landlord under the Lease, (ii) the Lease is in full force and effect and has not been modified, amended or supplemented, except as follows: April 23, 1992 amendment to lease (Exhibit B), March 26, 1993 amendment to lease (Exhibit C), April 1, 2000 amendment to lease (Exhibit D), July 30, 2002 Extension and Modification Agreement (Exhibit E) and August 22, 2002 letter amendment to lease (Exhibit F), (iii) Landlord has not received notice of prior sale, transfer, assignment, hypothecation or pledge of the Lease, except to Assignee; and Landlord has not assigned, sublet, hypothecated or otherwise transferred all or any portion of its interest under

the Lease except as set forth in the Non-Disturbance Agreement, (iv) Landlord and Assignor have performed and complied with all obligations to be performed or complied with by them under the Lease, (v) all payments due and payable to Landlord by Assignor under the Lease as of the date hereof have been paid through September 30, 2004, (vi) there are no defenses or offsets to the enforcement of the Lease, and (vii) there are no third-party consents required, including any from a mortgagee, for the assignment or amendment of the Lease as set forth herein.

SIXTH: Landlord hereby consents to this assignment of the Lease by Assignor to Assignee and releases Assignor from all obligations under the Lease.

SEVENTH: Assignee shall indemnify and hold harmless Assignor, its employees, officers, directors and affiliated companies, and each of their employees, officers and directors, from and against any and all losses, damages, liabilities or claims (including, without limitation, reasonable attorneys' fees and any and all reasonable expenses incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation) asserted against, resulting to, imposed upon or incurred or suffered by Assignor by reason of Assignee's failure to keep, fulfill, observe, perform, discharge, and faithfully perform all covenants, stipulations, agreements and obligations under the Lease, including, without limitation, the duty to pay all rent and additional rent under the Lease, accruing on and after the Effective Date, or otherwise attributable to the period commencing on the Effective Date and continuing thereafter for the remaining term of the Lease.

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EIGHTH: All notices or other documents under this Agreement and the Lease shall be in writing and delivered personally or mailed by certified mail, postage prepaid, addressed to the parties as follows:

Assignor: Del Global Technologies Corp.
One Commerce Park
Valhalla, New York 10595
Facsimile: (914) 686-5425
Attention: Walter F. Schneider

Assignee: Spellman High Voltage Electronics Corporation
475 Wireless Boulevard
Hauppauge, New York 11788
Facsimile: (631) 435-1620
Attention: Loren Skeist

Landlord: DP 16 LLC
c/o Diamond Properties, LLC
400 Columbus Avenue
Valhalla, New York 10595
Facsimile: (914) 773-6259
Attention: Mark Blandford

NINTH: This Agreement shall be governed by the laws of the State of New York, without giving effect to conflicts of law principles thereof. Assignor and Assignee agree that all actions or proceedings arising in connection with this Agreement shall be tried and litigated only in the state and federal courts located in the State of New York Assignee waives any right it may have to assert the doctrine of forum non conveniens or to object to such venue, and consents to any court ordered relief. The choice of forum set forth herein shall not be deemed to preclude the enforcement of any judgment obtained in such forum.

TENTH: The Lease is modified to delete the space marked "Surrendered Space" on the plan attached as Exhibit G. The Fixed Rent payable under the Lease shall be at the rate of TWO HUNDRED NINETY-THREE THOUSAND SEVEN HUNDRED EIGHTY-ONE AND 25/100 (\$293,781.25) DOLLARS per annum (\$24,481.77 per month).

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Tenant's Percentage and Tenant's Share as defined in the Lease are each hereby reduced to 54.73%. Exhibit A and Exhibit B, attached to and made a part of the Lease, shall be deemed modified to change 43,750 square feet to 34,563 square feet.

ELEVENTH: Except to the extent modified and amended by the provisions of this Agreement, the Lease is hereby ratified and confirmed in all respects and shall be binding upon the parties hereto and their successors and permitted assigns.

TWELFTH: This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

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[SIGNATURE PAGE TO
ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT]

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands
and seals as of the day and year first above written.

ASSIGNOR:

DEL GLOBAL TECHNOLOGIES CORP.

By: /s/ Walter F. Schneider

Name: Walter F. Schneider

Title: Chief Executive Officer

ASSIGNEE:

SPELLMAN HIGH VOLTAGE ELECTRONICS
CORPORATION

By: /s/ Loren Skeist

Name: Loren Skeist

Title: President

LANDLORD:

DP 16 LLC
a New York Limited Liability Company

By: Diamond Properties, LLC,
a Delaware limited liability company,
its sole member

By: /s/ Mark Blandford

Name: Mark Blandford

Title: Vice President
